07

Barclays Bank PLC Annual Report

Contents

Registered and Head office:
1 Churchill Place
London E14 5HP
Tel: +44 (0)20 7116 1000

In this document the terms 'Bank' and 'Company' refer to Barclays Bank PLC and the terms 'Barclays' and 'Group' refer to Barclays Bank PLC and its subsidiaries.

The information in the notes to the accounts relates to the Group unless stated otherwise.

Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services.

Operating in over 50 countries and employing nearly 135,000 people, we move, lend, invest and protect money for over 30 million customers and clients worldwide. With over 300 years of history and expertise in banking, Barclays has seven major businesses.

Key highlights

For the year ended 31st December **Income statement**	2007 £m	2006 £m	2005 £m
Total income net of insurance claims	23,031	21,656	17,364
Impairment charges and other credit provisions	(2,795)	(2,154)	(1,571)
Operating expenses	(13,199)	(12,674)	(10,527)
Profit before tax	7,107	7,197	5,311
Profit attributable to equity holders	4,749	4,914	3,695

UK Banking
Delivers banking products and services to 15 million retail customers and 724,000 businesses in the UK.

11.3m
UK Current accounts

724,000
Business customers

Barclaycard
Is one of the leading credit card businesses in Europe with an extensive international presence.

10.1m
UK customers

8.8m
International cards in issue

International Retail and Commercial Banking
Has operations with 13 million clients, in geographies which currently include Africa, France, Spain, Portugal, Italy, India and the Middle East.

2,349
International distribution points

Barclays Capital
The investment banking division, provides corporate, institutional and government clients with solutions to their financing and risk management needs.

US$441.5bn
Value of debt issued globally

Barclays Global Investors
Is one of the world's largest asset managers and a leading provider of investment management products and services.

US$2.1trn
Assets under management

Barclays Wealth
Serves high net worth, affluent and intermediary clients worldwide, providing private banking, asset management, stockbroking, offshore banking, wealth structuring and financial planning services.

£133bn
Total client assets

Global Retail and Commercial Banking

UK Retail Banking

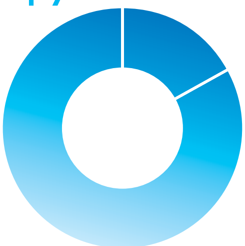
Profit before tax

£1,282m

– Personal Customers
– Home Finance
– Local Business
– Consumer Lending
– Barclays Financial Planning

Contribution to Group profit[a]

17%



Barclays Commercial Bank

£1,371m

– Larger Business
– Medium Business
– Asset and Sales Finance

18%

Barclaycard

£540m

– UK Cards and Loans
– Barclaycard Business
– Barclaycard International

7%

International Retail and Commercial Banking

£935m

– Absa
– Western Europe
– Emerging Markets

13%

Investment Banking and Investment Management

Barclays Capital

Profit before tax

£2,335m

– Rates
– Credit
– Private Equity
– Absa Capital

Contribution to Group profit[a]

31%

Barclays Global Investors

£734m

– Index asset management
– Active asset management
– iShares

10%

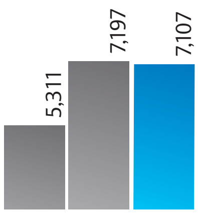
Barclays Wealth

£307m

– Private Banking
– Offshore Banking
– Brokerage
– Wealth Structuring
– Closed Life Assurance

4%

Profit before tax £m



Note

a Head office functions and other operations segment has been excluded.

Barclays strategic priorities are to:

– Build the best bank in the UK

– Accelerate growth of global businesses

– Develop Retail and Commercial Banking activities in selected countries outside the UK

– Enhance operational excellence

A range of financial and non-financial Key Performance Indicators (KPIs) are monitored at both a Group and business level to assess progress against these strategic goals. Further non-financial performance indicators are detailed within the Corporate Sustainability section. Group KPIs are set out below.

Profit before tax

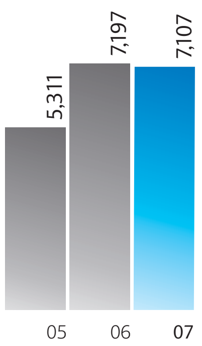
Profit before tax is a key indicator of financial performance to the majority of our stakeholders.

From 2005 to 2007 profit before tax grew at a compound rate of 16% per annum. 2006 included £323m of profit relating to business disposals; profit before disposals increased 3% in 2007.

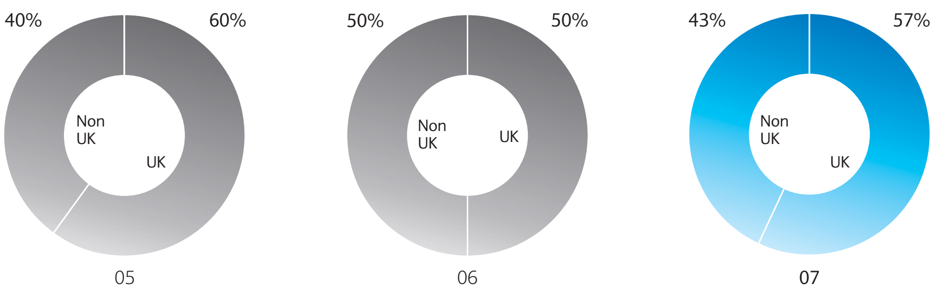
Profit diversification

The diversification of profit both by geography and by business line are strategic priorities for Barclays with the aim of increasing the proportion of our business conducted outside our UK Banking franchise. In 2007 two thirds of profits were made outside UK Banking businesses which is a result of the transformation of the Group over recent years.

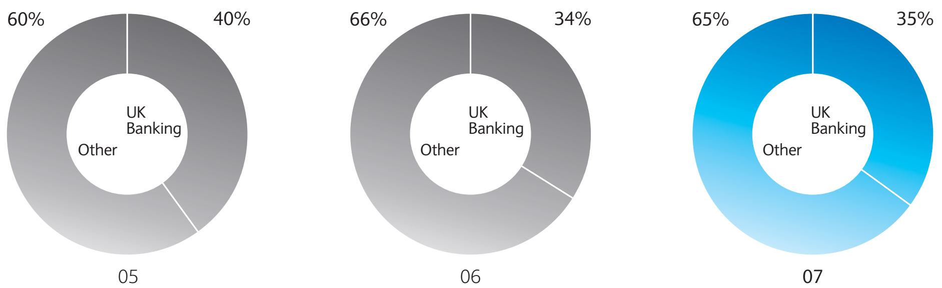
Profit before tax £m



Profit diversification by geographic region %



Profit diversification by business %[a]



Note

a Head office functions and other operations segment has been excluded.

Revenue Mix

The mix of income is an important indicator of financial health, being a demonstration of the diversification of business lines and of the dependency on the balance sheet to drive income growth. It is measured as the proportion of non-net interest income within total income. Over time we aim to increase this proportion.

The percentage of non-net interest income within total income has increased from 55% to 59% over the three years of review.

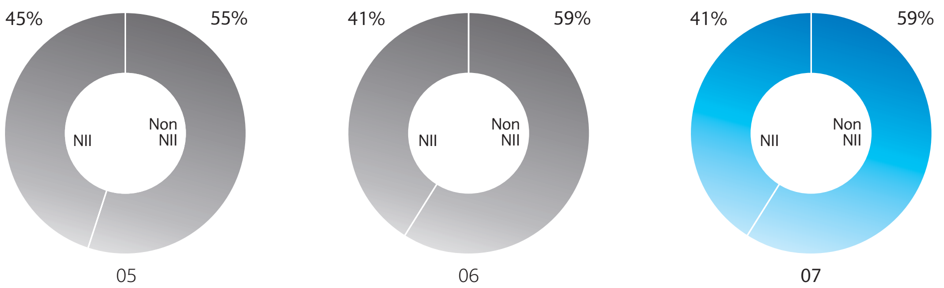
Cost:income Ratio

Cost:income ratio is defined as operating expenses compared to total income net of insurance claims and is a measure management use to assess the productivity of the business operations.

We target a top quartile cost:income ratio for each of our businesses relative to their peers.

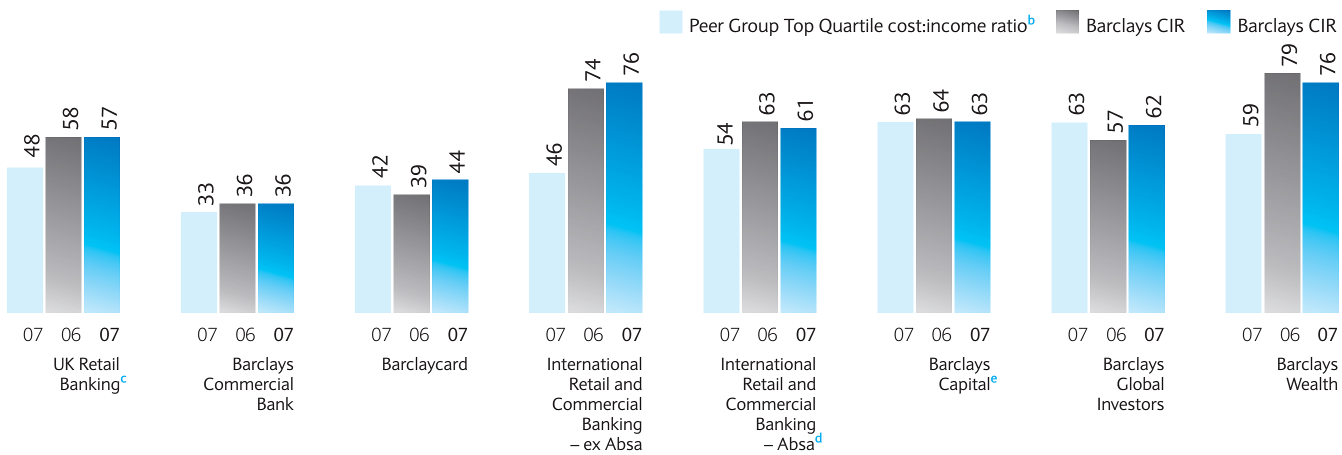
In 2005 we set a specific cost:income ratio target for UK Banking; to improve the cost:income ratio by two percentage points in each of 2005, 2006 and 2007. We have exceeded this over the period with the cost:income ratio improving by eight percentage points over the period to 48%, excluding the impact of settlements on overdraft fees in relation to prior years.

Revenue mix %



Cost:income Ratio UK Banking %

Cost:income Ratio by business %



Notes

a Excludes the impact of settlements on overdraft fees in relation to prior years.

b Peer group data has been extracted as at 30th June 2007.

c UK Retail Banking peer group includes related credit card businesses.

d IRCB Absa excludes Absa Capital, but peers are total Group numbers.

e Barclays Capital and Peer group ratios are cost:net income.

Group Performance

Barclays financial performance in 2007 demonstrated the benefits of the successful execution of our strategic priorities in recent years. We delivered profit before tax of £7,107m, broadly in line with the record results of 2006 and up 3% excluding gains from business disposals.

Income grew 6% to £23,031m, well ahead of expense growth. Growth was well spread by business, with strong contributions from International Retail and Commercial Banking, Barclays Global Investors and Barclays Wealth. Net income, after impairment charges, grew 4% and included net losses of £1,635m relating to credit market turbulence, net of £658m of gains arising from the fair valuation of notes issued by Barclays Capital and settlements on overdraft fees in relation to prior years of £116m in UK Retail Banking.

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

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

Business Performance – Global Retail and Commercial Banking

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

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

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

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

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

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

International Retail and Commercial Banking – Absa Sterling profit fell £9m to £689m after absorbing the 12% decline in the average value of the Rand. Absa Group Limited profit before tax grew 23% in Rand terms, reflecting very strong growth in retail banking, corporate banking and Absa Capital (reported in Barclays Capital). Retail loans and advances grew 22% and retail deposits grew 20%. We delivered synergies of R1,428m, achieving our synergy target 18 months ahead of schedule.

Business Performance – Investment Banking and Investment Management

Barclays Capital improved on the record performance of 2006 delivering a 5% increase in profit before tax to £2,335m. Net income was ahead of last year, reflecting very strong performances in most asset classes including interest rates, currencies, equity products and commodities. Results also included net losses arising from credit market turbulence of £1,635m net of gains from the fair valuation of issued notes of £658m. All geographies outside the US enjoyed significant growth in income and profits. Strong cost control led to operating expenses declining slightly year on year. The cost:net income ratio improved by 1% to 63%.

Barclays Global Investors (BGI) profit before tax increased 3% to £734m. Income grew 16%, driven by very strong growth in management fees and in securities lending revenues. Profit and income growth were both affected by the 8% depreciation in the average value of the US Dollar. BGI costs increased 25% as we continued to build our infrastructure across multiple products and platforms to support future growth. The cost:income ratio rose to 62%. Assets under management grew US$265bn to US$2.1 trillion, including net new assets of US$86bn.

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

Head office functions and other operations

Head Office functions and other operations loss before tax increased 86% to £397m reflecting higher inter-segment adjustments and lower gains from hedging activities.

Risk factors

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

Business conditions and general economy

The profitability of Barclays businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom, globally or in certain individual markets such as the US or South Africa. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

– An economic downturn or significantly higher interest rates could adversely affect the credit quality of Barclays on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of Barclays customers would be unable to meet their obligations;

– A market downturn or worsening of the economy could cause the Group to incur mark to market losses in its trading portfolios;

– A market downturn could reduce the fees Barclays earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management; and

– A market downturn would be likely to lead to a decline in the volume of customer transactions that Barclays executes and, therefore, a decline in the income it receives from fees and commissions and interest.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Group's investment in that entity's financial instruments to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the asset, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Group may pay a counterparty – for example, a bank in a foreign exchange transaction – but fail to receive the corresponding settlement in return.

Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The main market risk arises from trading activities. The Group is also exposed to interest rate risk in the banking book and market risk in the pension fund.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in Barclays operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

- Meet minimum regulatory capital requirements in the UK and in other jurisdictions such as the US and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- Support its strong credit rating. In addition to capital resources, the Group's rating is supported by a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation. A weaker credit rating would increase the Group's cost of funds; and
- Support its growth and strategic options.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

Insurance risk

Insurance risk is the risk that the Group will have to make higher than anticipated payments to settle claims arising from its long-term and short-term insurance businesses.

Legal risk

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

- the Group's business may not be conducted in accordance with applicable laws around the world;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the intellectual property of the Group (such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. Although the Group has processes and controls to manage legal risks, failure to manage these risks could impact the Group adversely, both financially and by reputation.

Tax risk

The Group is subject to the tax laws in all countries in which it operates. A number of double taxation agreements entered between countries also impact on the taxation of the Group. The Group is also subject to European Union tax law. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk:

- tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;
- the tax charge is also reviewed by the Board Audit Committee;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the Group takes appropriate advice from reputable professional firms;
- the Group employs high-quality tax professionals and provides ongoing technical training;
- the tax professionals understand and work closely with the different areas of the business;
- the Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and
- where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

Effect of governmental policy and regulation

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the UK, the European Union, the US, South Africa and elsewhere.

Areas where changes could have an impact include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- changes and rules in competition and pricing environments;
- further developments in the financial reporting environment;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

Regulatory compliance risk

Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Impact of strategic decisions taken by the Group

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not deliver as anticipated, the Group's earnings could grow more slowly or decline.

Competition

The global financial services markets in which the Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group's profitability if the Group fails to retain and attract clients and customers.

Supervision and regulation

The Group's operations, including its overseas offices, subsidiaries and associates, are subject to rules and regulations, including reserve and reporting requirements and conduct of business requirements, imposed by the relevant central banks and regulatory authorities.

In the UK, the FSA is the independent body responsible for the regulation of deposit taking, life insurance, home mortgages, general insurance and investment business. The FSA was established by the Government and it exercises statutory powers under the Financial Services and Markets Act 2000.

The Company is authorised by the FSA to carry on a range of regulated activities within the UK and is subject to consolidated supervision. In its role as supervisor, the FSA seeks to ensure the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers. The FSA's continuing supervision of financial institutions authorised by it is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The FSA adopts a risk-based approach to supervision. The starting point for supervision of all financial institutions is a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogeneous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment are used by the FSA to develop a risk mitigation programme for a firm. The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy, limits on large exposures to individual entities and groups of closely connected entities, liquidity and rules of business conduct. Certain of these requirements derive from EU directives as described below.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme) where an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Different levels of compensation are available to eligible claimants depending upon whether the protected claim is in relation to a deposit, a contract of insurance or protected investment business and certain types of claims are subject to maximum levels of compensation. Most deposits made with branches of the Company within the European Economic Area (EEA) which are denominated in Sterling or other EEA currencies (including the euro) are covered by the Scheme. Most claims made in respect of designated investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The arrangements for compensating depositors and for dealing with failed banks are currently subject to consultation by the UK Tripartite Authorities – HM Treasury, the FSA and the Bank of England. The Government has committed to presenting proposals for legislation to Parliament on these matters in the course of 2008.

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

In Europe, the UK regulatory agenda is considerably shaped and influenced by the directives emanating from the EU. A number of EU directives have recently been implemented, for example the Capital Requirements Directive and the Markets in Financial Instruments Directive ('MiFID'). These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework, which continues to evolve, is designed to enable a credit 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.

In the United States, the Company, and certain US subsidiaries and branches of the Bank 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, the Foreign Bank Supervision Enhancement Act of 1991 and the USA PATRIOT Act of 2001. Such laws and regulations impose limitations on the types of businesses, and the ways in which they may be conducted, in the United States and on the location and expansion of banking business there. The Bank's branch operations are subject to extensive federal and state supervision and regulation by the FRB, the New York State Banking Department and the OCC (in the case of Barclays Global Investors, NA); and the Delaware State Banking Commissioner and the Federal Deposit Insurance Corporation (in the case of Barclays Bank Delaware). The investment banking and asset management operations are subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC) as well as a comprehensive scheme of regulation under the US federal securities laws, as enforced by, for example, the Financial Industry Regulatory Authority (FINRA) and the OCC.

Corporate sustainability

For Barclays, there are two separate but mutually dependent aspects to sustainability. One is our duty as a bank to provide sound and enduring returns for our shareholders, and the best possible services for our customers. The other is our responsibility to conduct our global business ethically, and with full regard to wider social and environmental considerations. Our ambition is to develop both of these complementary strands as we move forward.

Barclays as a sustainable bank

Banks are central to every society; they provide the funding that facilitates business and entrepreneurship, support a sound financial system, and help to create jobs and wealth. As one of the world's leading banks, with nearly 135,000 employees and operations in over 50 countries across the world, Barclays plays a significant role, whether it is working with governments on major infrastructure projects or bringing mainstream banking to customers in emerging markets.

In all of this, the customer is absolutely central. If we are to make sustainable banking successful, and successful banking sustainable, we must put our customers at the heart of everything we do, and build our services around them. We must earn – and keep – their trust by ensuring that the products we sell are understandable and appropriate.

This may seem like a statement of the obvious, but the banking sector in general has not always had a reputation for doing this. We want to change that. This aspiration covers every aspect of our business and every stage in a customer's relationship with us, from the purchase of a Barclays product for the first time, to the way we assess applications for loans, to the more general aspects of customer service such as complaints-handling, confidentiality, and security.

Focusing more on the customer is also an integral part of what we call 'inclusive banking'. This is partly about appealing to the broadest possible range of people as part of our strategic move into mass-market services in our emerging markets businesses, and partly about understanding the exact nature of our local customer base, and adapting our business model and product range accordingly.

A good example is our approach to basic banking accounts. In the UK we now have over 660,000 customers who have our basic Cash Card Account, and we have been working closely with consumer groups and third parties such as housing associations to ensure that these accounts are easily accessible and the product features and communications are tailored to meet their needs. In Africa the potential for growth in this area is enormous: over 100 million of the continent's people have yet to be brought into mainstream banking, and could in time buy a whole range of other financial services. Absa has been a pioneer of basic banking in South Africa, and has attracted over 4 million customers to these accounts. The same thinking is now being applied in other African markets and India, with new basic banking products being developed. We are also distributing these products through new and innovative formats such as express branches and direct sales agents, alongside our traditional branches.

This is another lesson we have learnt from our South African operations. In Ghana our microbanking programme is now working with over 500 Susu collectors and reaching over 280,000 market traders across the country. The programme is being extended to other intermediaries such as credit unions, trade associations, microfinance institutions and church groups.

Responsible lending

We have reported on this issue in our recent Corporate Responsibility reviews, setting out our approach to what remains a high-profile and intractable issue, especially in the UK. In the last year we have continued to enforce strict criteria on new credit card applications, using a scoring system that takes over 400 variables into account when assessing an applicant's likely ability to manage their credit. Around 50% of applications for credit cards are declined as a result. We have also extended our data-sharing collaboration with the UK credit reference agencies: pooling information about cash advances and minimum payments is proving to be an effective way of flagging up those customers who are in danger of incurring serious debt problems. We have a new unit that can step in at this stage and offer support and guidance to get their finances back on track.

We are also testing a new product, Barclaycard Freedom, which combines a credit card and the features of a structured loan, making it easier for people to manage their borrowing and keep their interest payments down.

Customer service

We have a strategic priority to be the best bank in the UK. In the last twelve months we have started to roll all our various customer initiatives into what we are calling 'Real Retail'. We are sharing best practice more actively, and both managers and employees are getting new powers to make decisions, and tailor their product range, based on local customer needs.

Real Retail also includes a new programme to telephone customers to ask about the quality of our service and products they have purchased. Over 20,000 calls have been made so far, and the feedback is being channelled back to our product development teams.

Risk management

The incorporation of environmental and social risks into mainstream commercial credit assessments is an area where Barclays has demonstrated genuine leadership.

We have been a member of the Equator Principles since their inception, and currently chair the Steering Committee for the group of Equator banks. We continue to assess our environmental and social impact beyond the project finance remit of these principles (see table on page 11) and are working to include climate change and human rights risks. We now have ten briefing notes for all lending covering a wide range of social and environmental risks. These notes set out an overview of the risks facing different sectors, and the ways they can be mitigated, as well as the legislative and regulatory environment applicable to that industry. A good example of this process in practice in 2007 is Absa's involvement with the Bujagali Hydropower project in Uganda. A rigorous social and environmental assessment was carried out, and the results were incorporated into the final plans.

Barclays as a responsible global citizen

Twenty years ago the idea of 'corporate citizenship' described a company's community activities, which rarely extended beyond philanthropic donations. Public understanding of the responsibilities of business has evolved considerably since then. For us, being a responsible global citizen does not just cover our award-winning community investment programme, but also includes how we behave as an employer, and how we manage Barclays wider social and environmental impacts.

Climate change has become the single biggest challenge the world faces at the beginning of the 21st century, and in response we are focusing increasingly on our work on the environment, which includes both our direct and indirect impacts.

The environment

As a major financial services organisation we want to take a lead in helping our clients thrive in a lower-carbon future, and use our position to press for appropriate policies and regulatory frameworks to deal with climate change. We will be 100% carbon neutral globally by next year. We remain committed to increasing our energy efficiency, and reducing our carbon footprint on an ongoing basis, as well as helping our supply chain reduce its emissions.

We also believe we can make a positive impact through the products and services we offer, and the lending decisions we make. In 2007, we invested further in our emissions trading capability, and moved into the consumer market with new lower-carbon products and services.

An example is Barclaycard Breathe, a new card that gives consumers incentives when they buy green products, and donates half its profits to environmental projects. In the wholesale market we have Barclays Capital's commitment to the EU emissions trading market, where it brings its full range of commodity trading and risk management expertise to bear to help clients manage their carbon risk. Since 2005 we have traded over 600 million tonnes of carbon credits, with a notional value of over $14 billion.

Our supply chain

Since 2006 we have required all new and high-risk suppliers to provide us detailed information about their social, environmental and ethical performance. In the last year Absa adapted it for the special conditions of the South African market.

Measuring the emissions generated from a company's supply chain is also becoming increasingly important, and we are engaging more with our own suppliers on this. This included a special forum for nine key suppliers, which has been followed up with one-to-one discussions to ascertain the proportion of each firm's emissions that are attributable to us. We have identified a number of ways to help suppliers address their emissions, and now have a working group in place to take these ideas forward in 2008.

Human rights

We have represented the banking sector on the Business Leaders' Initiative on Human Rights since its launch in 2003 and, since October 2006, have co-chaired the United Nations Environment Programme Finance Initiative (UNEPFI) human rights work stream. During 2007 we worked as part of a team of 12 financial institutions to develop an online tool for UNEPFI that provides guidance on human rights issues associated with corporate lending. It is designed to help identify potential risks and how they may be reduced or managed. The guidance covers specific issues relevant to different sectors, ranging from employment terms and conditions, to health and safety, to child labour, to relocation of communities, among many others.

Project Finance Deals – whole Barclays Group

Category	A Higher Risk	B Medium Risk	C Lower Risk	Total 2007	Total 2006
Number of project finance deals	7	18	29	54	36
Deals completed or pending	4	12	29	45	30
– of which, number where sustainability related changes were made.	4	12	29	45	30
Deals considered, but not participated in	3	6	0	9	6
Projects referred from EU	5	9	24	38	25
Projects referred from Africa	2	1	4	7	5
Projects referred from Asia Pacific	0	4	1	5	3
Projects referred from North America	0	4	0	4	3

Project finance deals by sector	Project finance[a] deals	Non project finance deals referred to E and S Risk Team
Agriculture and Fisheries	0	4
Forestry and Logging	0	16
Manufacturing	3	30
Chemicals, pharmaceuticals manufacturing and bulk storage	1	6
Mining and Metals	6	91
Power generation[b]	16	118
Oil and gas	4	41
Utilities and Waste Management	5	7
Infrastructure (including dams, pipelines)	9	26
Service Industry	10	7
Totals	**54**	**346**

Note

a Project finance as defined by Basel II www.bis.org/publ/bcbs118.pdf.

b Of which non-fossil fuel deals contributed 9 and 89 to project finance deals and non-project finance deals referred to E and S Team respectively.

Barclays – an international picture

	2007	2006
FTE by world region		
UK	61,900	62,400
Africa & Middle East	51,748	44,326
Continental Europe	9,750	8,100
Americas	6,413	4,905
Asia Pacific	5,089	2,869
Total	134,900	122,600
Global employment statistics		
FTE	134,900	122,600
Total employee headcount	141,885	133,529
Percentage of female employees	56.3%	60.6%
Percentage of female senior executives	13.7%	12.2%
Percentage of female senior managers	20.6%	20.8%
Percentage working part time	12.4%	13.6%
Turnover rate	18.3%	16.9%
Resignation rate	12.3%	10.9%
Sickness absence rate	3.0%	3.6%

Barclays UK employees

	2007[a]	2006[b]
UK employment statistics		
Total employee headcount	61,900	62,400
Average length of service (years)	9.7	9.8
Percentage working part time	16.8%	21.8%
Sickness absence rate	3.0%	4.0%
Turnover rate	16.6%	19.0%
Resignation rate	11.1%	12.0%
Women in Barclays		
Percentage of all employees	58.0%	61.0%
Percentage of management grades	28.4%	33.0%
Percentage of senior executives	13.0%	12.9%
Ethnic minorities in Barclays		
Percentage of all employees	12.3%	12.7%
Percentage of management grades	10.0%	8.1%
Percentage of senior executives	6.6%	6.1%
Disabled employees in Barclays		
Percentage of all employees	3.4%	5.0%
Age profile		
Employees aged under 25	16.5%	17.4%
Employees aged 25-29	17.0%	15.9%
Employees aged 30-49	54.2%	56.0%
Employees aged 50+	10.3%	10.7%
Pensions		
Barclays Bank UK Retirement Fund active members	53,473	55,558
Current pensioners	48,607	43,754

Notes

a 2007 UK data – includes 1,000 BGI employees

b 2006 UK data – excludes 800 BGI employees

Barclays as an employer

One of our guiding principles is to develop the best people, and in such an intensely competitive industry we want to find, develop and retain the best talent. We are committed to diversity as a way of helping to ensure we are able to attract the best people. We have a wide range of development and leadership programmes for employees, and a policy that ensures that they are all treated with respect, regardless of age, race, sexuality, gender or disability.

We use our employee opinion surveys to understand and engage our employees. We continue to score well but we are working to improve our scores further.

As we grow internationally our workforce becomes ever more diverse, reflecting the worldwide markets in which we operate. The percentage of UK ethnic minority employees has increased significantly from 7.2% in 2001, to 12.3% in 2007. As we grow we are determined to build the local talent base in the markets in which we operate, we see this as a crucial success factor for us in emerging markets. In the UK we also continued to invest in the disability mentoring and 'reasonable adjustments' schemes in 2007, and have again been ranked in the top 20 of Stonewall's list of the best employers for lesbian, gay and bisexual people.

These are clear successes; but we have much more work to do on our gender balance, especially at senior level: 20.6% of our senior managers are women. The drive to improve this comes from the very top of the bank.

Barclays in the community

Barclays has always been a proud and committed investor in its communities. In 2007 we invested £52.4 million in communities around the world and 44,000 Barclays employees in 26 countries were involved in our fundraising and volunteering initiatives. Our flagship programme, Banking on Brighter Futures, enabled us to use our skills and expertise, as well as our money, to maximum effect helping people improve their economic prospects, especially those in poverty, disadvantage, and debt. Projects ranged from supporting elderly people in the UK who are in financial difficulty through to helping Ugandan women affected by HIV/AIDS to set up their own businesses. This is not just about good works: the more we help individuals and communities improve their economic circumstances and financial literacy, the better the environment in which we operate.

We are investing $150 million over the next five years in the Banking on Brighter Futures programme. 1,500 projects will be supported around the world, and employees will be encouraged to volunteer 150,000 hours of their time on projects focusing on financial education, entrepreneurship, employment and financial inclusion.

Governance

Corporate responsibility is firmly established as one of the Barclays Principal Risks, which means that it is managed within a robust framework of internal control, governance, and risk management processes.

Responsibility for Barclays Corporate Sustainability Strategy rests with the Group Executive Committee, with oversight by the Board. The Group Chief Executive has primary responsibility for embedding corporate sustainability throughout Barclays, supported by the Group Executive Committee. This includes ensuring there are effective processes for identifying and monitoring all the business risks or commercial opportunities that have a significant social, environmental or ethical dimension.

The Brand and Reputation Committee is a sub-committee of Group Executive Committee, and is chaired by Sir Nigel Rudd, Deputy Chairman and a non-executive Director on the Board. This Committee's role is to identify and manage issues that could have a significant impact on Barclays reputation. It met six times during the year and dealt with issues ranging from Barclays presence in Zimbabwe to new areas of commodities business and the fee structure for Barclaycard.

The Community Partnerships Committee, chaired by Gary Hoffman, sets the policy and provides governance for our global community investment programmes, and the Environmental Steering Group gives direction and governance to our environmental and climate change strategies. The Treating Customers Fairly (TCF) Forum, chaired by our Consumer champion, Catharine French, monitors compliance across all retail and wholesale business units, UK and non-UK, to embed TCF principles in our relationships with customers. Taking this wider approach to TCF goes significantly beyond our regulatory requirements.

Business review and principal activities

The Company is required to set out in this report a fair review of the business during the financial year ended 31st December 2007 and a description of the principal risks and uncertainties facing the Company (known as a 'Business Review').

The information that fulfils the requirements of the Business Review can be found on pages 2 to 12 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 2007 Annual Report of Barclays PLC which does not form part of this report.

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

The results of the Group show a pre-tax profit of £7,107m (2006: £7,197m) for the year and profit after tax of £5,126m (2006: £5,256m). The Group had net assets of £31,821m at 31st December 2007 (2006: £27,106m).

Profit Attributable

The profit attributable to Barclays PLC, the Bank's parent, for the year 2007 amounted to £4,749m (2006: £4,914m).

Dividends

Total dividends on ordinary shares paid during 2007 are set out in Note 1 to the accounts.

Dividends paid on preference shares for the year ended 31st December 2007 amounted to £193m (2006: £174m).

Share Capital

Ordinary share capital was increased during the year by the issue to Barclays PLC of 7m ordinary shares, credited as fully paid, in consideration of cash payments of £111m.

Preference share capital was increased in the year by the issue of 101,000,000 Non-Cumulative Callable US Dollar Preference Shares of US$0.25, credited as fully paid, in consideration of net proceeds of US$2,451m (£1,207m), of which the nominal value was US$25.3m and the balance was share premium.

Annual Report on Form 20-F

An Annual Report on Form 20-F is being filed with the US Securities and Exchange Commission (SEC) and copies will be available from one of the Joint Secretaries on request to the Head office at 1 Churchill Place, London E14 5HP. It is possible to read and copy documents that have been filed by Barclays PLC and Barclays Bank PLC with the SEC at the SEC's office of Investor Education and assistance located at 100 F Street, NE, Washington DC 20549-0213. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. Filings with the SEC are also available to the public from commercial document retrieval services, and from the website maintained by the SEC at www.sec.gov.

Directors

The Directors of the Bank are listed on page 15. The Directors' interests in shares are set out in Note 40. The membership of the Boards of the Bank and of Barclays PLC is identical.

Chris Lucas joined the Board as Group Finance Director on 1st April 2007 and Naguib Kheraj left the Board on 31st March 2007.

David Booth joined the Board as a non-executive Director on 1st May 2007 and Patience Wheatcroft and Sir Michael Rake were appointed as non-executive Directors with effect from 1st January 2008.

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 2007 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Community Involvement

Barclays has an extensive community programme covering many countries around the world. The Group provides funding and support to over 7,140 charities and voluntary organisations, ranging from small, local charities, like Passage (UK), to international organisations like the Red Cross. We also have a very successful employee programme which in 2007 saw more than 43,000 employees and pensioners worldwide taking part in Barclays-supported volunteering, giving and fundraising activities. Further information on our community involvement is given on page 12.

The total commitment for 2007 was £52.4m (2006: £46.5m). The Group committed £38.9m in support of the community in the UK (2006: £39.6m) and £13.5m was committed in international support (2006: £6.9m). The UK commitment includes £30.4m of charitable donations (2006: £35.2m).

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 the shares of Barclays PLC.

Employees are kept informed of matters of concern to them in a variety of ways, including the corporate news magazines, intranets, briefings and mobile phone SMS messaging. These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of Barclays.

Barclays is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. An annual Employee Opinion Survey is undertaken with results being reported to the Board HR and Remuneration Committee, all employees and to Unite (Amicus section), our recognised union in the UK. Roadshows and employee forums also take place.

In addition, Barclays undertakes regular and formal Group, business unit and project specific consultations with Unite (Amicus section).

Diversity and Inclusion
The diversity agenda at Barclays seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people, regardless of (but not limited to) race, religion, age, gender, sexual orientation or disability. We strive to ensure our workforce reflects the communities in which we operate and the international nature of the organisation. We recognise that diversity is a key part of responsible business strategy in support of our increasingly global business.

Barclays is committed to providing additional support to employees with disabilities and making it easier for them to inform us of their specific requirements, including the introduction of a dedicated intranet site and disability helpline. Through our Reasonable Adjustments Scheme, appropriate assistance can be given, including both physical workplace adjustments, and relevant training and access to trained mentors is also provided for disabled employees. A wide range of recruitment initiatives have been taken to increase the number of people with disabilities working in Barclays.

Creditors' Payment Policy
Barclays values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses, in a timely manner. It is the Group's practice to agree terms with suppliers when entering into contracts. We negotiate with suppliers on an individual basis and meet our obligations accordingly. The Group does not follow any specific published code or standard on payment practice.

Paragraph 12(3) of Schedule 7 of the Companies Act 1985 requires disclosure of trade creditor payment days. The Company's accounts are prepared in accordance with International Financial Reporting Standards. The components for the trade creditor calculation are not easily identified. However, by identifying as closely as possible the components that would be required if Schedule 4 of the Companies Act 1985 applied, the trade creditor payment days for the Company for 2007 were 27 days (2006: 28 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

Financial Instruments
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 in Notes 46 to 48 to the accounts.

Events after the Balance Sheet Date
On 3rd March 2008, Barclays entered into an agreement with Petropavlovsk Finance (Limited Liability Society) to acquire 100% of Expobank, for a consideration of approximately US$745m (£373m). The transaction is expected to close in summer 2008 after receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994 it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31 December 2007, Expobank had net assets of $186m (£93m).

The Auditors
The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the Group's auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. Having reviewed the independence and effectiveness of the external auditors, the Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed.

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.

PricewaterhouseCoopers LLP have signified their willingness to continue in office and an ordinary resolution reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2008 AGM.

By order of the Board

Lawrence Dickinson
Joint Secretary
10th March 2008

Directors and Officers and Statement of Directors' responsibilities for accounts

Current Directors and Officers

Marcus Agius – Group Chairman

Executive Directors
John Varley – Group Chief Executive
Robert E Diamond Jr – President, Barclays PLC, Chief Executive, Investment Banking and Investment Management
Gary Hoffman – Group Vice Chairman
Chris Lucas – Group Finance Director
Frits Seegers – Chief Executive, Global Retail and Commercial Banking

Non-executive Directors
Sir Nigel Rudd, DL – Deputy Chairman
David Booth
Sir Richard Broadbent
Richard (Leigh) Clifford, AO
Fulvio Conti
Dr Danie Cronjé
Professor Dame Sandra Dawson
Sir Andrew Likierman
Sir Michael Rake
Stephen Russell
Sir John Sunderland
Patience Wheatcroft

Current Executive Committee members		Appointed to Executive Committee
John Varley	Group Chief Executive	1996
Robert E Diamond Jr	President, Barclays PLC, Chief Executive, Investment Banking and Investment Management	1997
Paul Idzik	Chief Operating Officer	2004
Chris Lucas	Group Finance Director	2007
Frits Seegers	Chief Executive, Global Retail and Commercial Banking	2006

Other Officers		Appointed to position
Jonathan Britton	Financial Controller	2006
Lawrence Dickinson	Joint Secretary	2002
Patrick Gonsalves	Joint Secretary	2002
Mark Harding	General Counsel	2003
Robert Le Blanc	Risk Director	2004

Statement of Directors' Responsibilities for Accounts

Going Concern

The Directors confirm they are satisfied that the Group and the Company have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing the accounts.

Statement of Directors' Responsibilities for Accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 16, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year and, with regards to Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared individual accounts in accordance with 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 1985 provides in relation to such accounts, that references in the relevant part of the law to accounts giving a true and fair view are references, to their achieving fair presentation.

The Directors consider that, in preparing the accounts on pages 17 to 144, the Group has used appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985.

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.

Independent Auditors Report to the Members of Barclays Bank PLC

We have audited the Group and Parent company financial statements (the 'financial statements') of Barclays Bank PLC for the year ended 31st December 2007 which comprise the Group income statement, the Group and Parent company balance sheets, the Group and Parent company statements of recognised income and expense, the Group and Parent company cash flow statements and the related notes on pages 27 to 144. These financial statements have been prepared under the accounting policies set out therein on pages 17 to 24.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities for Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Business review and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

– the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31st December 2007 and of its profit and cash flows for the year then ended;

– the Parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent company's affairs as at 31st December 2007 and cash flows for the year then ended;

– the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

– the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
10th March 2008

Notes

a The maintenance and integrity of the Barclays Bank PLC 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.

Significant Accounting Policies

1. Reporting entity

These financial statements are prepared for the Barclays Bank PLC Group ('Barclays' or 'the Group') under Section 227(2) of the Companies Act 1985. The Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. In addition, individual financial statements have been prepared for the holding company, Barclays Bank PLC ('the Bank'), under Section 226(2)(b) of the Companies Act 1985.

Barclays Bank PLC is a public limited company, incorporated in Great Britain and having a registered office in England.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays Bank PLC Group, and the individual financial statements of Barclays Bank PLC, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. They are also in accordance with IFRSs as published by the International Accounting Standards Board (IASB) and interpretations issued by IFRIC.

IFRS 7 'Financial Instrument Disclosures' and an amendment to IAS 1 'Presentation of Financial Statement' on capital disclosures were implemented in 2007, resulting in new or revised disclosures.

The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below. These policies have been consistently applied.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments and contracts to buy or sell non-financial items and trading inventories to the extent required or permitted under accounting standards and as set out in the relevant accounting polices. They are stated in millions of pounds Sterling (£m), the currency of the country in which Barclays Bank PLC is incorporated.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements such as fair value of financial instruments (Note 49), allowance for loan impairment (Note 47), goodwill (Note 21), intangible assets (Note 22), and retirement benefit obligations (Note 30).

4. Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Barclays 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 41.

SPEs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control, as set out in SIC12 'Consideration – Special Purpose Entities', include, amongst others, an assessment of the Group's exposure to the risks and benefits of the SPE.

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 cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See accounting policy 14 for the accounting policy for goodwill. Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

As the consolidated financial statements include partnerships where a Group member is a partner, advantage has been taken of the exemption of Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 with regard to the preparation and filing of individual partnership financial statements.

Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, though not necessarily, through entities which are subject to joint control.

Unless designated as at fair value through profit and loss as set out in policy 7, the Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition profit or loss, or other movements reflected directly in the equity of the associated or jointly controlled entity. Goodwill arising on the acquisition of an associate or joint venture is included in the carrying amount of the investment (net of any accumulated impairment loss). When the Group's share of losses in an associate or joint venture equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

The Group's share of the results of associates and joint ventures is based on financial statements made up to a date not earlier than three months before the balance sheet date, adjusted to conform with the accounting polices of the Group. Unrealised gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

In the individual financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less impairment, if any.

5. Foreign currency translation

The consolidated and individual financial statements are presented in Sterling, which is the functional currency of the parent company.

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

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investments. See policy 12 for the policies on hedge accounting.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available for sale financial assets and non-monetary items are included directly in equity.

For the purposes of translation into the presentational currency, assets, liabilities and equity of foreign operations are translated at the closing rate, and items of income and expense are translated into Sterling at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate to actual rates.

The exchange differences arising on the translation of a foreign operation are included in cumulative translation reserves within shareholders' equity and included in the profit or loss on disposal or partial disposal of the operation.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are maintained in the functional currency of the foreign operation, translated at the closing rate and are included in hedges of net investments where appropriate.

On transition to IFRS, the Group brought forward a nil opening balance on the cumulative foreign currency translation adjustment arising from the retranslation of foreign operations, which is shown as a separate item in shareholders' equity.

6. Interest, fees and commissions

Interest

Interest is recognised in interest income and interest expense in the income statement for all interest bearing financial instruments classified as held to maturity, available for sale or other loans and receivables using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating effective interest, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognised over the term of the commitment.

Insurance premiums

Insurance premiums are recognised in the period earned.

Net trading income

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in the Income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Dividends from subsidiaries

In the individual financial statements of Barclays Bank PLC, dividends from subsidiaries are accounted for on the basis of dividends received in the accounting period.

7. Financial assets and liabilities

Financial assets

The Group classifies its financial assets in the following categories: financial instruments at fair value through profit or loss; loans and receivables; held to maturity investments and available for sale financial assets. Management determines the classification of financial assets and liabilities at initial recognition.

Financial instruments at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated by management under the fair value option. Instruments are classified as held for trading if they are:

(i) acquired principally for the purposes of selling or repurchasing in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial instruments cannot be transferred into or out of this category after inception. Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the Income statement. Gains and losses arising from changes in fair value are included directly in the Income statement. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Regular way purchases and sales of financial instruments held for trading or designated under the fair value option are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

The fair value option is used in the following circumstances:

(i) financial assets backing insurance contracts and financial assets backing investment contracts are designated at fair value through profit or loss because the related liabilities have cash flows that are contractually based on the performance of the assets or the related liabilities are insurance contracts whose measurement incorporates current information. Fair valuing the assets through profit and loss significantly reduces the recognition inconsistencies that would arise if the financial assets were classified as available for sale;

(ii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss if they contain substantive embedded derivatives;

(iii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost; and

(iv) certain private equity and other investments that are managed, and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 6). They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments that the Group's management has the intention and ability to hold to maturity. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 6). They are derecognised when the rights to receive cash flows have expired.

Purchases of held to maturity financial assets are recognised on trade date, being the date on which the Group commits to purchase the asset.

Available for sale

Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest determined using the effective interest method (see accounting policy 6), impairment losses and translation differences on monetary items are recognised in the income statement. The assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of available for sale financial instruments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement. Profits or losses cannot be recognised on the initial recognition of embedded derivatives unless the host contract is also carried at fair value.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined by reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. For financial liabilities measured at fair value, the carrying amount is adjusted to reflect the effect on fair value of changes in own credit spreads. Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters. However, where valuations include significant unobservable inputs, the transaction price is deemed to provide the best evidence of initial fair value for accounting purposes. As such, profits or losses are recognised upon trade inception only when such profits can be measured solely by reference to observable market data. The difference between the model valuation and the initial transaction price is recognised in profit or loss:

a) on a straight-line basis over the term of the transaction, or over the period until all model inputs will become observable where appropriate or;

b) released in full where previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market place, the maturity of market modelling, the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value requires can be more subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

8. Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that loans and receivables or available for sale financial investments are impaired. These are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

   (i) adverse changes in the payment status of borrowers in the portfolio;

   (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and renewables the Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan and receivable, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment.Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralised financial 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, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Equity securities acquired in exchange for loans in order to achieve an orderly realisation are accounted for as a disposal of the loan and an acquisition of equity securities. Where control is obtained over an entity as a result of the transaction, the entity is consolidated. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business and not as an impairment of the original instrument.

In the case of available for sale financial investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

9. Sale and repurchase agreements (including stock borrowing and lending)

Securities may be lent or sold subject to a commitment to repurchase them (a 'repo'). Such securities are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet as appropriate.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a 'reverse repo') but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the balance sheet.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

10. Securitisation transactions

Certain Group undertakings have issued debt securities or have entered into funding arrangements with lenders in order to finance specific loans and advances to customers.

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

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

(ii) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

Where (i) or (ii) above applies to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

11. Collateral and netting

The Group enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

12. Hedge accounting

Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions.

Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group discontinues hedge accounting when:

(i) It is determined that a derivative is not, or has ceased to be, highly effective as a hedge;

(ii) the derivative expires, or is sold, terminated, or exercised;

(iii) the hedged item matures or is sold or repaid; or

(iv) a forecast transaction is no longer deemed highly probable.

In certain circumstances, the Group may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedging instrument. To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item; or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, the hedge is deemed to include ineffectiveness. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in shareholders' equity, and recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Hedges of net investments

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of the net investment, are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is recognised directly in equity and the ineffective portion is recognised immediately in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement on the disposal or partial disposal of the foreign operation.

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative liability only the foreign exchange risk is designated as a hedge.

Derivatives that do not qualify for hedge accounting

Derivative contracts entered into as economic hedges that do not qualify for hedge accounting are held at fair value through profit or loss.

13. Property, plant and equipment

Property and equipment is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life.

The Group uses the following annual rates in calculating depreciation:

Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property (less than 50 years to run)	Over the remaining life of the lease
Costs of adaptation of freehold and leasehold property [a]	7-10%
Equipment installed in freehold and leasehold property [a]	7-10%
Computers and similar equipment	20-33%
Fixtures and fittings and other equipment	10-20%

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

14. Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiary and associated entities and joint ventures, and represents the excess of the fair value of the purchase consideration and direct costs of making the acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill on acquisitions of associates and joint ventures is included in the amount of the investment. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

The carrying amount of goodwill in the UK GAAP balance sheet as at 31st December 2003 has been brought forward without adjustment on transition to IFRSs.

Computer software

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

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

Capitalised computer software is amortised over three to five years.

Note

a Where leasehold property has a remaining useful life of less than 15 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

Other intangible assets

Other intangible assets consist of brands, customer lists, licences and other contracts, core deposit intangibles, mortgage servicing rights and customer relationships. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method and the relief from royalty method that estimate net cash flows attributable to an asset over its economic life and discount to present value using an appropriate rate of return based on the cost of equity adjusted for risk.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 4-25 years.

15. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. Goodwill is subject to an impairment review as at the balance sheet date each year. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arms-length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets and goodwill are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised. Impairment losses on goodwill are not reversed. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets.

16. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Other than where the fair value option is applied, subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement any fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date, in accordance with policy 23.

Any increase in the liability relating to guarantees is taken to the income statement in Provisions for undrawn contractually committed facilities and guarantees provided. Any liability remaining is recognised in the income statement when the guarantee is discharged, cancelled or expires.

17. Issued debt and equity securities

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Company. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method as set out in policy 6. Derivatives embedded in financial liabilities that are not designated at fair value are accounted for as set out in policy 12. 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 Bank PLC (the Bank) shareholders.

19. Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts.

The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are at least 5% more than the benefits that would be payable if the insured event does not occur.

Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39, 'Financial Instruments: Recognition and Measurement'.

Long-term insurance contracts

These contracts, insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income.

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

Short-term insurance contracts
Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Deferred acquisition costs (DAC)
Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

Deferred income liability
Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

Value of business acquired
On acquisition of a portfolio of contracts, such as through the acquisition of a subsidiary, the Group recognises an intangible asset representing the value of business acquired (VOBA), representing the future profits embedded in acquired insurance contracts and investment contracts with a discretionary participation feature. The asset is amortised over the remaining terms of the acquired contracts.

Liability adequacy test
Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC and VOBA assets. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Where a deficiency is highlighted by the test, DAC and VOBA assets are written off first, and insurance liabilities increased when these are written off in full. Any deficiency is immediately recognised in the income statement.

Reinsurance
Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly resulting in a charge to the income statement.

20. Leases
Lessor
Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are included within property, plant and equipment on the Group's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Lessee
The leases entered into by the Group are primarily operating leases. Operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

21. Employee benefits
The Group provides employees worldwide with post-retirement benefits mainly in the form of pensions. The Group operates a number of pension schemes which may be funded or unfunded and of a defined contribution or defined benefit nature. In addition, the Group contributes, according to local law in the various countries in which it operates, to Governmental and other plans which have the characteristics of defined contribution plans.

For defined benefit schemes, actuarial valuation of each of the scheme's obligations using the projected unit credit method and the fair valuation of each of the scheme's assets are performed annually, using the assumptions set out in Note 30. The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognised actuarial gains or losses and past service cost, is recognised as a liability in the balance sheet. An asset, arising for example, as a result of past over funding or the performance of the plan investments, is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

Cumulative actuarial gains and losses in excess of the greater of 10% of the assets or 10% of the obligations of the plan are recognised in the income statement over the remaining average service lives of the employees of the related plan, on a straight-line basis.

For defined contribution schemes, the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

The Group also provides health care to certain retired employees, which are accrued as a liability in the financial statements over the period of employment, using a methodology similar to that for defined benefit pensions plans.

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses.

22. Share-based payments to employees
The Group engages in equity settled share-based payment transactions in respect of services received from certain of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that the services are received, which is the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met.

23. Provisions
Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income and other benefits. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in 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. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

25. Segment reporting
Business segments are distinguishable components of the Group that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those of components operating in other economic environments. Business segments are the primary reporting segments. Group costs are allocated to segments on a reasonable and consistent basis. Transactions between segments are generally accounted for in accordance with Group policies as if the segment were a stand-alone business with intra-segment revenue and costs being eliminated in Head office.

The analyses by geographical segment is based on the location of the customer.

26. Cash and cash equivalents
For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Repos and reverse repos are not considered to be part of cash equivalents.

27. Trust activities
The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Future Accounting Developments

Consideration will be given during 2008 to the implications, if any, of the following new and revised standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations as follows:

– IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statements are revised standards issued in January 2008. The revised IFRS 3 applies prospectively to business combinations first accounted for in accounting periods beginning on or after 1st July 2009 and the amendments to IAS 27 apply retrospectively to periods beginning on or after 1st July 2009. The main changes in existing practice resulting from the revision to IFRS 3 affect acquisitions that are achieved in stages and acquisitions where less than 100% of the equity is acquired. In addition, acquisition related costs – such as fees paid to advisers – must be accounted for separately from the business combination, which means that they will be recognised as expenses unless they are directly connected with the issue of debt or equity securities. The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. Until future acquisitions take place that are accounted for in accordance with the revised IFRS 3, the main impact on Barclays will be that, from 2010, gains and losses on transactions with non-controlling interests that do not result in loss of control will no longer be recognised in the income statement but directly in equity. In 2007, gains of £23m and losses of £6m were recognised in income relating to such transactions.

– IFRIC 13 – Customer Loyalty Programs addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. It requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group is considering the implications of this interpretation and any resulting change in accounting policy would be accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in 2009.

– IFRS 8 – Operating Segments was issued in November 2006 and would first be required to be applied to the Group accounting period beginning on 1st January 2009. The standard replaces IAS 14 – Segmental Reporting and would align operating segmental reporting with segments reported to senior management as well as requiring amendments and additions to the existing segmental reporting disclosures. The standard does not change the recognition, measurement or disclosure of specific transactions in the consolidated financial statements. The Group is considering the enhancements that permitted early adoption in 2008 may make to the transparency of the segmental disclosures.

– IAS 1 – Presentation of Financial Statements is a revised standard applicable to annual periods beginning on 1st January 2009. The amendments affect the presentation of owner changes in equity and of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

– IAS 23 – Borrowing Costs is a revised standard applicable to annual periods beginning on 1st January 2009. The revision does not impact Barclays. The revision removes the option not to capitalise borrowing costs on qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale.

– An amendment to IFRS 2 Share-based Payment was issued in January 2008 that clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, which results in the acceleration of charge. The Group is considering the implications of the amendment, particularly to the Sharesave scheme, and any resulting change in accounting policy would be accounted for in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors in 2009.

– Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements were issued in February 2008 that require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The amendments, which are applicable to annual periods beginning on 1st January 2009, do not impact Barclays.

The following IFRIC interpretations issued during 2006 and 2007 which first apply to accounting periods beginning on or after 1st January 2008 are not expected to result in any changes to the Group's accounting policies:

– IFRIC 11 IFRS 2 – Group and Treasury Share Transactions;

– IFRIC 12 – Service Concession Arrangements;

– IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Acquisitions

2007: On 8th February 2007, Barclays completed the acquisition of Indexchange Investment AG. Indexchange is based in Munich and offers exchange traded fund products.

On 28th February 2007, Barclays completed the acquisition of Nile Bank Limited. Nile Bank is based in Uganda with 18 branches and 228 employees.

On 30th March 2007, Barclays completed the acquisition of EquiFirst. EquiFirst is a non-prime wholesale mortgage originator in the United States.

On 18th May 2007, Barclays completed the acquisition of Walbrook Group Limited. Walbrook is based in Jersey, Guernsey, Isle of Man and Hong Kong where it serves high net worth private clients and corporate customers.

2006: On 1st November 2006, Barclays Bank PLC acquired the US mortgage servicing business of HomEq Servicing Corporation from Wachovia Corporation.

2005: On 1st June 2005, Barclays Asset and Sales Finance (BASF) acquired a 51% share and controlling stake in Fiat's Iveco Vehicle Finance Business. The transaction will expand BASF's commercial vehicle expertise.

On 30th June 2005, EnterCard, the joint venture between Barclays Bank PLC and FöreningsSparbanken (also known as Swedbank), which was announced on 4th February 2005, began operations. Barclays Bank PLC has a 50% economic interest in the joint venture. EnterCard provides credit cards in the Nordic market, initially in Sweden and Norway.

On 1st July 2005, Barclays acquired the wealth business of ING Securities Bank (France) consisting of ING Ferri and ING Private Banking.

On 9th May 2005, Barclays announced the terms of a recommended acquisition of a majority stake in Absa Group Limited ('Absa'). Barclays consolidated Absa from 27th July 2005.

Disposals

2007: On 4th April 2007, Barclays completed the sale of part of Monument, a credit card business.

On 24th September 2007, Barclays completed the sale of a 50% shareholding in Intelenet Global Services Pvt Ltd.

2006: On 1st January 2006, Barclays completed the sale of the Barclays South African branch business to Absa Group Limited. This consists of the Barclays Capital South African operations and Corporate and Business Banking activities previously carried out by the South African branch of International Retail and Commercial Banking – excluding Absa, together with the associated assets and liabilities.

On 25th July 2006, Barclays Asset & Sales Finance (BASF) disposed of its interest in its motor vehicle contract hire business, Appleyard Finance Holdings Limited.

On 31st August 2006, Barclays disposed of Bankhaus Wolbern which was formerly part of Absa.

On 22nd December 2006 Barclays disposed of its interest in FirstCaribbean International Bank to Canadian Imperial Bank of Commerce.

On 31st December 2006, BA&SF disposed of its European Vendor Finance business, including Barclays Industrie Bank GmbH and Barclays Technology Finance Ltd, to CIT Group.

Recent developments

On 16th April 2007, Barclays announced the sale of Barclays Global Investors Japan Trust & Banking Co., Ltd, a Japanese trust administration and custody operation. The sale completed on 31st January 2008.

On 5th October 2007, Barclays announced that as at 4th October 2007 not all of the conditions relating to its offer for ABN AMRO Holding N.V. were fulfilled and as a result Barclays was withdrawing its offer with immediate effect. Barclays also announced that it was restarting the Barclays PLC share buy-back programme to minimise the dilutive effect of the issuance of shares to China Development Bank and Temasek Holdings (Private) Limited on existing Barclays PLC shareholders. This programme was intended to run until 31st December 2007, but was subsequently extended to 31st January 2008.

On 7th February 2008, Barclays announced the purchase of Discover's UK credit card business for a consideration of approximately £35m. The consideration is subject to an adjustment mechanism based on the net asset value of the business at completion. Completion is subject to various conditions, including competition clearance, and is expected to occur during the first half of 2008.

On 3rd March 2008, Barclays had entered into an agreement with Petropavlovsk Finance (Limited Liability Society) to acquire 100% of Expobank, for a consideration of approximately US$745m (£373m). The transaction is expected to close in summer 2008 after receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1934 it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

Consolidated income statement

For the year ended 31st December

	Notes	The Group 2007 £m	2006 £m
Continuing operations			
Interest income	2	25,308	21,805
Interest expense	2	(15,707)	(12,662)
Net interest income		9,601	9,143
Fee and commission income	3	8,682	8,005
Fee and commission expense	3	(970)	(828)
Net fee and commission income		7,712	7,177
Net trading income	4	3,759	3,632
Net investment income	4	1,216	962
Principal transactions		4,975	4,594
Net premiums from insurance contracts	5	1,011	1,060
Other income	6	224	257
Total income		23,523	22,231
Net claims and benefits incurred on insurance contracts	5	(492)	(575)
Total income net of insurance claims		23,031	21,656
Impairment charges and other credit provisions	7	(2,795)	(2,154)
Net income		20,236	19,502
Staff costs	8	(8,405)	(8,169)
Administration and general expenses	9	(4,141)	(3,914)
Depreciation of property, plant and equipment	23	(467)	(455)
Amortisation of intangible assets	22	(186)	(136)
Operating expenses		(13,199)	(12,674)
Share of post-tax results of associates and joint ventures	19	42	46
Profit on disposal of subsidiaries, associates and joint ventures		28	323
Profit before tax		7,107	7,197
Tax	10	(1,981)	(1,941)
Profit after tax		5,126	5,256
Profit attributable to minority interests	34	377	342
Profit attributable to equity holders		4,749	4,914
		5,126	5,256

The Board of Directors approved the accounts set out on pages 17 to 144 on 10th March 2008.

The accompanying notes form an integral part of the accounts.

Note

As permitted by section 230(3) of the Companies Act 1985 an income statement for the parent company has not been presented.

Balance sheets

As at 31st December

	Notes	The Group 2007 £m	The Group 2006 £m	The Bank 2007 £m	The Bank 2006 £m
Assets					
Cash and balances at central banks		5,801	6,795	1,919	4,411
Items in the course of collection from other banks		1,836	2,408	1,909	2,312
Trading portfolio assets	11	193,726	177,884	141,969	120,975
Financial assets designated at fair value:					
– held on own account	12	56,629	31,799	36,313	23,188
– held in respect of linked liabilities to customers under investment contracts	12	90,851	82,798	–	–
Derivative financial instruments	13	248,088	138,353	260,754	149,439
Loans and advances to banks	14	40,120	30,926	26,443	23,867
Loans and advances to customers	14	345,398	282,300	399,264	279,820
Available for sale financial investments	15	43,256	51,952	25,582	31,564
Reverse repurchase agreements and cash collateral on securities borrowed	16	183,075	174,090	186,554	180,625
Other assets	17	5,153	5,850	2,898	3,349
Current tax assets	18	518	557	803	1,193
Investments in associates and joint ventures	19	377	228	112	97
Investments in subsidiaries	20	–	–	14,992	14,317
Goodwill	21	7,014	6,092	3,593	3,591
Intangible assets	22	1,282	1,215	368	347
Property, plant and equipment	23	2,996	2,492	1,549	1,358
Deferred tax assets	18	1,463	764	785	1,104
Total assets		1,227,583	996,503	1,105,807	841,557
Liabilities					
Deposits from banks		90,546	79,562	105,174	100,572
Items in the course of collection due to other banks		1,792	2,221	1,791	2,204
Customer accounts		295,849	256,754	359,061	282,985
Trading portfolio liabilities	11	65,402	71,874	44,054	43,479
Financial liabilities designated at fair value	24	74,489	53,987	73,905	51,236
Liabilities to customers under investment contracts	12	92,639	84,637	–	–
Derivative financial instruments	13	248,288	140,697	257,194	147,382
Debt securities in issue		120,228	111,137	56,408	53,023
Repurchase agreements and cash collateral on securities lent	16	169,429	136,956	153,649	109,518
Other liabilities	25	10,514	10,337	10,635	16,752
Current tax liabilities	18	1,311	1,020	842	512
Insurance contract liabilities, including unit-linked liabilities	26	3,903	3,878	–	–
Subordinated liabilities	27	18,150	13,786	17,987	13,460
Deferred tax liabilities	18	855	282	–	–
Provisions	28	830	462	809	343
Retirement benefit liabilities	30	1,537	1,807	1,381	1,584
Total liabilities		1,195,762	969,397	1,082,890	823,050
Shareholders' equity					
Called up share capital	31	2,382	2,363	2,382	2,363
Share premium account	31	10,751	9,452	10,751	9,452
Other reserves	32	(170)	(484)	228	(52)
Other shareholders' equity	33	2,687	2,534	2,751	2,598
Retained earnings	32	14,222	11,556	6,805	4,146
Shareholders' equity excluding minority interests		29,872	25,421	22,917	18,507
Minority interests	34	1,949	1,685	–	–
Total shareholders' equity		31,821	27,106	22,917	18,507
Total liabilities and shareholders' equity		1,227,583	996,503	1,105,807	841,557

The accompanying notes form an integral part of the accounts.

Marcus Agius
Chairman

John Varley
Group Chief Executive

Christopher Lucas
Group Finance Director

Statements of recognised income and expense

Statement of recognised income and expense

For the year ended 31st December

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Available for sale reserve:				
– Net gains/(losses) from changes in fair value	389	107	280	(56)
– Losses transferred to net profit due to impairment	13	86	13	85
– Net gains transferred to net profit on disposal	(563)	(327)	(158)	(40)
– Net losses transferred to net profit due to fair value hedging	68	14	–	–
Cash flow hedging reserve:				
– Net gains/(losses) from changes in fair value	106	(437)	253	(611)
– Net losses/(gains) transferred to net profit	253	(50)	39	(67)
Currency translation differences	54	(781)	41	(47)
Tax	54	253	(143)	397
Other	22	25	53	71
Amounts included directly in equity	396	(1,110)	378	(268)
Profit after tax	5,126	5,256	4,792	3,812
Total recognised income and expense for the year	5,522	4,146	5,170	3,544
Attributable to:				
Equity holders	5,135	4,132	5,170	3,544
Minority interests	387	14	–	–
	5,522	4,146	5,170	3,544

The accompanying notes form an integral part of the accounts.

Cash flow statements

For the year ended 31st December

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Reconciliation of profit before tax to net cash flows from operating activities:				
Profit before tax	7,107	7,197	5,089	4,235
Adjustment for non-cash items:				
Allowance for impairment	2,795	2,154	1,793	1,798
Depreciation and amortisation and impairment of property, plant, equipment and intangibles	669	612	365	321
Other provisions, including pensions	753	558	767	503
Net profit from associates and joint ventures	(42)	(46)	–	–
Net profit on disposal of investments and property, plant and equipment	(862)	(778)	(396)	(425)
Net profit from disposal of associates and joint ventures	(26)	(263)	(480)	(263)
Net profit from disposal of subsidiaries	(2)	(60)	(2)	(60)
Other non-cash movements	(1,471)	1,661	(1,961)	450
Changes in operating assets and liabilities:				
Net (increase) in loans and advances to banks and customers	(77,987)	(27,385)	(125,559)	(57,987)
Net increase in deposits and debt securities in issue	91,451	46,944	128,002	66,697
Net (increase)/decrease in derivative financial instruments	(2,144)	1,196	(1,503)	38
Net (increase) in trading portfolio assets	(18,245)	(18,333)	(23,397)	(8,897)
Net (decrease)/increase in trading liabilities	(6,472)	310	575	(4,326)
Net (increase)/decrease in financial investments	(4,379)	1,538	9,544	(7,000)
Net decrease/(increase) in other assets	1, 296	(1,527)	881	(1,891)
Net (decrease) in other liabilities	(1,056)	(1,580)	(7,153)	2,119
Tax (paid)/refund	(1,583)	(2,141)	557	(954)
Net cash from operating activities	(10,198)	10,057	(12,878)	(5,642)
Purchase of available for sale investments	(26,947)	(47,109)	(20,222)	(26,064)
Proceeds from sale or redemption of available for sale investments	38,423	46,069	28,463	41,315
Purchase of intangible assets	(263)	(212)	(63)	(177)
Purchase of property, plant and equipment	(1,241)	(654)	(597)	(399)
Proceeds from sale of property, plant and equipment	617	786	402	644
Acquisitions of subsidiaries, net of cash acquired	(270)	(248)	(270)	(248)
Disposal of subsidiaries, net of cash disposed	383	(15)	383	10
Increase in investment in subsidiaries	(668)	(432)	(668)	(432)
Decrease in investment in subsidiaries	57	44	57	44
Acquisition of associates and joint ventures	(220)	(162)	(23)	(6)
Disposal of associates and joint ventures	145	739	488	582
Other cash flows associated with investing activities	–	17	–	–
Investment in subsidiaries	–	–	–	(174)
Net cash used in investing activities	10,016	(1,177)	7,950	15,095
Dividends paid	(3,418)	(2,373)	(3,635)	(2,249)
Proceeds of borrowings and issuance of debt securities	4,625	2,493	4,495	2,485
Repayments of borrowings and redemption of debt securities	(683)	(366)	(670)	(361)
Issue of shares and other equity instruments	1,355	585	1,355	585
Capital injection from Barclays PLC	1,434	–	1,434	–
Net issue of shares to minority interests	199	226	–	–
Net cash from/(used in) financing activities	3,512	565	2,979	460
Exchange (loss)/gain on foreign currency cash and cash equivalents	(654)	552	(114)	144
Net increase/(decrease) in cash and cash equivalents	2,676	9,997	(2,063)	10,057
Cash and cash equivalents at beginning of year	30,402	20,405	23,939	13,882
Cash and cash equivalents at end of year	33,078	30,402	21,876	23,939
Cash and cash equivalents comprise:				
Cash and balances at central banks	5,801	6,795	1,919	4,411
Loans and advances to banks	40,120	30,926	26,443	23,867
Less: amounts with original maturity greater than three months	(19,376)	(15,892)	(11,726)	(12,012)
	20,744	15,034	14,717	11,855
Available for sale treasury and other eligible bills	43,256	51,952	25,582	31,564
Less: non-cash and amounts with original maturity greater than three months	(41,872)	(50,933)	(25,477)	(31,445)
	1,384	1,019	105	119
Trading portfolio assets	193,726	177,884	141,969	120,975
Less: non-cash and amounts with original maturity greater than three months	(188,591)	(170,346)	(136,834)	(113,437)
	5,135	7,538	5,135	7,538
Other	14	16	–	16
	33,078	30,402	21,876	23,939

The accompanying notes form an integral part of the accounts.

Interest received in 2007 was £49,441m (2006: £38,544m) and interest paid in 2007 was £37,821m (2006: £29,372m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £1,037m at 31st December 2007 (2006: £1,262m).

1 Dividends

Dividends paid in the year were:

	2007 £m	2006 £m
On ordinary shares		
Final dividend	791	730
Interim dividends	2,496	1,234
Dividends	3,287	1,964

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and in 2007, to fund the repurchase by Barclays PLC of ordinary share capital.

Dividends per ordinary share for 2007 were 140.7p (2006: 84.3p). Dividends paid on the 4.75% €100 preference shares amounted to £324.46 per share (2006: £329.86). Dividends paid on the 4.875% €100 preference shares amounted to £349.27 per share (2006: £327.81). Dividends paid on the £100 preference shares amounted to £600.00 per share (2006: £600.00). Dividends paid on the US$100 preference shares amounted to £313.32 per share (2006: £330.38). Dividends paid on the US$0.25 preference shares amounted to 28.4p per share (2006: 55.4p).

Dividends paid on preference shares amounted to £193m (2006: £174m). Dividends paid on other equity instruments as detailed in Note 33 amounted to £152m (2006: £151m).

2 Net interest income

	The Group	
	2007 £m	2006 £m
Cash and balances with central banks	145	91
Available for sale investments	2,580	2,811
Loans and advances to banks	1,416	903
Loans and advances to customers	19,559	16,290
Other	1,608	1,710
Interest income	25,308	21,805
Deposits from banks	(2,720)	(2,819)
Customer accounts	(4,110)	(3,076)
Debt securities in issue	(6,651)	(5,282)
Subordinated liabilities	(878)	(777)
Other	(1,348)	(708)
Interest expense	(15,707)	(12,662)
Net interest income	9,601	9,143

Interest income includes £113m (2006: £98m) 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

	The Group	
	2007 £m	2006 £m
Fee and commission income		
Brokerage fees	109	70
Investment management fees	1,787	1,535
Securities lending	241	185
Banking and credit related fees and commissions	6,367	6,031
Foreign exchange commissions	178	184
Fee and commission income	8,682	8,005
Brokerage fees paid	(970)	(828)
Fee and commission expense	(970)	(828)
Net fee and commission income	7,712	7,177

4 Principal transactions

	The Group	
	2007 £m	2006 £m
Rates related business	4,162	2,866
Credit related business	(403)	766
Net trading income	3,759	3,632
Net gain from disposal of available for sale assets	560	307
Dividend income on equity investments	26	15
Net gain from financial instruments designated at fair value	293	447
Other investment income	337	193
Net investment income	1,216	962
Principal transactions	4,975	4,594

Net trading income includes the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income and expense from these instruments and the related funding cost.

Of the total net trading income, a £756m loss (2006: £947m gain) was made on securities and £640m gain (2006: £480m) was earned in foreign exchange dealings.

The net gain on financial assets designated at fair value included within principal transactions was £78m (2006: £489m) of which losses of £215m (2006: £42m gain) were included in net trading income and gains of £293m (2006: £447m) were included in net investment income.

The net loss on financial liabilities designated at fair value included within principal transactions was £231m (2006: £920m) all of which was included within net trading income.

The net gain from widening of credit spreads relating to Barclays Capital issued notes held at fair value was £658m (2006: £nil).

5 Insurance premiums and insurance claims and benefits

	The Group	
	2007 £m	2006 £m
Gross premiums from insurance contracts	1,062	1,108
Premiums ceded to reinsurers	(51)	(48)
Net premiums from insurance contracts	1,011	1,060

	2007 £m	2006 £m
Gross claims and benefits incurred on insurance contracts	520	588
Reinsurers' share of claims incurred	(28)	(13)
Net claims and benefits incurred on insurance contracts	492	575

6 Other income

	The Group	
	2007 £m	2006 £m
Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	5,592	7,417
Increase in liabilities to customers under investment contracts	(5,592)	(7,417)
Property rentals	53	55
Other income	171	202
Other income	224	257

Included in other income are sub-lease receipts of £18m (2006: £18m).

Included in other income in 2007 is a loss on the part disposal of Monument credit card portfolio and gains on reinsurance transactions in 2007 and 2006.

7 Impairment charges and other credit provisions

	The Group	
	2007 £m	2006 £m
Impairment charges on loans and advances		
– New and increased impairment allowances	2,871	2,722
– Releases	(338)	(389)
– Recoveries	(227)	(259)
Impairment charges on loans and advances	2,306	2,074
Other credit provisions		
Charge/(release) in respect of provision for undrawn contractually committed facilities and guarantees provided	476	(6)
Impairment charges on loans and advances and other credit provisions	2,782	2,068
Impairment on available for sale assets	13	86
Impairment charges and other credit provisions	2,795	2,154

An analysis of the impairment charges by class of financial instrument is included in note 47 'Credit risk'.

8 Staff costs

	The Group	
	2007 £m	2006 £m
Salaries and accrued incentive payments	6,993	6,635
Social security costs	508	502
Pension costs – defined contribution plans	141	128
Pension costs – defined benefit plans (Note 30)	150	282
Other post-retirement benefits (Note 30)	10	30
Other	603	592
Staff costs	8,405	8,169

Included in salaries and accrued incentive payments is £551m (2006: £640m) arising from equity settled share-based payments, of which £60m (2006: £78m) is a charge related to options-based schemes. Also included is £8m (2006: £6m) arising from cash settled share-based payments.

The average number of persons employed by the Group worldwide during the year, excluding agency staff, was 128,900 (2006: 118,600).

9 Administration and general expenses

	The Group 2007 £m	The Group 2006 £m
Administrative expenses	3,978	3,980
Impairment charges		
– property and equipment (Note 23)	2	14
– intangible assets (Note 22)	14	7
Operating lease rentals	414	345
Gain on property disposals	(267)	(432)
Administration and general expenses	4,141	3,914

Auditors' remuneration

2007	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
Audit of the Group's annual accounts	7	–	–	–	7
Other services:					
Fees payable for the audit of the Company's associates pursuant to legislation	12	–	–	–	12
Other services supplied pursuant to such legislation	6	2	–	–	8
Other services relating to taxation	–	–	8	–	8
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	–	–	–	5	5
Other	–	2	–	2	4
Total auditors' remuneration	25	4	8	7	44

2006	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
Audit of the Group's annual accounts	7	–	–	–	7
Other services:					
Fees payable for the audit of the Company's associates pursuant to legislation	11	–	–	–	11
Other services supplied pursuant to such legislation	10	1	–	–	11
Other services relating to taxation	–	–	6	–	6
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	–	–	–	4	4
Other	–	4	–	1	5
Total auditors' remuneration	28	5	6	5	44

The figures shown in the above table relate to fees paid to PricewaterhouseCoopers LLP and its associates. Fees paid to other auditors not associated with PricewaterhouseCoopers LLP in respect of the audit of the Company's subsidiaries were £2m (2006: £2m).

Fees payable for the audit of the Company's associates pursuant to legislation comprise the fees for the statutory audit of the subsidiaries and associated pension schemes both inside and outside Great Britain and fees for the work performed by the associates of PricewaterhouseCoopers LLP in respect of the consolidated financial statements of the Company. The fees relating to the audit of the associated pension schemes were £0.3m (2006: £0.3m).

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 and fees paid for reporting under Section 404 of the US Sarbanes-Oxley Act (Section 404). In addition, other services include Section 404 advisory, IFRS advisory, securitisations and services relating to acquisition activities.

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

Services relating to corporate finance transactions comprise due diligence related to transactions and accounting consultations and audits in connection with such transactions.

10 Tax

The charge for tax is based upon the standard UK corporation tax rate of 30% (2006: 30%) and comprises:

	The Group	
	2007 £m	2006 £m
Current tax charge		
Current year	2,385	1,929
Adjustment for prior years	(11)	8
Total	2,374	1,937
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	(367)	(16)
Adjustment for prior years	(26)	20
Total	(393)	4
Tax charge	1,981	1,941

The effective tax rate for the years 2007 and 2006 is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are set out below:

	The Group	
	2007 £m	2006 £m
Profit before tax	7,107	7,197
Tax charge at standard UK corporation tax rate of 30% (2006: 30%)	2,132	2,159
Adjustment for prior years	(37)	24
Differing overseas tax rates	(77)	(17)
Non-taxable gains and income (including amounts offset by unrecognised tax losses)	(136)	(393)
Share-based payments	72	27
Deferred tax assets not previously recognised	(158)	(4)
Change in tax rate	24	4
Other non-allowable expenses	161	141
Overall tax charge	1,981	1,941
Effective tax rate	28%	27%

11 Trading portfolio

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Trading portfolio assets				
Treasury and other eligible bills	2,094	2,960	1,765	2,135
Debt securities	152,778	140,576	119,255	102,851
Equity securities	36,342	31,565	18,660	14,076
Traded loans	1,780	1,843	1,775	976
Commodities	732	940	514	937
Trading portfolio assets	193,726	177,884	141,969	120,975
Trading portfolio liabilities				
Treasury and other eligible bills	(486)	(608)	(121)	(203)
Debt securities	(50,506)	(58,142)	(41,150)	(41,228)
Equity securities	(13,702)	(12,697)	(2,075)	(1,621)
Commodities	(708)	(427)	(708)	(427)
Trading portfolio liabilities	(65,402)	(71,874)	(44,054)	(43,479)

12 Financial assets designated at fair value

Held on own account

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Loans and advances	23,491	13,196	18,806	14,951
Debt securities	24,217	12,100	17,388	8,237
Equity securities	5,376	3,711	43	–
Other financial assets	3,545	2,792	76	–
Financial assets designated at fair value – held on own account	56,629	31,799	36,313	23,188

The maximum exposure to credit risk on loans and advances designated at fair value at 31st December 2007 was £23,491m (2006: £13,196m). The amount by which related credit derivatives and similar instruments mitigate the exposure to credit risk at 31st December was £2,605m (2006: £28m).

The net loss attributable to changes in credit risk for loans and advances designated at fair value was £401m in 2007 (2006: £nil). The gains or losses on related credit derivatives was £4m for the year (2006: £nil).

The cumulative net loss attributable to changes in credit risk for loans and advances designated at fair value since initial recognition is £401m at 31st December 2007 (2006: £3m). The cumulative change in fair value of related credit derivatives at 31st December 2007 is £4m (2006: £nil).

The maximum exposure to credit risk on loans and advances designated at fair value at 31st December 2007 by the Bank was £17,180m (2006: £10,358m). The amount by which related credit derivatives and similar instruments mitigate the Bank's exposure to credit risk at 31st December 2007 was £1,963m (2006: £28m).

Held in respect of linked liabilities to customers under investment contracts/liabilities arising from investment contracts

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts	90,851	82,798	–	–
Cash and bank balances within the portfolio	1,788	1,839	–	–
Assets held in respect of linked liabilities to customers under investment contracts	92,639	84,637	–	–
Liabilities to customers under investment contracts	(92,639)	(84,637)	–	–

A portion of the Group's fund management business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the investors. In the normal course of business, the Group's financial interest in such investments is restricted to fees for investment management services.

Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to the policyholders.

The Group is therefore not exposed to the financial risks – market risk, credit risk and liquidity risk inherent in the investments and they are omitted from the disclosures on financial risks in Notes 46 to 48.

In the balance sheet, the assets are included as 'Financial assets designated at fair value – held in respect of linked liabilities to customers under investment contracts'. Cash balances within the portfolio have been included in the Group's cash balances. The associated obligation to deliver the value of the investments to customers at their fair value on balance sheet date is included as 'Liabilities to customers under investment contracts'.

The increase/decrease in the value arising from the return on the investments and the corresponding increase/decrease in linked liabilities to customers is included in the Other income note in Note 6.

13 Derivative financial instruments

Financial instruments

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in Note 45 to Note 48 under the headings, 'Financial Risk', 'Market Risk', 'Credit Risk' and 'Liquidity Risk.'

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arms-length transaction, calculated at market rates current at the balance sheet date.

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

	The Group 2007			The Bank 2007		
Year ended 31st December 2007 **Derivatives held for trading**	Notional contract amount £m	Fair value Assets £m	Fair value Liabilities £m	Notional contract amount £m	Fair value Assets £m	Fair value Liabilities £m
Foreign exchange derivatives						
Forward foreign exchange	1,041,781	11,381	(11,629)	1,022,212	11,061	(11,323)
Currency swaps	562,682	15,617	(14,676)	553,842	14,973	(14,400)
OTC options bought and sold	464,575	3,350	(3,995)	463,964	3,334	(3,985)
OTC derivatives	2,069,038	30,348	(30,300)	2,040,018	29,368	(29,708)
Exchange traded futures – bought and sold	139,199	–	–	137,839	–	–
Exchange traded options – bought and sold	132	–	–	132	–	–
Foreign exchange derivatives	2,208,369	30,348	(30,300)	2,177,989	29,368	(29,708)
Interest rate derivatives						
Interest rate swaps	11,758,215	111,746	(110,680)	11,683,045	110,995	(109,943)
Forward rate agreements	1,960,106	755	(738)	1,895,718	622	(609)
OTC options bought and sold	3,776,600	27,337	(26,944)	3,773,261	27,325	(26,933)
OTC derivatives	17,494,921	139,838	(138,362)	17,352,024	138,942	(137,485)
Exchange traded futures – bought and sold	903,516	–	–	879,626	–	–
Exchange traded options – bought and sold	269,095	102	(64)	267,701	102	(64)
Exchange traded swaps	4,941,417	–	–	4,941,417	–	–
Interest rate derivatives	23,608,949	139,940	(138,426)	23,440,768	139,044	(137,549)
Credit derivatives						
Swaps	2,472,249	38,696	(35,814)	2,472,038	38,678	(35,814)
Equity and stock index derivatives						
OTC options bought and sold	145,399	11,293	(15,743)	125,979	9,724	(14,203)
Equity swaps and forwards	36,149	1,057	(1,193)	24,704	650	(598)
OTC derivatives	181,548	12,350	(16,936)	150,683	10,374	(14,801)
Exchange traded futures – bought and sold	31,519	–	–	25,466	–	–
Exchange traded options – bought and sold	30,930	848	(2,200)	24,457	848	(2,199)
Equity and stock index derivatives	243,997	13,198	(19,136)	200,606	11,222	(17,000)
Commodity derivatives						
OTC options bought and sold	95,032	4,496	(4,720)	94,702	4,374	(4,709)
Commodity swaps and forwards	276,102	19,075	(18,039)	274,591	19,013	(17,993)
OTC derivatives	371,134	23,571	(22,759)	369,293	23,387	(22,702)
Exchange traded futures – bought and sold	228,465	–	–	226,356	–	–
Exchange traded options – bought and sold	66,732	1,197	(943)	66,723	1,197	(943)
Commodity derivatives	666,331	24,768	(23,702)	662,372	24,584	(23,645)
Derivatives with subsidiaries					17,001	(12,914)
Derivative assets/(liabilities) held for trading	29,199,895	246,950	(247,378)	28,953,773	259,897	(256,630)

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:

	The Group 2006			The Bank 2006		
	Notional	Fair value		Notional	Fair value	
Year ended 31st December 2006 **Derivatives held for trading**	contract amount £m	Assets £m	Liabilities £m	contract amount £m	Assets £m	Liabilities £m
Foreign exchange derivatives						
Forward foreign exchange	767,734	8,074	(7,808)	755,357	7,706	(7,576)
Currency swaps	411,889	10,029	(10,088)	412,902	10,241	(9,917)
OTC options bought and sold	320,184	3,923	(3,849)	319,223	3,906	(3,835)
OTC derivatives	1,499,807	22,026	(21,745)	1,487,482	21,853	(21,328)
Exchange traded futures – bought and sold	852	–	–	787	–	–
Exchange traded options – bought and sold	115	–	–	115	–	–
Foreign exchange derivatives	1,500,774	22,026	(21,745)	1,488,384	21,853	(21,328)
Interest rate derivatives						
Interest rate swaps	8,718,015	61,267	(61,510)	8,670,621	60,897	(60,701)
Forward rate agreements	1,335,594	337	(374)	1,308,929	318	(357)
OTC options bought and sold	2,301,239	13,977	(13,558)	2,297,870	13,968	(13,547)
OTC derivatives	12,354,848	75,581	(75,442)	12,277,420	75,183	(74,605)
Exchange traded futures – bought and sold	1,057,767	188	(256)	1,005,681	188	(256)
Exchange traded options – bought and sold	848,629	241	(156)	843,639	241	(156)
Exchange traded swaps	3,405,109	–	–	3,405,109	–	–
Interest rate derivatives	17,666,353	76,010	(75,854)	17,531,849	75,612	(75,017)
Credit derivatives						
Swaps	1,224,548	9,275	(8,894)	1,223,730	9,270	(8,894)
Equity and stock index derivatives						
OTC options bought and sold	114,227	11,171	(15,613)	101,280	8,985	(13,452)
Equity swaps and forwards	24,580	656	(846)	18,585	194	(348)
OTC derivatives	138,807	11,827	(16,459)	119,865	9,179	(13,800)
Exchange traded futures – bought and sold	30,159	154	(176)	26,080	154	(176)
Exchange traded options – bought and sold	30,473	161	(171)	26,378	161	(169)
Equity and stock index derivatives	199,439	12,142	(16,806)	172,323	9,494	(14,145)
Commodity derivatives						
OTC options bought and sold	52,899	2,568	(2,443)	52,569	2,485	(2,367)
Commodity swaps and forwards	164,863	14,933	(13,497)	164,455	14,799	(13,541)
OTC derivatives	217,762	17,501	(15,940)	217,024	17,284	(15,908)
Exchange traded futures – bought and sold	68,710	13	(33)	67,464	–	(21)
Exchange traded options – bought and sold	9,169	306	(474)	9,165	306	(474)
Commodity derivatives	295,641	17,820	(16,447)	293,653	17,590	(16,403)
Derivatives with subsidiaries					15,240	(11,247)
Derivative assets/(liabilities) held for trading	20,886,755	137,273	(139,746)	20,709,939	149,059	(147,034)

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:

	The Group 2007			The Bank 2007		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
Year ended 31st December 2007 Derivatives held for risk management	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Derivatives designated as cash flow hedges						
Interest rate swaps	38,453	239	(437)	34,754	132	(215)
Equity options	54	41	–	–	–	–
Forward foreign exchange	2,256	178	–	2,256	178	–
Exchange traded interest rate swaps	14,529	–	–	14,529	–	–
Commodity swaps and forwards	–	–	–	–	–	–
Derivatives designated as cash flow hedges	55,292	458	(437)	51,539	310	(215)
Derivatives designated as fair value hedges						
Currency swaps	4,299	81	(75)	3,873	68	(75)
Interest rate swaps	18,450	323	(195)	14,872	203	(75)
Equity options	1,203	58	(58)	1,203	58	(58)
Forward foreign exchange	–	–	–	–	–	–
Derivatives designated as fair value hedges	23,952	462	(328)	19,948	329	(208)
Derivatives designated as hedges of net investments						
Forward foreign exchange	4,223	31	(57)	4,223	31	(53)
Currency swaps	8,397	187	(88)	8,397	187	(88)
Derivatives designated as hedges of net investment	12,620	218	(145)	12,620	218	(141)
Derivative assets/(liabilities) held for risk management	91,864	1,138	(910)	84,107	857	(564)

	The Group 2006			The Bank 2006		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
Year ended 31st December 2006 Derivatives held for risk management	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Derivatives designated as cash flow hedges						
Interest rate swaps	51,614	132	(312)	43,524	123	(217)
Exchange traded interest rate swaps	12,077	–	–	12,077	–	–
Commodity swaps and forwards	204	–	(89)	–	–	–
Derivatives designated as cash flow hedges	63,895	132	(401)	55,601	123	(217)
Derivatives designated as fair value hedges						
Currency swaps	1,454	–	(233)	–	–	–
Interest rate swaps	16,940	240	(152)	15,395	201	(75)
Equity options	1,029	58	(56)	1,027	56	(56)
Forward foreign exchange	66	–	–	66	–	–
Derivatives designated as fair value hedges	19,489	298	(441)	16,488	257	(131)
Derivatives designated as hedges of net investments						
Forward foreign exchange	2,730	–	(78)	–	–	–
Currency swaps	9,320	650	(31)	–	–	–
Derivatives designated as hedges of net investments	12,050	650	(109)	–	–	–
Derivative assets/(liabilities) held for risk management	95,434	1,080	(951)	72,089	380	(348)

13 Derivative financial instruments (continued)

Interest rate derivatives, designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate debt securities held and highly probable forecast financing transactions and reinvestments.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers and investments in fixed rate debt securities held.

Currency derivatives are primarily designated as hedges of the foreign currency risk of net investments in foreign operations.

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

	The Group 2007			The Bank 2007		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
Year ended 31st December 2007	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Total derivative assets/(liabilities) held for trading	29,199,895	246,950	(247,378)	28,953,773	259,897	(256,630)
Total derivative assets/(liabilities) held for risk management	91,864	1,138	(910)	84,107	857	(564)
Derivative assets/(liabilities)	29,291,759	248,088	(248,288)	29,037,880	260,754	(257,194)

	The Group 2006			The Bank 2006		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
Year ended 31st December 2006	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Total derivative assets/(liabilities) held for trading	20,886,755	137,273	(139,746)	20,709,939	149,059	(147,034)
Total derivative assets/(liabilities) held for risk management	95,434	1,080	(951)	72,089	380	(348)
Derivative assets/(liabilities)	20,982,189	138,353	(140,697)	20,782,028	149,439	(147,382)

Derivative assets and liabilities subject to counterparty netting agreements amounted to £199bn (2006: £102bn). Additionally, we held £17bn (2006: £8bn) of collateral against the net derivative assets exposure.

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	2007						
The Group	Total £m	Up to one year £m	Between one to two years £m	Between two to three years £m	Between three to four years £m	Between four to five years £m	More than five years £m
Forecast receivable cash flows	4,329	1,593	987	903	535	254	57
Forecast payable cash flows	2,121	394	369	335	283	244	496

	2006						
The Group	Total £m	Up to one year £m	Between one to two years £m	Between two to three years £m	Between three to four years £m	Between four to five years £m	More than five years £m
Forecast receivable cash flows	5,111	1,500	1,452	954	689	410	106
Forecast payable cash flows	1,280	704	349	121	73	30	3

13 Derivative financial instruments (continued)

The Bank	2007 Total £m	Up to one year £m	Between one to two years £m	Between two to three years £m	Between three to four years £m	Between four to five years £m	More than five years £m
Forecast receivable cash flows	4,329	1,593	987	903	535	254	57
Forecast payable cash flows	2,009	343	336	315	277	242	496

The Bank	2006 Total £m	Up to one year £m	Between one to two years £m	Between two to three years £m	Between three to four years £m	Between four to five years £m	More than five years £m
Forecast receivable cash flows	4,581	1,305	1,372	876	642	295	91
Forecast payable cash flows	1,280	704	349	121	73	30	3

The maximum length of time over which the Group and the Bank is hedging its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is 10 years (2006: 8 years).

All gains or losses on hedging derivatives relating to forecast transactions, which are no longer expected to occur, have been recycled to the income statement.

A loss of £66m on hedging instruments is recognised in relation to fair value hedges in net interest income for the Group (2006: £460m). A gain of £70m on the hedged items is recognised in relation to fair value hedges in net interest income for the Group (2006: £465m).

Ineffectiveness recognised in relation to cash flow hedges in net interest income for the Group was a gain of £21m (2006: loss of £23m). Ineffectiveness recognised in relation to hedges of net investment for the Group was a gain of £4m (2006: £13m).

A gain of £61m on hedging instruments is recognised in relation to fair value hedges in net interest income for the Bank (2006: loss of £293m). A loss of £59m on the hedged items is recognised in relation to fair value hedges in net interest income for the Bank (2006: gain of £293m).

Ineffectiveness recognised in relation to cash flow hedges in net interest income for the Bank was a gain of £24m (2006: loss of £19m). Ineffectiveness recognised in relation to hedges of net investment for the Bank was a gain of £4m (2006: £nil).

14 Loans and advances to banks and customers

	The Group 2007 £m	The Group 2006 £m	The Bank 2007 £m	The Bank 2006 £m
Loans and advances to banks	40,123	30,930	26,446	23,869
Less: Allowance for impairment	(3)	(4)	(3)	(2)
Loans and advances to banks	40,120	30,926	26,443	23,867
Loans and advances to customers	349,167	285,631	402,035	282,384
Less: Allowance for impairment	(3,769)	(3,331)	(2,771)	(2,564)
Loans and advances to customers	345,398	282,300	399,264	279,820

15 Available for sale financial investments

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Debt securities	38,673	47,912	24,594	30,628
Treasury bills and other eligible bills	2,723	2,420	335	325
Equity securities	1,860	1,620	653	611
Available for sale financial investments	43,256	51,952	25,582	31,564

Movement in available for sale financial investments	2007 £m	2006 £m	2007 £m	2006 £m
At beginning of year	51,952	53,703	31,564	49,025
Exchange and other adjustments	1,499	(3,999)	1,839	(2,213)
Acquisitions and transfers	26,950	47,109	20,241	25,956
Disposals (through sale and redemption)	(37,498)	(44,959)	(28,319)	(41,229)
Gains from changes in fair value recognised in equity	391	182	294	28
Impairment	(13)	(86)	(13)	–
Amortisation of discounts/premium	(25)	2	(24)	(3)
At end of year	43,256	51,952	25,582	31,564

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:

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 couterparty to repurchase them are not recognised on balance sheet where the risks and rewards of ownership remain with the counterparty.

(a) Reverse repurchase agreements and cash collateral held on securities borrowed

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Banks	86,710	85,336	65,031	44,172
Customers	96,365	88,754	121,523	136,453
Reverse repurchase agreements and cash collateral on securities borrowed	183,075	174,090	186,554	180,625

(b) Repurchase agreements and cash collateral on securities lent

Securities that are not recorded on the balance sheet (for example, securities that have been obtained as a result of reverse repurchase and stock borrow transactions may also be lent or sold subject to a commitment to repurchase – such securities remain off balance sheet. In both instances, amounts received from counterparty are treated as liabilities, which at 31st December were as follows:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Banks	97,297	79,833	62,258	48,187
Customers	72,132	57,123	91,391	61,331
Repurchase agreements and cash collateral on securities lent	169,429	136,956	153,649	109,518

17 Other assets

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Sundry debtors	4,045	4,298	2,293	2,873
Prepayments	551	658	416	340
Accrued income	400	722	189	136
Reinsurance assets	157	172	–	–
Other assets	5,153	5,850	2,898	3,349

Included in the above Group balances are £4,541m (2006: £5,065m) expected to be recovered within no more than 12 months after the balance sheet date; and balances of £612m (2006: £785m) expected to be recovered more than 12 months after the balance sheet date.

Included in the above Bank balances are £2,377m (2006: £2,636m) expected to be recovered within no more than 12 months after the balance sheet date, and balances of £521m (2006: £713m) expected to be recovered more than 12 months after the balance sheet date.

Other assets for the Group comprise £3,966m (2006: £4,097m) of receivables which meet the definition of financial assets.

Other assets for the Bank comprise £2,223m (2006: £2,868m) of receivables which meet the definition of financial assets.

18 Current and deferred tax

The components of taxes are as follows:

	The Group				The Bank			
	2007 £m		2006 £m		2007 £m		2006 £m	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current tax	518	1,311	557	1,020	803	842	1,193	512
Deferred tax	2,334	1,726	2,005	1,523	865	80	1,171	67

Deferred taxes are calculated on all temporary differences under the liability method. The movement on the deferred tax account is as follows:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
At beginning of year	482	(14)	1,104	1,056
Income statement credit/(charge)	393	(4)	(80)	(116)
Equity				
Available for sale investments	13	4	–	–
Cash flow hedges	(132)	128	(189)	263
Share-based payments	(63)	24	(26)	(98)
Other equity movements	(125)	48	(24)	12
Acquisitions and disposals	33	264	–	–
Exchange and other adjustments	7	32	–	(13)
At end of year	608	482	785	1,104

18 Current and deferred tax (continued)

Deferred tax assets and liabilities are attributable to the following items:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Deferred tax liabilities				
Accelerated tax depreciation	803	705	24	9
Available for sale investments	101	116	56	56
Cash flow hedges	51	–	–	2
Other	771	702	–	–
Deferred tax liabilities	1,726	1,523	80	67
Deferred tax assets				
Pensions and other retirement benefits	491	622	432	552
Allowance for impairment on loans	108	69	30	23
Other provisions	377	436	57	73
Cash flow hedges	44	91	2	57
Tax losses carried forward	215	1	4	1
Share-based payments	428	380	32	80
Other	671	406	308	385
Deferred tax assets	2,334	2,005	865	1,171
Net deferred tax asset	608	482	785	1,104
Disclosed as deferred tax liabilities	855	282	–	–
Disclosed as deferred tax assets	1,463	764	785	1,104
Net deferred tax asset	608	482	785	1,104

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off and the balances relate to income tax payable to the same taxation authority on either the same taxable entity or different taxable entities within the same tax group where there is the intention and ability to settle on a net basis or realise the assets and liabilities simultaneously.

The amount of deferred tax liability expected to be settled after more than 12 months for the Group is £1,468m (2006: £1,046m) and for the Bank is £24m (2006: £65m).

The amount of deferred tax asset expected to be recovered after more than 12 months for the Group is £1,950m (2006: £1,582m) and for the Bank is £740m (2006: £824m).

The deferred tax assets balance for the Group includes £450m (2006: £106m) which is the excess deferred tax assets over deferred tax liabilities in entities which have suffered a loss in either the current or prior year. This is based on management assessment that it is probable that the relevant entities will have taxable profits against which the temporary differences can be utilised.

The deferred tax (credit)/charge in the income statement comprises the following temporary differences:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Accelerated tax depreciation	118	120	14	1
Pensions and other retirement benefits	96	(24)	85	56
Allowance for impairment on loans	(28)	(30)	3	(23)
Other provisions	(165)	(105)	–	77
Tax losses carry forward	(214)	25	(3)	11
Available for sale investments	(1)	8	(1)	24
Cash flow hedges	–	(14)	–	36
Share-based payments	(100)	(77)	21	(42)
Other	(99)	101	(39)	(24)
Total	(393)	4	80	116

Deferred tax assets have not been recognised in respect of the following items:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Deductible temporary differences (gross)	247	395	167	14
Unused tax losses (gross)	1,683	190	1,176	–
Unused tax credits	126	98	55	–

18 Current and deferred tax (continued)

The following tax losses of the Group expire: £9m in 2008-11, £9m in 2011, £9m in 2012 and £1,201m in 2027. The other tax losses, tax credits and temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. The unused tax losses include amounts relating to non-UK branches of Barclays Bank PLC where the future tax benefit might be restricted to the amount in excess of the UK rate.

The amount of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which deferred tax liabilities have not been recognised in the Group is £5,722m (2006: £3,387m).

The tax charge for the period was based on a UK corporation tax rate of 30% (2006: 30%). The effective rate of tax for 2007, based on profit before tax, was 28% (2006: 27.2%). The effective tax rate differed from 30% as it took account of the different tax rate applied to profits earned outside the UK, non-taxable gains and income and adjustments to prior year tax provisions. The forthcoming changes in the UK rate of corporation tax from 30% to 28% on 1st April 2008 led to an additional tax charge in 2007 as a result of its effect on the Group's net deferred tax asset.

19 Investment in associates and joint ventures

Share of net assets

	Associates		Joint ventures		Total	
The Group	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
At beginning of year	74	427	154	119	228	546
Share of results before tax	35	63	10	(6)	45	57
Share of tax	(2)	(10)	(1)	(1)	(3)	(11)
Share of post-tax results	33	53	9	(7)	42	46
Dividends paid	–	(17)	–	–	–	(17)
New investments	7	2	8	7	15	9
Acquisitions	56	51	150	102	206	153
Disposals	(47)	(404)	(72)	(72)	(119)	(476)
Exchange and other adjustments	(33)	(38)	38	5	5	(33)
At end of year	90	74	287	154	377	228

	Associates		Joint ventures		Total	
The Bank	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
At beginning of year	7	326	90	84	97	410
New investments	7	–	16	6	23	6
Disposals	(7)	(319)	(1)	–	(8)	(319)
At end of year	7	7	105	90	112	97

The fair value of the Group's investments in Ambit Properties Limited, an associate listed on the Johannesburg Stock Exchange, is £42m.

Disposal of associates and joint ventures

On 29th June 2007 and 2nd July 2007, the Group disposed of its investment in Gabetti Property Solutions for cash consideration, net of transaction costs of £13m, which after deducting the Group's share of its net assets on the dates of disposal, resulted in a profit of £8m.

On 24th September 2007, the Group disposed of its investment in Intelenet Global Services for a cash consideration, net of transaction costs of £22m, which after deducting the Group's share of its net assets on the date of disposal, resulted in a profit of £13m.

Included within Barclays share of associates' and joint ventures' assets is goodwill as follows:

Goodwill

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Cost				
At beginning of year	41	205	25	189
Disposals	(17)	(121)	(1)	(121)
Transfer	3	(43)	3	(43)
At end of year	27	41	27	25

19 Investment in associates and joint ventures (continued)

Summarised financial information of the Group's associates and joint ventures is set out below:

	2007		2006	
	Associates £m	Joint ventures £m	Associates £m	Joint ventures £m
Property, plant and equipment	588	632	599	142
Financial investments	239	8	4	2
Trading portfolio assets	–	–	1	–
Loans to banks and customers	516	2,372	1,378	797
Other assets	1,387	314	541	199
Total assets	2,730	3,326	2,523	1,140
Deposits from banks and customers	1,515	2,189	1,421	769
Trading portfolio liabilities	–	–	1	–
Other liabilities	902	458	887	187
Shareholders' equity	313	679	214	184
Total liabilities	2,730	3,326	2,523	1,140
Net income	528	340	538	178
Operating expenses	(404)	(292)	(334)	(178)
Profit before tax	124	48	204	–
Profit/(loss) after tax	104	40	186	(2)

The amounts included above, which include the entire assets, liabilities and net income of the investees, not just the Group's share, are based on accounts made up to 31st December 2007 with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

Associates and joint ventures in 2007 includes £1,728m (2006: £1,525m) of assets, £1,537m (2006: £1,380m) of liabilities and £18m (2006: £25m) of profit after tax in associates and joint ventures within the Absa Group.

The Group's share of commitments and contingencies of its associates and joint ventures is £6m (2006: £nil).

20 Investments in subsidiaries

Investments in subsidiaries, the principal of which are engaged in banking related activities, are recorded in the balance sheet at historical cost, less dividends received out of the pre-acquisition profits of the subsidiaries and any impairment. At 31st December 2007 the historical cost of investments in subsidiaries was £17,325m (2006: £16,548m), and allowances recognised against these investments was £1,840m (2006: £1,767m) of impairment and £493m (2006: £464m) dividends received out of pre-acquisition profits of the subsidiaries. Details of the principal subsidiaries are shown in Note 41.

21 Goodwill

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Net book value				
At beginning of year	6,092	6,022	3,591	3,591
Acquisitions	879	390	–	–
Disposals	(17)	(14)	–	–
Exchange and other adjustments	60	(306)	2	–
At end of year	7,014	6,092	3,593	3,591

Goodwill is allocated to business operations according to business segments identified by the Group under IAS 14, as follows:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
UK Banking	3,131	3,132	3,130	3,130
Barclaycard	400	403	257	257
International Retail and Commercial Banking	1,682	1,481	96	94
Barclays Capital	147	86	–	–
Barclays Global Investors	1,261	673	15	15
Barclays Wealth	393	317	95	95
Goodwill	7,014	6,092	3,593	3,591

21 Goodwill (continued)

The Barclays Financial Planning business previously managed and reported within Barclays Wealth, is now managed and reported within UK Banking. Goodwill of £312m relating to this business has been transferred to UK Banking and the comparative figures restated.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred by comparing the carrying value to its recoverable amount.

Impairment testing of goodwill

The recoverable amount of each operation's goodwill is based on value-in-use calculations. The calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the cash generating unit, the determination of both of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management's view of future performance.

At 31st December 2007, the Group goodwill allocated to UK Banking of £3,131m (2006: £3,132m) included £3,130m (2006: £3,130m) relating to Woolwich, and the amount allocated to International Retail and Commercial Banking of £1,682m (2006: £1,481m) included £1,054m (2006: £953m) relating to Absa.

The remaining aggregate Group goodwill of £2,830m (2006: £2,009m) was comprised of balances not considered individually significant.

Key assumptions used in value in use calculations for significant goodwill

The values assigned to key assumptions reflect past experience and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Term of cash flow forecasts and growth rates

Cash flows are based on internal management information for a period of up to three years, after which a growth factor suitable for the business is applied. Growth rates are based on the projected local inflation rates over the term of estimated cash flows.

The business operation containing Woolwich has applied a growth factor of 2% (proxy for inflation) to cash flows for the period 2011 to 2016. Absa has applied a growth rate of 8% to cash flows for the three years 2011 to 2013, and a rate of 4% for the years 2014 to 2021. The use of longer cash flow projections is justified by the long-term nature of these businesses within the Barclays Group.

Discount rates

The business operation containing Woolwich has applied a discount factor of 15%, and Absa has applied 13.62% to forecasted cash flows used in the impairment testing.

Management believes that reasonable changes in key assumptions used to determine the recoverable amounts of Absa and Woolwich goodwill will not result in impairment.

No impairment was identified in 2007 or 2006.

22 Intangible assets

	2007							
The Group	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Mortgage servicing rights £m	Licences and other £m	Total £m
Cost								
At 1st January 2007	267	123	242	145	467	122	140	1,506
Acquisitions	–	–	–	–	54	–	23	77
Additions	118	56	–	3	–	4	–	181
Exchange and other adjustments	3	9	2	1	3	–	(2)	16
At 31st December 2007	388	188	244	149	524	126	161	1,780
Accumulated amortisation and impairment								
At 1st January 2007	(116)	(29)	(24)	(22)	(64)	(10)	(26)	(291)
Amortisation charge	(45)	(13)	(11)	(15)	(36)	(54)	(12)	(186)
Impairment charge	–	(14)	–	–	–	–	–	(14)
Exchange and other adjustments	(2)	(1)	(2)	(1)	(1)	–	–	(7)
At 31st December 2007	(163)	(57)	(37)	(38)	(101)	(64)	(38)	(498)
Net book value	225	131	207	111	423	62	123	1,282

22 Intangible assets (continued)

The Bank	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
	2007							
Cost								
At 1st January 2007	215	79	5	–	11	122	23	455
Acquisitions	–	–	–	–	–	–	–	–
Additions	98	16	–	–	–	4	–	118
Exchange and other adjustments	1	20	–	–	1	–	(13)	9
At 31st December 2007	314	115	5	–	12	126	10	582
Accumulated amortisation and impairment								
At 1st January 2007	(90)	(2)	(1)	–	(2)	(10)	(3)	(108)
Amortisation charge	(37)	–	(1)	–	(1)	(52)	(2)	(93)
Impairment charge	–	(13)	–	–	–	–	–	(13)
Exchange and other adjustments	(1)	–	–	–	–	(1)	2	–
At 31st December 2007	(128)	(15)	(2)	–	(3)	(63)	(3)	(214)
Net book value	186	100	3	–	9	63	7	368

The Group	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
	2006							
Cost								
At 1st January 2006	188	43	306	183	582	–	139	1,441
Acquisitions	–	–	–	–	–	114	2	116
Additions	95	86	–	–	–	16	13	210
Exchange and other adjustments	(16)	(6)	(64)	(38)	(115)	(8)	(14)	(261)
At 31st December 2006	267	123	242	145	467	122	140	1,506
Accumulated amortisation and impairment								
At 1st January 2006	(90)	(18)	(7)	(9)	(29)	–	(19)	(172)
Amortisation charge	(29)	(7)	(20)	(16)	(44)	(11)	(9)	(136)
Impairment charge	(2)	(5)	–	–	–	–	–	(7)
Exchange and other adjustments	5	1	3	3	9	1	2	24
At 31st December 2006	(116)	(29)	(24)	(22)	(64)	(10)	(26)	(291)
Net book value	151	94	218	123	403	112	114	1,215

The Bank	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
	2006							
Cost or valuation								
At 1st January 2006	149	11	7	–	10	–	10	187
Acquisitions	–	–	–	–	–	114	–	114
Additions	78	68	–	–	–	16	13	175
Exchange and other adjustments	(12)	–	(2)	–	1	(8)	–	(21)
At 31st December 2006	215	79	5	–	11	122	23	455
Accumulated amortisation and impairment								
At 1st January 2006	(66)	(2)	–	–	(1)	–	(2)	(71)
Amortisation charge	(24)	–	(1)	–	(1)	(11)	(1)	(38)
Impairment charge	(2)	–	–	–	–	–	–	(2)
Exchange and other adjustments	2	–	–	–	–	1	–	3
At 31st December 2006	(90)	(2)	(1)	–	(2)	(10)	(3)	(108)
Net book value	125	77	4	–	9	112	20	347

Impairment charges reflect the impairment of certain IT assets where the future economic benefit did not exceed the carrying value.

Impairment charges detailed above have been included within other operating expenses.

23 Property, plant and equipment

2007	The Group Property £m	Equipment £m	Operating leased assets £m	Total £m	The Bank Property £m	Equipment £m	Operating leased assets £m	Total £m
Cost								
At 1st January 2007	2,154	2,429	365	4,948	1,731	1,383	–	3,114
Acquisitions and disposals	5	13	–	18	3	1	–	4
Additions	506	638	105	1,249	321	281	–	602
Disposals	(241)	(112)	(57)	(410)	(194)	(37)	–	(231)
Fully depreciated assets written off	(1)	(8)	–	(9)	(1)	–	–	(1)
Exchange and other adjustments	28	35	–	63	9	8	–	17
At 31st December 2007	2,451	2,995	413	5,859	1,869	1,636	–	3,505
Accumulated depreciation and impairment								
At 1st January 2007	(993)	(1,454)	(9)	(2,456)	(890)	(866)	–	(1,756)
Acquisitions and disposals	(1)	(7)	–	(8)	–	–	–	–
Depreciation charge	(91)	(370)	(6)	(467)	(66)	(191)	–	(257)
Impairment	(2)	–	–	(2)	(2)	–	–	(2)
Disposals	58	37	–	95	48	18	–	66
Fully depreciated assets written off	1	8	–	9	1	1	–	2
Exchange and other adjustments	(16)	(18)	–	(34)	(6)	(3)	–	(9)
At 31st December 2007	(1,044)	(1,804)	(15)	(2,863)	(915)	(1,041)	–	(1,956)
Net book value	1,407	1,191	398	2,996	954	595	–	1,549

2006	The Group Property £m	Equipment £m	Operating leased assets £m	Total £m	The Bank Property £m	Equipment £m	Operating leased assets £m	Total £m
Cost								
At 1st January 2006	2,450	2,541	365	5,356	1,972	1,580	–	3,552
Acquisitions and disposals	–	–	–	–	–	–	–	–
Additions	180	475	–	655	130	270	–	400
Disposals	(422)	(382)	–	(804)	(368)	(362)	–	(730)
Fully depreciated assets written off	(1)	(89)	–	(90)	–	(89)	–	(89)
Exchange and other adjustments	(53)	(116)	–	(169)	(3)	(16)	–	(19)
At 31st December 2006	2,154	2,429	365	4,948	1,731	1,383	–	3,114
Accumulated depreciation and impairment								
At 1st January 2006	(1,022)	(1,575)	(5)	(2,602)	(914)	(1,121)	–	(2,035)
Acquisitions and disposals	–	–	–	–	–	–	–	–
Depreciation charge for year	(118)	(335)	(2)	(455)	(96)	(171)	–	(267)
Impairment	(14)	–	–	(14)	(14)	–	–	(14)
Disposals	148	341	–	489	137	333	–	470
Fully depreciated assets written off	1	89	–	90	–	89	–	89
Exchange and other adjustments	12	26	(2)	36	(3)	4	–	1
At 31st December 2006	(993)	(1,454)	(9)	(2,456)	(890)	(866)	–	(1,756)
Net book value	1,161	975	356	2,492	841	517	–	1,358

Operating leased assets represent assets such as plant and equipment leased to customers under operating leases.

Certain of the Group's equipment is held on finance leases. See Note 38.

In 2007 the value of an existing office building in the UK property portfolio was impaired by £2m reflecting local market conditions that had prevented its disposal in the year. In 2008 the freehold of the building will be disposed of by a short- or long-term leaseback. Consequently the value has been written down to fair value, less cost of sale.

24 Financial liabilities designated at fair value

	The Group		The Bank		The Group		The Bank	
	2007				2006			
	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	52,320	62,167	51,634	61,769	32,261	37,393	29,868	35,197
Deposits	17,319	18,140	17,575	18,366	19,990	20,465	19,836	20,466
Other	4,850	6,239	4,696	6,048	1,736	2,913	1,532	2,825
Financial liabilities designated at fair value	74,489	86,546	73,905	86,183	53,987	60,771	51,236	58,488

The amount of change in the fair value of financial liabilities attributable to changes in own credit risk of these liabilities in 2007 is £658m. There were no significant gains or losses attributable to changes in own credit risk for financial liabilities in 2006.

25 Other liabilities

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Accruals and deferred income	6,075	6,127	3,120	3,430
Sundry creditors	4,356	4,118	7,501	13,311
Obligations under finance leases (Note 38)	83	92	14	11
Other liabilities	10,514	10,337	10,635	16,752

Included in the above are Group balances of £9,058m (2006: £9,265m) expected to be settled within no more than 12 months after the balance sheet date; and balances of £1,456m (2006: £1,072m) expected to be settled more than 12 months after the balance sheet date.

Included in the above are Bank balances of £9,027m (2006: £9,904m) expected to be settled within no more than 12 months after the balance sheet date and balances of £1,608m (2006: £6,848m) expected to be settled more than 12 months after the balance sheet date.

Accruals and deferred income included £102m (2006: £107m) in relation to deferred income from investment contracts and £677m (2006: £822m) in relation to deferred income from insurance contracts for the Group. The equivalent balances for the Bank are nil (2006: nil).

26 Insurance assets and liabilities

Insurance assets

Reinsurance assets are £157m (2006: £172m) and relate principally to the Group's long-term business. Reinsurers' share of provisions relating to the Group's short-term business are £94m (2006: £82m). The reinsurance assets expected to be recovered after more than one year are £63m (2006: £92m).

Insurance contract liabilities including unit-linked liabilities

Insurance liabilities comprise the following:

	The Group	
	2007 £m	2006 £m
Insurance contract liabilities:		
– linked liabilities	1,398	1,591
– non-linked liabilities	2,347	2,121
Provision for claims	158	166
Insurance contract liabilities including unit-linked liabilities	3,903	3,878

Insurance contract liabilities relate principally to the Group's long-term business. Insurance contract liabilities associated with the Group's short-term non-life business are £174m (2006: £198m).

Movements in insurance liabilities and reinsurance assets

Movements in insurance assets and insurance contract liabilities were as follows:

	The Group					
	2007			2006		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
At beginning of year	3,878	(172)	3,706	3,767	(114)	3,653
Change in year	25	15	40	111	(58)	53
At end of year	3,903	(157)	3,746	3,878	(172)	3,706

Assumptions used to measure insurance liabilities

The assumptions that have the greatest effect on the measurement of the amounts recognised above, and the processes used to determine them were as follows:

Long-term business – linked and non-linked

Mortality – mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group's own experience. A margin is added to ensure prudence – for example, future mortality improvements for annuity business.

Renewal expenses level and inflation – expense reserves are a small part of overall insurance liabilities, however, increases in expenses caused by unanticipated inflation or other unforeseen factors could lead to expense reserve increases. Expenses are therefore set using prudent assumptions. Initial renewal expense levels are set by considering expense forecasts for the business and, where appropriate, building in a margin to allow for the increasing burden of fixed costs on the UK closed life book of business. The inflation assumption is set by adding a margin to the market rate of inflation implied by index-linked gilt yields.

Short-term business

Short-term business – for single premium policies the proportion of unearned premiums is calculated based on estimates of the frequency and severity of incidents.

Changes in assumptions

There have been no changes in assumptions in 2007 that have had a material effect on the financial statements.

Uncertainties associated with cash flows related to insurance contracts and risk management activities

Long-term insurance contracts (linked and non-linked)

For long-term insurance contracts where death is the insured risk, the most significant factors that could detrimentally affect the frequency and severity of claims are the incidence of disease, such as AIDS, or general changes in lifestyle, such as in eating, exercise and smoking. Where survival is the insured risk, advances in medical care and social conditions are the key factors that increase longevity.

The Group manages its exposure to risk by operating in part as a unit-linked business, prudent product design, applying strict underwriting criteria, transferring risk to reinsurers, managing claims and establishing prudent reserves.

26 Insurance assets and liabilities (continued)

Short-term insurance contracts

For payment protection contracts where inability to make payments under a loan contract is the insured risk, the most significant factors are the health of the policyholder and the possibility of unemployment which depends upon, among other things, long-term and short-term economic factors. The Group manages its exposure to such risks through prudent product design, efficient claims management, prudent reserving methodologies and bases, regular product, economic and market reviews and regular adequacy tests on the size of the reserves.

Absa insures property and motor vehicles, for which the most significant factors that could effect the frequency and severity of claims are climatic change and crime. Absa manages its exposure to risk by diversifying insurance risks accepted and transferring risk to reinsurers.

Sensitivity analysis

The following table presents the sensitivity of the level of insurance contract liabilities disclosed in this note to movements in the actuarial assumptions used to calculate them. The percentage change in variable is applied to a range of existing actuarial modelling assumptions to derive the possible impact on net profit after tax. The disclosure is not intended to explain the impact of a percentage change in the insurance assets and liabilities disclosed above.

	The Group			
	2007		2006	
	Change in variable %	Net profit after tax impact £m	Change in variable %	Net profit after tax impact £m
Long-term insurance contracts:				
Improving mortality (annuitants only)	10	21	10	23
Worsening of mortality (assured lives only)	10	29	10	25
Worsening of base renewal expense level	20	43	20	23
Worsening of expense inflation rate	10	10	10	9
Short-term insurance contracts:				
Worsening of claim expense assumptions	10	3	10	9

Any change in net profit after tax would result in a corresponding increase or decrease in shareholders' equity.

The above analyses are based on a change in a single assumption while holding all other assumptions constant. In practice this is unlikely to occur.

Options and guarantees

The Group's contracts do not contain options or guarantees that could confer material risk.

Concentration of insurance risk

The Group considers that the concentration of insurance risk that is most relevant to the Group financial statements is according to the type of cover offered and the location of insured risk. The following table shows the maximum amounts payable under all of the Group's insurance products. It ignores the probability of insured events occurring and the contribution from investments backing the insurance policies. The table shows the broad product types and the location of the insured risk, before and after the impact of reinsurance that represents the risk that is passed to other insurers.

	The Group					
	2007			2006		
	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m
Total benefits insured by product type						
Long term insurance contracts	31,205	(10,497)	20,708	24,934	(9,445)	15,489
Short term insurance contracts	31,464	(1,139)	30,325	39,870	(901)	38,969
Total benefits insured	62,669	(11,636)	51,033	64,804	(10,346)	54,458

	The Group					
	2007			2006		
	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m
Total benefits insured by geographic location						
UK	22,538	(7,473)	15,065	25,403	(8,010)	17,393
Other European Union	4,304	(2,479)	1,825	3,317	(1,802)	1,515
Africa	35,827	(1,684)	34,143	36,084	(534)	35,550
Total benefits insured	62,669	(11,636)	51,033	64,804	(10,346)	54,458

Reinsurer credit risk

For the long-term business, reinsurance programmes are in place to restrict the amount of cover to any single life. The reinsurance cover is spread across highly rated companies to diversify the risk of reinsurer solvency. Net insurance reserves include a margin to reflect reinsurer credit risk.

27 Subordinated liabilities

Subordinated liabilities comprise dated and undated loan capital as follows:

		The Group		The Bank	
		2007 £m	2006 £m	2007 £m	2006 £m
Undated loan capital	(a)	6,631	5,422	6,678	5,471
Dated loan capital	(b)	11,519	8,364	11,309	7,989
		18,150	13,786	17,987	13,460

(a) Undated loan capital

		The Group		The Bank	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Non-convertible					
The Bank					
6% Callable Perpetual Core Tier One Notes	a,p	392	404	392	404
6.86% Callable Perpetual Core Tier One Notes (US$1,000m)	a,p	624	571	624	571
5.3304% Step-up Callable Perpetual Reserve Capital Instruments	b,q	520	501	520	501
5.926% Step-up Callable Perpetual Reserve Capital Instruments (US$1,350m)	c,r	708	690	708	690
6.3688% Step-up Callable Perpetual Reserve Capital Instruments	n,ad	526	–	526	–
7.434% Step-up Callable Perpetual Reserve Capital Instruments (US$1,250m)	o,ae	660	–	660	–
Junior Undated Floating Rate Notes (US$121m)	d,s	61	62	108	111
Undated Floating Rate Primary Capital Notes Series 3	d,t	147	146	147	146
9.875% Undated Subordinated Notes	e,u	319	319	319	319
9.25% Perpetual Subordinated Bonds (ex-Woolwich plc)	f,v	171	178	171	178
9% Permanent Interest Bearing Capital Bonds	g,w	102	102	102	102
7.125% Undated Subordinated Notes	h,x	535	550	535	550
6.875% Undated Subordinated Notes	i,y	657	656	657	656
6.375% Undated Subordinated Notes	j,z	482	481	482	481
6.125% Undated Subordinated Notes	k,aa	560	571	560	571
6.5% Undated Subordinated Notes (FFr 1,000m)	l,ab	115	105	115	105
5.03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m)	m,ac	21	34	21	34
5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m)	m,ac	31	52	31	52
Undated loan capital – non-convertible		6,631	5,422	6,678	5,471

27 Subordinated liabilities (continued)

Security and subordination

None of the undated loan capital of the Bank is secured.

The Junior Undated Floating Rate Notes (the 'Junior Notes') rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.

All other issues of the Bank's undated loan capital rank pari passu with each other and behind the claims of the holders of the Junior Notes, except for the 6% and 6.86% Callable Perpetual Core Tier One Notes (the 'TONs') and the 5.3304%, 5.926%, 6.3688% and 7.434% Step-up Callable Perpetual Reserve Capital Instruments (the 'RCIs') (such issues, excluding the TONs and the RCIs, being the 'Undated Notes and Loans').

The TONs and the RCIs rank pari passu with each other and behind the claims of the holders of the Undated Notes and Loans.

Interest

Notes

a These TONs bear a fixed rate of interest until 2032. After that date, in the event that the TONs are not redeemed, the TONs will bear interest at rates fixed periodically in advance, based on London interbank rates.

b These RCIs bear a fixed rate of interest until 2036. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

c These RCIs bear a fixed rate of interest until 2016. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

d These Notes bear interest at rates fixed periodically in advance, based on London interbank rates.

e These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

f These Bonds bear a fixed rate of interest until 2021. After that date, in the event that the Bonds are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

g The interest rate on these Bonds is fixed for the life of this issue.

h These Notes bear a fixed rate of interest until 2020. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

i These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

j These Notes bear a fixed rate of interest until 2017. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

k These Notes bear a fixed rate of interest until 2027. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

l These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.

m These Loans bear a fixed rate of interest until 2028 based on a US Dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable, which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Loans are not redeemed, the Loans will bear Yen interest rates fixed periodically in advance, based on London interbank rates.

n These RCIs bear a fixed rate of interest until 2019. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

o These RICs bear a fixed rate of interest untiil 2017. After that date, in the event that the RICs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

The Bank is not obliged to make a payment of interest on its Undated Notes and Loans excluding the 9.25% Perpetual Subordinated Bonds if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. The Bank is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 months interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. During the year, the Bank declared and paid dividends on its ordinary shares and on all classes of preference shares.

No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the RCIs (B, C, N and O above). Any such deferred payment of interest must be paid on the earlier of (i) the date of redemption of the RCIs, and (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or Preference Shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the FSA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or Preference Shares, or make payments of interest in respect of the Bank's Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

27 Subordinated liabilities (continued)

Repayment

Notes

p These TONs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2032.

q These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2036.

r These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2016.

s These Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date.

t These Notes are repayable, at the option of the Bank, in whole on any interest payment date.

u These Notes are repayable, at the option of the Bank, in whole in 2008, or on any fifth anniversary thereafter.

v These Bonds are repayable, at the option of the Bank, in whole in 2021, or on any fifth anniversary thereafter.

w These Bonds are repayable, at the option of the Bank, in whole at any time.

x These Notes are repayable, at the option of the Bank, in whole in 2020, or on any fifth anniversary thereafter.

y These Notes are repayable, at the option of the Bank, in whole in 2015, or on any fifth anniversary thereafter.

z These Notes are repayable, at the option of the Bank, in whole in 2017, or on any fifth anniversary thereafter.

aa These Notes are repayable at the option of the Bank, in whole in 2027, or on any fifth anniversary thereafter.

ab These Notes are repayable, at the option of the Bank, in whole in 2009, or on any fifth anniversary thereafter.

ac These Loans are repayable, at the option of the Bank, in whole in 2028, or on any fifth anniversary thereafter.

ad These RCIs are repayable at the option of the Bank, in whole on any coupon payment date falling in or after December 2019.

ae These RCIs are repayable at the option of the Bank, in whole on any coupon payment date falling in or after December 2017.

In addition, each issue of undated loan capital is repayable, at the option of the Bank, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest.

Any repayments require the prior notification to the FSA.

All issues of undated loan capital have been made in the eurocurrency market and/or under Rule 144A, and no issues have been registered under the US Securities Act of 1933.

27 Subordinated liabilities (continued)

(b) Dated loan capital

Dated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen its capital base, by Barclays Bank Spain SA (Barclays Spain), Barclays Bank of Botswana Ltd (BBB), Barclays Bank Zambia PLC (Barclays Zambia) and Barclays Bank of Kenya (Barclays Kenya) to enhance their respective capital bases and by Absa and Barclays Bank of Ghana Ltd (BBG) for general corporate purposes, comprise:

	Notes	The Group 2007 £m	The Group 2006 £m	The Bank 2007 £m	The Bank 2006 £m
Non-convertible					
The Bank					
7.4% Subordinated Notes 2009 (US$400m)	a	200	204	200	204
Subordinated Fixed to CMS-Linked Notes 2009 (€31m)	b	23	21	23	21
12% Unsecured Capital Loan Stock 2010	a	27	27	27	27
5.75% Subordinated Notes 2011 (€1,000m)	a	724	676	724	676
5.25% Subordinated Notes 2011 (€250m) (ex-Woolwich plc)	a	200	186	200	186
Floating Rate Subordinated Notes 2012		–	301	–	301
Callable Subordinated Floating Rate Notes 2012		–	44	–	44
Step-up Callable Floating Rate Subordinated Bonds 2012 (ex-Woolwich plc)		–	151	–	151
Callable Subordinated Floating Rate Notes 2012 (US$150m)		–	77	–	77
Floating Rate Subordinated Notes 2012 (US$100m)		–	51	–	51
Capped Floating Rate Subordinated Notes 2012 (US$100m)		–	51	–	51
Floating Rate Subordinated Notes 2013 (US$1,000m)	b,n	501	513	501	513
5.015% Subordinated Notes 2013 (US$150m)	a	77	77	77	77
4.875% Subordinated Notes 2013 (€750m)	a	583	540	583	540
5.5% Subordinated Notes 2013 (DM 500m)	d,n	196	179	196	179
Floating Rate Subordinated Step-up Callable Notes 2013 (Yen 5,500m)	b,n	25	24	25	24
Floating Rate Subordinated Notes 2013 (AU$150m)	c,n	67	61	67	61
5.93% Subordinated Notes 2013 (AU$100m)	e,n	44	41	44	41
Callable Floating Rate Subordinated Notes 2015 (US$1,500m)	b,n	753	767	753	767
4.38% Fixed Rate Subordinated Notes 2015 (US$75m)	a	30	37	30	37
4.75% Fixed Rate Subordinated Notes 2015 (US$150m)	a	85	76	85	76
Floating Rate Subordinated Step-up Callable Notes 2016 (US$750m)	b,n	375	382	375	382
Callable Floating Rate Subordinated Notes 2016 (€1,250m)	b,n	927	844	927	844
Callable Floating Rate Subordinated Notes 2017 (US$500m)	b,n	250	255	250	255
10.125% Subordinated Notes 2017 (ex-Woolwich plc)	k,n	111	113	111	113
Floating Rate Subordinated Step-up Callable Notes 2017 (US$1,500m)	b,n	749	–	749	–
Floating Rate Subordinated Step-up Callable Notes 2017 (€1,500m)	b,n	1,106	–	1,106	–
6.05% Fixed Rate Subordinated Notes 2017 (US$2,250m)	a	1,125	–	1,125	–
Floating Rate Subordinated Notes 2018 (€40m)	b	29	27	29	27
Floating Rate Subordinated Notes 2019 (€50m)	b	36	32	36	32
Callable Fixed/Floating Rate Subordinated Notes 2019 (€1,000m)	l	761	696	761	696
9.5% Subordinated Bonds 2021 (ex-Woolwich plc)	a	282	290	282	290
Subordinated Floating Rate Notes 2021 (€100m)	b	72	66	72	66
Subordinated Floating Rate Notes 2022 (€50m)	b	37	34	37	34
Subordinated Floating Rate Notes 2023 (€50m)	b	37	34	37	34
Fixed/Floating Rate Subordinated Callable Notes 2023	r,n	505	–	505	–
5.75% Fixed Rate Subordinated Notes 2026	a	600	608	600	608
5.4% Reverse Dual Currency Subordinated Loan 2027 (Yen 15,000m)	m	71	66	71	66
6.33% Subordinated Notes 2032	a	49	50	49	50
Subordinated Floating Rate Notes 2040 (€100m)	b	73	67	73	67
Other loans from subsidiaries		–	–	579	321
Barclays Bank SA, Spain (Barclays Spain)					
Subordinated Floating Rate Capital Notes 2011 (€30m)	b	10	22	–	–
Absa					
14.25% Subordinated Callable Notes 2014 (ZAR 3,100m)	f,n	253	269	–	–
10.75% Subordinated Callable Notes 2015 (ZAR 1,100m)	g,n	87	89	–	–
Subordinated Callable Notes 2015 (ZAR 400m)	h,n	29	29	–	–
8.75% Subordinated Callable Notes 2017 (ZAR 1,500m)	i,n	111	113	–	–
8.8% Subordinated Fixed Rate Callable Notes 2019 (ZAR 1,725m)	s,n	123	–	–	–
8.1% Subordinated Callable Notes 2020 (ZAR 2,000m)	j,n	138	143	–	–
Barclays Bank of Ghana Ltd (BBG)					
14% Fixed Rate BBG Subordinated Callable Notes 2016 (GHC 100,000m)	a,n	5	6	–	–
Barclays Bank of Kenya (Barclays Kenya)					
Floating Rate Subordinated Notes 2014 (KES 1,000m)	t	8	–	–	–
Dated loan capital – non-convertible		11,494	8,339	11,309	7,989

27 Subordinated liabilities (continued)

		The Group		The Bank	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Convertible					
Barclays Bank of Botswana (BBB)					
Subordinated Unsecured Floating Rate Capital Notes 2014 (BWP 100m)	n,o	8	9	–	–
Barclays Bank Zambia PLC (Barclays Zambia)					
Subordinated Unsecured Floating Rate Capital Notes 2015 (ZMK 40,000m)	n,p	6	5	–	–
Absa					
Redeemable cumulative option-holding preference shares (ZAR 147m)	q	11	11	–	–
Total convertible		25	25	–	–

None of the Group's dated loan capital is secured. The debt obligations of the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa rank ahead of the interests of holders of their equity. Dated loan capital of the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa has been issued on the basis that the claims there under are subordinated to the respective claims of their depositors and other unsecured unsubordinated creditors.

Interest

Notes

a The interest rates on these Notes are fixed for the life of those issues.

b These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.

c These Notes bear interest at rates fixed periodically in advance based on Sydney Bill of exchange rates.

d These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

e These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Sydney Bill of exchange rates.

f These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference rate for a further period of five years.

g These Notes bear a fixed rate of interest until 2010. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

h These Notes bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

i These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

j These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

k These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

l These Notes bear a fixed rate of interest until 2014. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.

m This Loan bears a fixed rate of interest based on a US Dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates.

n Repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole.

o These Notes bear interest at rates fixed periodically in advance based on the Bank of Botswana Certificate Rate. All of these Notes will be compulsorily converted to Preference Shares of BBB, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should BBB experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

p These Notes bear interest at rates fixed periodically in advance based on the Bank of Zambia Treasury Bill rate. All of these Notes will be compulsorily converted to Preference Shares of Barclays Zambia, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should Barclays Zambia experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

q The dividends are compounded and payable semi-annually in arrears on 30th September and 31st March of each year. The shares were issued by Absa Group Limited on 1st July 2004 and the redemption dates commence on the first business day after the third anniversary of the date of issue of the redeemable preference shares and ending on the fifth anniversary of the date of issue. Such exercise and notice will be deemed to be effective only on the option exercise dates, being 1st March, 1st June, 1st September or 1st December of each year. The shares are convertible into ordinary shares at the option of the preference shareholders on the redemption dates in lots of 100.

r These Notes bear a fixed rate of interest until 2018. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

s These Notes bear a fixed rate of interest until 2014. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

t These Notes bear interest at rates fixed periodically in advance based on the Central Bank of Kenya Treasury Bill rates.

27 Subordinated liabilities (continued)

The 7.4% Subordinated Notes 2009 (the '7.4% Notes') issued by the Bank have been registered under the US Securities Act of 1933. All other issues of dated loan capital by the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa, which were made in non-US markets, have not been so registered. With respect to the 7.4% Notes, the Bank is not obliged to make (i) a payment of interest on any interest payment date unless a dividend is paid on any class of share capital and (ii) a payment of principal until six months after the respective maturity date with respect to such Notes.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 2007 is redeemable only on maturity, subject in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, in the case of BBB and Barclays Zambia to certain changes in legislation or regulations.

Any repayments prior to maturity require in the case of the Bank, the prior notification to the FSA, in the case of BBB, the prior approval of the Bank of Botswana, in the case of Barclays Zambia, the prior approval of the Bank of Zambia, and in the case of Absa, the prior approval of the South African Registrar of Banks.

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

28 Provisions

The Group	Onerous contracts £m	Redundancy and re-structuring £m	Undrawn contractually committed facilities and guarantees provided £m	Sundry provisions £m	Total £m
At 1st January 2007	71	102	46	243	462
Acquisitions and disposals of subsidiaries	1	(2)	–	74	73
Exchange	–	–	8	5	13
Additions	18	117	560	121	816
Amounts used	(25)	(117)	(113)	(60)	(315)
Unused amounts reversed	(5)	(18)	(26)	(174)	(223)
Amortisation of discount	4	–	–	–	4
At 31st December 2007	64	82	475	209	830

The Bank	Onerous contracts £m	Redundancy and re-structuring £m	Undrawn contractually committed facilities and guarantees provided £m	Sundry provisions £m	Total £m
At 1st January 2007	70	85	45	143	343
Exchange	–	(3)	8	2	7
Additions	18	115	555	29	717
Amounts used	(22)	(113)	(4)	(32)	(171)
Unused amounts reversed	–	(17)	(25)	(49)	(91)
Amortisation of discount	4	–	–	–	4
At 31st December 2007	70	67	579	93	809

28 Provisions (continued)

The Group	Onerous contracts £m	Redundancy and restructuring £m	Undrawn contractually committed facilities and guarantees provided £m	Sundry provisions £m	Total £m
At 1st January 2006	79	74	55	309	517
Exchange	(2)	2	–	(16)	(16)
Additions	45	180	35	159	419
Amounts used	(53)	(133)	(9)	(94)	(289)
Unused amounts reversed	(2)	(21)	(35)	(115)	(173)
Amortisation of discount	4	–	–	–	4
At 31st December 2006	71	102	46	243	462

The Bank	Onerous contracts £m	Redundancy and restructuring £m	Undrawn contractually committed facilities and guarantees provided £m	Sundry provisions £m	Total £m
At 1st January 2006	76	53	54	145	328
Exchange	(2)	2	–	–	–
Additions	45	141	35	109	330
Amounts used	(53)	(92)	(9)	(83)	(237)
Unused amounts reversed	–	(19)	(35)	(28)	(82)
Amortisation of discount	4	–	–	–	4
At 31st December 2006	70	85	45	143	343

Provisions expected to be recovered or settled for the Group within no more than 12 months after 31st December 2007 were £645m (2006: £388m).

Provisions expected to be recovered or settled for the Bank within no more than 12 months after 31st December 2007 were £686m (2006: £333m).

Undrawn contractually committed facilities and guarantees provided within the Group includes £360m (2006: £nil) provision against undrawn facilities on ABS CDO Super Senior positions.

Undrawn contractually committed facilities and guarantees provided within the Bank includes £469m (2006: £nil) provision against undrawn facilities on ABS CDO Super Senior positions.

Sundry provisions are made with respect to commission clawbacks, warranties and litigation claims.

29 Securitisations

The Group was party to securitisation transactions involving Barclays residential mortgage loans, business loans and credit card balances. In addition, the Group acts as a conduit for commercial paper, whereby it acquires static pools of residential mortgage loans from other lending institutions for securitisation transactions.

In these transactions, the assets, or interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, or to a trust which then transfers its beneficial interests to a special purpose entity, which then issues floating rate debt securities to third-party investors.

Securitisations may, depending on the individual arrangement result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual right to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

The following table shows the carrying amount of securitised assets, stated at the amount of the Group's continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the balance sheet:

	The Group			
	2007		2006	
	Carrying amount of assets £m	Contractual amount of associated liabilities £m	Carrying amount of assets £m	Contractual amount of associated liabilities £m
Loans and advances to customers				
Residential mortgage loans	16,000	(16,786)	12,577	(13,271)
Credit card receivables	4,217	(3,895)	5,700	(5,195)
Other personal lending	422	(485)	229	(255)
Wholesale and corporate loans and advances	8,493	(8,070)	5,852	(5,303)
Total	29,132	(29,236)	24,358	(24,024)
Assets designated at fair value through profit or loss				
Retained interest in residential mortgage loans	895	–	628	–

	The Bank			
	2007		2006	
	Carrying amount of assets £m	Contractual amount of associated liabilities £m	Carrying amount of assets £m	Contractual amount of associated liabilities £m
Loans and advances to customers				
Residential mortgage loans	11,569	(12,219)	12,577	(13,271)
Credit card receivables	4,217	(3,895)	5,700	(5,195)
Other personal lending	–	–	–	–
Wholesale and corporate loans and advances	8,493	(8,070)	5,000	(4,458)
Total	24,279	(24,184)	23,277	(22,924)
Assets designated at fair value through profit or loss				
Retained interest in residential mortgage loans	895		628	–

Retained interests in residential mortgage loans are interest only strips which represent a continuing exposure to the prepayment and credit risk in the underlying securitised assets, the total amount of which was £23,097m (2006: £15,063m) for the Group and £23,097m (2006: £15,063m) for the Bank. These are initially recorded as an allocation of the original carrying amount based on the relative fair values of the portion derecognised and the portion retained.

30 Retirement benefit obligations

Pension schemes

The UK Retirement Fund (UKRF), which is the main scheme of the Group, amounting to 94% of all the Group's schemes in terms of benefit obligations, comprises ten sections.

The 1964 Pension Scheme

Most employees recruited before July 1997 are members of this non-contributory defined benefit scheme. Pensions are calculated by reference to service and pensionable salary and are normally subject to a deduction from State pension age.

The Retirement Investment Scheme (RIS)

A defined contribution plan for most joiners between July 1997 and 1st October 2003. This was closed to new entrants on 1st October 2003 and the large majority of existing members of the RIS transferred to **after**work in respect of future benefit accrual with effect from 1st January 2004. There are now no longer any active members of the RIS.

The Pension Investment Plan (PIP)

A defined contribution plan created from 1st July 2001 to provide benefits for certain employees of Barclays Capital.

afterwork

Combines a contributory cash balance element with a voluntary defined contribution element. New employees since 1st October 2003 are eligible to join **after**work. In addition, the large majority of active members of the RIS (now closed) were transferred to **after**work in respect of future benefit accrual after 1st January 2004.

Career Average Section

The Career Average Section was established in the UKRF with effect from 1st May 2004 following the transfer of members from the Woolwich Pension Fund. The Career Average Section is a non-contributory career average scheme and was closed to new entrants on 1st December 2006.

1951 Fund Section, AP89 Section, BCPS Section, CCS Section and Mercantile Section

Five new sections were established in the UKRF with effect from 31st March 2007 following the merger of the UKRF with five smaller schemes sponsored from within the Group. All five sections are closed to new members.

The 1951 Fund Section, AP89 Section and Mercantile Section provide final salary benefits calculated by reference to service and pensionable salary.

The BCPS and CCS Section provide defined contribution benefits. The benefits built up in these sections in relation to service before 6th April 1997 are subject to a defined benefit minimum.

In addition, the costs of ill-health retirements and death in service benefits are generally borne by the UKRF for each of the ten sections.

Governance

The assets of the UKRF are held separately from the assets of the Group and are administered by trustees.

Barclays Pension Fund Trustees Ltd (BPFTL) acts as corporate trustee for the UKRF. BPFTL is a private limited company, incorporated on 20th December 1990, and is a subsidiary of Barclays Bank PLC.

As the corporate trustee for the UKRF, BPFTL is the legal owner of the assets of the UKRF and BPFTL holds these assets in trust for the beneficiaries of the scheme.

BPFTL comprises nine Directors, of which six are Employer Directors selected by the Bank and three are Employee Directors nominated by the Pension Fund Advisory Committee (PFAC). Employee Directors are selected from those eligible active employees and pensioner members who apply to be considered for the role.

Employee Director vacancies are advertised to all eligible active and pensioner members. This enables any eligible member with an interest in becoming an Employee Director to express that interest and be considered for the role. The PFAC provides the mechanism through which Employee Directors are selected. The PFAC will accept nominations from eligible members and select from amongst all properly nominated candidates.

There are also three Alternate Employer Directors and three Alternate Employee Directors. The selection process for these appointments are as detailed above. The role of alternate directors is to provide cover for individual directors, should they not be available for meetings.

Currently, the Bank decides the funding rate after consulting with the trustees. Under the Pensions Act 2004, which has practical impact for the UKRF for the next triennial valuation currently in progress with an effective date of 30th September 2007, the Bank and the trustee must agree the funding rate (including a recovery plan to fund any deficit against the scheme specific statutory funding objective).

In addition to the UKRF, there are other defined benefit and defined contribution schemes in the UK and overseas. The same approach to pensions governance applies to the other schemes in the UK but different legislation covers schemes outside of the UK where in most cases the Bank has the power to determine the funding rate.

30 Retirement benefit obligations (continued)

The following tables present an analysis of defined benefit obligation and fair value of plan assets for all the Group's pension schemes and post-retirement benefits (the latter are unfunded) and present the amounts recognised in the income statement including those related to post-retirement health care.

Income statement charge

The Group	2007 Pensions £m	2007 Other post-retirement benefits £m	2007 Total £m	2006 Pensions £m	2006 Other post-retirement benefits £m	2006 Total £m
Staff cost charge						
Current service cost	332	2	334	378	21	399
Interest cost	905	8	913	900	8	908
Expected return on scheme assets	(1,074)	–	(1,074)	(999)	–	(999)
Recognised actuarial loss	(1)	–	(1)	3	1	4
Past service cost	20	–	20	29	–	29
Curtailment or settlements	(32)	–	(32)	(29)	–	(29)
Total included in staff costs	150	10	160	282	30	312

Staff costs are included in other operating expenses.

Change in benefit obligation

The Group	2007 Pensions UK £m	2007 Pensions Overseas £m	2007 Post-retirement benefits UK £m	2007 Post-retirement benefits Overseas £m	2007 Total £m	2006 Pensions UK £m	2006 Pensions Overseas £m	2006 Post-retirement benefits UK £m	2006 Post-retirement benefits Overseas £m	2006 Total £m
Benefit obligation at beginning of the year	(17,256)	(894)	(97)	(76)	(18,323)	(18,149)	(938)	(103)	(79)	(19,269)
Current service cost	(317)	(15)	(1)	(1)	(334)	(358)	(20)	(20)	(1)	(399)
Interest cost	(869)	(36)	(4)	(4)	(913)	(863)	(37)	(4)	(4)	(908)
Past service cost	(20)	–	–	–	(20)	(4)	(25)	–	–	(29)
Curtailments or settlements	35	1	–	–	36	43	2	–	–	45
Actuarial gain/(loss)	1,292	25	19	1	1,337	1,566	15	11	(3)	1,589
Contributions by plan participants	(19)	(2)	–	–	(21)	(15)	(2)	–	–	(17)
Benefits paid	589	31	2	15	637	536	40	19	4	599
Business combinations	–	–	–	–	–	–	11	–	–	11
Exchange and other adjustments	2	(23)	21	(33)	(33)	(12)	60	–	7	55
Benefit obligation at end of the year	(16,563)	(913)	(60)	(98)	(17,634)	(17,256)	(894)	(97)	(76)	(18,323)

The Bank	2007 Pensions UK £m	2007 Pensions Overseas £m	2007 Post-retirement benefits UK £m	2007 Post-retirement benefits Overseas £m	2007 Total £m	2006 Pensions UK £m	2006 Pensions Overseas £m	2006 Post-retirement benefits UK £m	2006 Post-retirement benefits Overseas £m	2006 Total £m
Benefit obligation at beginning of the year	(16,912)	(191)	(88)	(18)	(17,209)	(17,812)	(202)	(53)	(21)	(18,088)
Current service cost	(317)	(6)	(1)	–	(324)	(352)	(8)	(20)	–	(380)
Interest cost	(869)	(10)	(3)	(1)	(883)	(847)	(10)	(4)	(1)	(862)
Past service cost	(20)	–	–	–	(20)	(4)	–	–	–	(4)
Curtailments or settlements	35	–	–	–	35	45	–	–	–	45
Actuarial (loss)/gain	1,292	12	17	–	1,321	1,556	5	(3)	(3)	1,555
Contributions by plan participants	(19)	–	–	–	(19)	(15)	–	–	–	(15)
Benefits paid	589	4	1	2	596	527	6	17	4	554
Business combinations	(342)	–	–	–	(342)	–	–	–	–	–
Exchange and other adjustments	–	(7)	(1)	2	(6)	(10)	18	(25)	3	(14)
Benefit obligation at end of the year	(16,563)	(198)	(75)	(15)	(16,851)	(16,912)	(191)	(88)	(18)	(17,209)

30 Retirement benefit obligations (continued)

The benefit obligation arises from plans that are wholly unfunded and wholly or partly funded as follows:

	The Group 2007 £m	The Group 2006 £m	The Bank 2007 £m	The Bank 2006 £m
Unfunded obligations	(248)	(237)	(89)	(186)
Wholly or partly funded obligations	(17,386)	(18,086)	(16,762)	(17,023)
Total	(17,634)	(18,323)	(16,851)	(17,209)

Change in plan assets

The Group	2007 Pensions UK £m	2007 Pensions Overseas £m	2007 Post-retirement benefits UK £m	2007 Post-retirement benefits Overseas £m	2007 Total £m	2006 Pensions UK £m	2006 Pensions Overseas £m	2006 Post-retirement benefits UK £m	2006 Post-retirement benefits Overseas £m	2006 Total £m
Fair value of plan assets at beginning of the year	16,761	745	–	–	17,506	15,571	819	–	–	16,390
Expected return on plan assets	1,041	33	–	–	1,074	965	34	–	–	999
Employer contribution	355	34	2	15	406	357	26	2	4	389
Settlements	–	(1)	–	–	(1)	(11)	(2)	–	–	(13)
Contributions by plan participants	19	2	–	–	21	15	2	–	–	17
Actuarial gain	(332)	(11)	–	–	(343)	423	25	–	–	448
Benefits paid	(589)	(31)	(2)	(15)	(637)	(536)	(30)	(2)	(4)	(572)
Business combinations	–	–	–	–	–	–	–	–	–	–
Exchange and other adjustments	(24)	25	–	–	1	(23)	(129)	–	–	(152)
Fair value of plan assets at the end of the year	17,231	796	–	–	18,027	16,761	745	–	–	17,506

The Bank	2007 Pensions UK £m	2007 Pensions Overseas £m	2007 Post-retirement benefits UK £m	2007 Post-retirement benefits Overseas £m	2007 Total £m	2006 Pensions UK £m	2006 Pensions Overseas £m	2006 Post-retirement benefits UK £m	2006 Post-retirement benefits Overseas £m	2006 Total £m
Fair value of plan assets at beginning of the year	16,460	135	–	–	16,595	15,305	122	–	–	15,427
Expected return on plan assets	1,041	9	–	–	1,050	945	8	–	–	953
Employer contribution	355	10	1	2	368	351	11	1	4	367
Settlements	–	–	–	–	–	(11)	–	–	–	(11)
Contributions by plan participants	19	–	–	–	19	15	–	–	–	15
Actuarial gain/(loss)	(332)	(2)	–	–	(334)	417	4	–	–	421
Benefits paid	(589)	(4)	(1)	(2)	(596)	(527)	(6)	(1)	(4)	(538)
Business combinations	277	–	–	–	277	–	–	–	–	–
Exchange and other adjustments	–	(7)	–	–	(7)	(35)	(4)	–	–	(39)
Fair value of plan assets at the end of the year	17,231	141	–	–	17,372	16,460	135	–	–	16,595

30 Retirement benefit obligations (continued)

Amounts recognised on balance sheet

The pension and post-retirement benefit assets and liabilities recognised on the balance sheet are as follows:

	2007					2006				
	Pensions		Post-retirement benefits		Total	Pensions		Post-retirement benefits		Total
The Group	UK £m	Overseas £m	UK £m	Overseas £m	£m	UK £m	Overseas £m	UK £m	Overseas £m	£m
Benefit obligation at end of period	(16,563)	(913)	(60)	(98)	(17,634)	(17,256)	(894)	(97)	(76)	(18,323)
Fair value of plan assets at end of period	17,231	796	–	–	18,027	16,761	745	–	–	17,506
Net asset/(deficit)	668	(117)	(60)	(98)	393	(495)	(149)	(97)	(76)	(817)
Unrecognised actuarial (gains)/losses	(1,912)	7	(3)	14	(1,894)	(953)	20	17	14	(902)
Net recognised liability	(1,244)	(110)	(63)	(84)	(1,501)	(1,448)	(129)	(80)	(62)	(1,719)
Recognised assets	–	36	–	–	36	53	35	–	–	88
Recognised liability	(1,244)	(146)	(63)	(84)	(1,537)	(1,501)	(164)	(80)	(62)	(1,807)
Net recognised liability	(1,244)	(110)	(63)	(84)	(1,501)	(1,448)	(129)	(80)	(62)	(1,719)

	2007					2006				
	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 end of period	(16,563)	(198)	(75)	(15)	(16,851)	(16,912)	(191)	(88)	(18)	(17,209)
Fair value of plan assets at end of period	17,231	141	–	–	17,372	16,460	135	–	–	16,595
Net asset/(deficit)	668	(57)	(75)	(15)	521	(452)	(56)	(88)	(18)	(614)
Unrecognised actuarial (gains)/losses	(1,912)	11	(1)	6	(1,896)	(950)	15	17	8	(910)
Net recognised liability	(1,244)	(46)	(76)	(9)	(1,375)	(1,402)	(41)	(71)	(10)	(1,524)
Recognised assets	–	6	–	–	6	53	7	–	–	60
Recognised liability	(1,244)	(52)	(76)	(9)	(1,381)	(1,455)	(48)	(71)	(10)	(1,584)
Net recognised liability	(1,244)	(46)	(76)	(9)	(1,375)	(1,402)	(41)	(71)	(10)	(1,524)

The UKRF measured using the IAS 19 assumptions, has moved over the year from a £0.5bn deficit at 31st December 2006 to a surplus of £0.7bn at 31st December 2007.

The assumptions used for the current year and prior year are detailed on the next page. Among the reasons for this change were the increase in AA long-term corporate bond yields which resulted in a higher discount rate of 5.82% (31st December 2006: 5.12%), partially offset by lower than expected returns, and an increase in the inflation assumption to 3.45% (31st December 2006: 3.08%). A number of additional changes were made to the assumptions used in valuing the liabilities, including a decrease in the assumed rate of real salary increases to 0.5% (31st December 2006: 1%). Mortality assumptions changed from those in force at 31st December 2006.

30 Retirement benefit obligations (continued)

Assumptions

Obligations arising under defined benefit schemes are actuarially valued using the projected unit credit method. Under this method, where a defined benefit scheme is closed to new members, such as in the case of the 1964 Pension Scheme, the current service cost expressed as a percentage of salary is expected to increase in the future, although this higher rate will be applied to a decreasing payroll. The latest actuarial IAS valuations were carried out as at 31st December using the following assumptions:

	UK schemes		Overseas schemes	
The Group	2007 % p.a.	2006 % p.a.	2007 % p.a.	2006 % p.a.
Discount rate	5.82	5.12	7.51	6.94
Rate of increase in salaries	3.95	4.08	5.60	5.66
Inflation rate	3.45	3.08	4.13	3.94
Rate of increase for pensions in payment	3.45	2.88	3.55	3.58
Rate of increase for pensions in deferment	3.30	3.08	2.50	2.24
Initial health care inflation	8.00	8.93	10.00	9.93
Long-term health care inflation	5.00	5.00	5.01	5.00
Expected return on plan assets	6.70	6.32	7.84	7.89

	UK schemes		Overseas schemes	
The Bank	2007 % p.a.	2006 % p.a.	2007 % p.a.	2006 % p.a.
Discount rate	5.82	5.12	6.28	5.62
Rate of increase in salaries	3.95	4.08	4.40	4.25
Inflation rate	3.45	3.08	2.67	2.24
Rate of increase for pensions in payment	3.30	2.88	1.46	1.75
Rate of increase for pensions in deferment	3.45	3.08	0.42	0.79
Initial health care inflation	8.00	9.00	9.96	9.99
Long-term health care inflation	5.00	5.00	5.10	5.01
Expected return on plan assets	6.70	6.30	6.70	6.41

The expected return on plan assets assumption is weighted on the basis of the fair value of these assets. Health care inflation assumptions are weighted on the basis of the health care cost for the period. All other assumptions are weighted on the basis of the defined benefit obligation at the end of the period.

The UK Schemes discount rate assumption is based on the yield on the iBoxx (over 15 year) AA corporate bond index.

The overseas health care inflation assumptions relate to the US and Mauritius.

Mortality assumptions

The post-retirement mortality assumptions used in valuing the liabilities of the UKRF were based on the standard 2000 tables series as published by the Institute and Faculty of Actuaries. These tables are considered to be most relevant to the population of the UKRF based on their mortality history. These were then adjusted in line with the actual experience of the UKRF's own pensioners relative to the standard table. An allowance has been made for future mortality improvements based on the medium cohort projections published by the CMIB. On this basis the post-retirement mortality assumptions for the UKRF includes:

	2007	2006	2005	2004	2003
Longevity at 60 for current pensioners (years)					
– Males	26.7	25.8	25.8	25.7	23.3
– Females	27.9	29.5	29.5	29.4	26.4
Longevity at 60 for future pensioners currently aged 40 (years)					
– Males	28.0	27.1	27.1	27.0	24.9
– Females	29.1	30.7	30.6	30.6	27.9

30 Retirement benefit obligations (continued)

Sensitivity analysis

Sensitivity analysis for each of the principal assumptions used to measure the benefit obligation of the UKRF are as follows:

	Impact on UKRF benefit obligation (Decrease)/ Increase %	Impact on UKRF benefit obligation (Decrease)/ Increase £bn
0.5% increase to:		
– Discount rate	(8.5)	(1.4)
– Rate of inflation	8.8	1.4
– Rate of salary growth	1.3	0.2
1 year increase to longevity at 60	2.5	0.4

Post-retirement health care

A one percentage point change in assumed health care trend rates, assuming all other assumptions remain constant would have the following effects for 2007:

The Group	1% increase £m	1% decrease £m
Effect on total of service and interest cost components	1.9	(1.3)
Effect on post-retirement benefit obligation	19.9	(14.6)

The Bank	1% increase £m	1% decrease £m
Effect on total of service and interest cost components	1.4	0.9
Effect on post-retirement benefit obligation	13.0	8.8

Assets

A long-term strategy has been set for the asset allocation of the UKRF which comprises a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others.

The long-term strategy ensures that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long-term strategy within control ranges agreed with the trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown below reflects the actual physical assets held by the scheme, with any derivative holdings reflected on a mark to market basis. The expected return on asset assumptions, both for individual asset classes and overall, have been based on the portfolio of assets created after allowing for the net impact of the derivatives on the risk and return profile of the holdings.

The value of the assets of the schemes, their percentage in relation to total scheme assets, and their expected rate of return at 31st December 2007 and 31st December 2006 were as follows:

	2007								
	UK schemes			Overseas schemes			Total		
The Group	Value £m	% of total fair value of scheme assets	Expected rate of return %	Value £m	% of total fair value of scheme assets	Expected rate of return %	Value £m	% of total fair value of scheme assets	Expected rate of return %
Equities	7,467	43	8.3	441	55	8.4	7,908	44	8.3
Bonds	7,445	43	5.1	300	38	7.6	7,745	43	5.2
Property	1,712	10	7.0	16	2	11.5	1,728	10	7.0
Derivatives	(12)	–	0.0	–	–	–	(12)	–	–
Cash	284	2	5.1	42	5	5.6	326	1	5.2
Other	335	2	5.3	(3)	–	–	332	2	5.4
Fair value of plan assets[a]	17,231	100	6.7	796	100	7.8	18,027	100	6.8

Note

a Excludes £782m (2006: £613m) representing the money purchase assets of the UKRF.

30 Retirement benefit obligations (continued)

The Group	2006 UK schemes Value £m	% of total fair value of scheme assets	Expected rate of return %	Overseas schemes Value £m	% of total fair value of scheme assets	Expected rate of return %	Total Value £m	% of total fair value of scheme assets	Expected rate of return %
Equities	7,285	43	7.9	337	45	9.4	7,622	44	8.0
Bonds	6,930	41	4.7	300	40	6.2	7,230	41	4.7
Property	1,995	12	6.4	15	2	13.4	2,010	11	6.6
Derivatives	21	–	n/a	–	–	–	21	–	n/a
Cash	293	2	4.6	37	5	5.9	330	2	4.8
Other	237	2	5.9	56	8	9.4	293	2	6.6
Fair value of plan assets [a]	16,761	100	6.3	745	100	7.9	17,506	100	6.4

The Bank	2007 UK schemes Value £m	% of total fair value of scheme assets	Expected rate of return %	Overseas schemes Value £m	% of total fair value of scheme assets	Expected rate of return %	Total Value £m	% of total fair value of scheme assets	Expected rate of return %
Equities	7,467	43	8.3	66	47	7.5	7,533	43	8.3
Bonds	7,445	43	5.1	49	35	6.2	7,494	43	5.1
Property	1,712	10	7.0	3	2	7.3	1,715	10	7.0
Derivatives	(12)	–	n/a	–	–	n/a	(12)	–	–
Cash	284	2	5.1	17	12	4.2	301	2	5.1
Other	335	2	5.3	6	4	8.6	341	2	5.4
Fair value of plan assets [a]	17,231	100	6.7	141	100	6.7	17,372	100	6.7

The Bank	2006 UK schemes Value £m	% of total fair value of scheme assets	Expected rate of return %	Overseas schemes Value £m	% of total fair value of scheme assets	Expected rate of return %	Total Value £m	% of total fair value of scheme assets	Expected rate of return %
Equities	7,065	43	7.9	60	44	7.4	7,125	43	7.9
Bonds	6,877	42	4.7	53	40	5.7	6,930	42	4.7
Property	1,981	12	6.4	2	1	7.8	1,983	12	6.4
Derivatives	21	–	n/a	–	–	–	21	–	n/a
Cash	290	2	4.6	11	8	3.4	301	2	4.6
Other	226	1	5.9	9	7	6.6	235	1	5.9
Fair value of plan assets [a]	16,460	100	6.3	135	100	6.4	16,595	100	6.3

Notes

a Excludes £782m (2006: £613m) representing the money purchase assets of the UKRF.

30 Retirement benefit obligations (continued)

The UKRF plan assets include £39m relating to UK private equity investments (2006: £27m) and £664m relating to overseas private equity investments (2006: £447m). These are disclosed within equities.

Amounts included in the Group fair value of plan assets include £6m (2006: £7m) relating to shares in Barclays Group, £6m (2006: £10m) relating to bonds issued by the Barclays Group, £nil (2006: £1m) relating to other investments in the Barclays Group, and £10m (2006: £8m) relating to property occupied by Group companies.

Amounts included in the Bank fair value of plan assets include £1m (2006: £1m) 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 £731m (2006: £1,447m). The Bank actual return on plan assets was £716m (2006: £1,374m).

Actuarial gains and losses
The actuarial gains and losses arising on plan liabilities and plan assets are as follows:

	UK schemes				Overseas schemes				Total			
The Group	2007 £m	2006 £m	2005 £m	2004 £m	2007 £m	2006 £m	2005 £m	2004 £m	2007 £m	2006 £m	2005 £m	2004 £m
Present value of obligations	(16,623)	(17,353)	(18,252)	(15,574)	(1,011)	(970)	(1,017)	(587)	(17,634)	(18,323)	(19,269)	(16,161)
Fair value of plan assets	17,231	16,761	15,571	13,261	796	745	819	436	18,027	17,506	16,390	13,697
Net surplus/(deficit) in the plans	608	(592)	(2,681)	(2,313)	(215)	(225)	(198)	(151)	393	(817)	(2,879)	(2,464)
Experience gains and losses on plan liabilities												
– amount	(297)	48	(2)	16	(79)	(54)	(2)	(31)	(376)	(6)	(4)	(15)
– as percentage of plan liabilities	(2%)	–	–	–	(8%)	(6%)	–	(5%)	(2%)	–	–	–
Difference between actual and expected return on plan assets												
– amount	(332)	423	1,599	570	(11)	25	2	9	(343)	448	1,601	579
– as percentage of plan assets	(2%)	3%	10%	4%	–	3%	–	2%	(2%)	3%	10%	4%

	UK schemes				Overseas schemes				Total			
The Bank	2007 £m	2006 £m	2005 £m	2004 £m	2007 £m	2006 £m	2005 £m	2004 £m	2007 £m	2006 £m	2005 £m	2004 £m
Present value of obligations	(16 ,638)	(17,000)	(17,865)	(15,212)	(213)	(209)	(223)	(175)	(16,851)	(17,209)	(18,088)	(15,387)
Fair value of plan assets	17,231	16,460	15,305	13,034	141	135	122	103	17,372	16,595	15,427	13,137
Net surplus/(deficit) in the plans	593	(540)	(2,560)	(2,178)	(72)	(74)	(101)	(72)	521	(614)	(2,661)	(2,250)
Experience gains and losses on plan liabilities												
– amount	(299)	47	(2)	20	(9)	(15)	(9)	(8)	(308)	32	(11)	12
– as percentage of plan liabilities	(2%)	–	–	–	(4%)	(7%)	(4%)	(5%)	(2%)	–	–	–
Difference between actual and expected return on plan assets												
– amount	(332)	417	1,571	565	(2)	4	3	5	(334)	421	1,574	570
– as percentage of plan assets	(2%)	3%	10%	4%	(1%)	3%	2%	5%	(2%)	3%	10%	4%

30 Retirement benefit obligations (continued)

Funding

The most recent triennial funding valuation of the UK Retirement Fund was performed in September 2004 and forms the basis of the Group's commitment that the fund has sufficient assets to make payments to members in respect of their accrued benefits as and when they fall due. This funding valuation uses a discount rate that reflects the assumed future return from the actual asset allocation at that date, and takes into account projected future salary increases when assessing liabilities arising from accrued service. The funding valuation is updated annually on the basis of interim assumptions. The UK Retirement Fund recorded a funding surplus of £1.2bn as at 31st December 2007 (2006: £1.3bn).

The Group has agreed funding contributions which, in aggregate, are no less than those which are sufficient to meet the Group's share of the cost of benefits accruing over each year. The Group has, in the recent past, chosen to make funding contributions in excess of this, more consistent with the IAS service cost.

Defined benefit contributions paid with respect to the UKRF were as follows:

	£m
Contributions paid	
2007	355
2006	351
2005	354

There is a triennial valuation currently in progress with an effective date of 30th September 2007. To comply with the requirements of the Pensions Act 2004, the Group and trustees plan to agree a scheme specific funding target, statement of funding principles, and a schedule of contributions which in 2008 will supersede those in place under the current actuarial funding valuation.

Excluding the UKRF, the Group is expected to pay contributions of approximately £2m to UK schemes and £41m to overseas schemes in 2008.

Excluding the UKRF, the Bank is expected to pay contributions of approximately £1m to UK schemes and £15m to overseas schemes in 2008.

The total contribution to be paid in 2008 to the UKRF is not expected to be significantly different than in previous years.

31 Ordinary shares, share premium and preference shares

Called up share capital

Ordinary shares

The authorised ordinary share capital of the Bank, as at 31st December 2007, was 3,000 million (2006: 3,000 million) ordinary shares of £1 each.

During the year, the Bank issued 7 million ordinary shares with an aggregate nominal value of £7m, for cash consideration of £111m.

Preference shares

The authorised preference share capital of Barclays Bank PLC, as at 31st December 2007, was 1,000 Preference Shares (2006: 1,000) of £1; 400,000 Preference Shares of €100 each (2006: 400,000); 400,000 Preference Shares of £100 each (2006: 400,000); 400,000 Preference Shares of US$100 each (2006: 400,000); 150 million Preference Shares of US$0.25 each (2006: 80 million).

The issued preference share capital of Barclays Bank PLC, as at 31st December 2007, comprised 1,000 (2006: 1,000) Sterling Preference Shares of £1 each; 240,000 (2006: 240,000) Euro Preference Shares of €100 each; 75,000 (2006: 75,000) Sterling Preference Shares of £100 each; 100,000 (2006: 100,000) US Dollar Preference Shares of US$100 each; 131 million (2006: 30 million) US Dollar Preference Shares of US$0.25 each.

	2007 £m	2006 £m
Called up share capital, allotted and fully paid		
At beginning of year	2,329	2,318
Issued for cash	7	11
At end of year	2,336	2,329
Called up preference share capital, allotted and fully paid		
At beginning of year	34	30
Issued for cash	12	4
At end of year	46	34
Called up share capital	2,382	2,363

Share premium

	2007 £m	2006 £m
At beginning of year	9,452	8,882
Ordinary shares issued for cash	104	168
Preference shares issued for cash	1,195	402
At end of year	10,751	9,452

31 Ordinary shares, share premium and preference shares (continued)

Sterling £1 preference shares
1,000 Sterling cumulative callable preference shares of £1 each (the '£1 Preference Shares') were issued on 31st December 2004 at nil premium.

The £1 Preference Shares entitle the holders thereof to receive sterling cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a rate reset semi-annually equal to the sterling interbank offered rate for six-month sterling deposits.

Barclays Bank PLC shall be obliged to pay such dividends if (1) it has profits available for the purpose of distribution under the Companies Act 1985 as at each dividend payment date and (2) it is solvent on the relevant dividend payment date, provided that a capital regulations condition is satisfied on such dividend payment date. The dividends shall not be due and payable on the relevant dividend payment date except to the extent that Barclays Bank PLC could make such payment and still be solvent immediately thereafter. Barclays Bank PLC shall be considered solvent on any date if (1) it is able to pay its debts to senior creditors as they fall due and (2) its auditors have reported within the previous six months that its assets exceed its liabilities.

If Barclays Bank PLC shall not pay, or shall pay only in part, a dividend for a period of seven days or more after the due date for payment, the holders of the £1 Preference Shares may institute proceedings for the winding-up of Barclays Bank PLC. No remedy against Barclays Bank PLC shall be available to the holder of any £1 Preference Shares for the recovery of amounts owing in respect of £1 Preference Shares other than the institution of proceedings for the winding-up of Barclays Bank PLC and/or proving in such winding-up.

On a winding-up or other return of capital (other than a redemption or purchase by Barclays Bank PLC of any of its issued shares, or a reduction of share capital, permitted by the Articles of Barclays Bank PLC and under applicable law), the assets of Barclays Bank PLC available to shareholders shall be applied in priority to any payment to the holders of ordinary shares and any other class of shares in the capital of Barclays Bank PLC then in issue ranking junior to the £1 Preference Shares on such a return of capital and pari passu on such a return of capital with the holders of any other class of shares in the capital of Barclays Bank PLC then in issue (other than any class of shares in the capital of Barclays Bank PLC then in issue ranking in priority to the £1 Preference Shares on a winding-up or other such return of capital), in payment to the holders of the £1 Preference Shares of a sum equal to the aggregate of: (1) an amount equal to the dividends accrued thereon for the then current dividend period (and any accumulated arrears thereof) to the date of the commencement of the winding-up or other such return of capital; and (2) an amount equal to £1 per £1 Preference Share.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the £1 Preference Shares will have no right or claim to any of the remaining assets of Barclays Bank PLC and will not be entitled to any further participation in such return of capital. The £1 Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, subject to the Companies Act and its Articles. Holders of the £1 Preference Shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC.

Euro Preference Shares
100,000 Euro 4.875% non-cumulative callable preference shares of €100 each (the '4.875% Preference Shares') were issued on 8th December 2004 for a consideration of €993.6m (£688.4m), of which the nominal value was €10m and the balance was share premium. The 4.875% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.875% per annum on the amount of €10,000 per preference share until 15th December 2014, and thereafter quarterly at a rate reset quarterly equal to 1.05% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.875% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2014, and on each dividend payment date thereafter at €10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

140,000 Euro 4.75% non-cumulative callable preference shares of €100 each (the '4.75% Preference Shares') were issued on 15th March 2005 for a consideration of €1,383.3m (£966.7m), of which the nominal value was €14m and the balance was share premium. The 4.75% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.75% per annum on the amount of €10,000 per preference share until 15th March 2020, and thereafter quarterly at a rate reset quarterly equal to 0.71% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th March 2020, and on each dividend payment date thereafter at €10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

Sterling Preference Shares
75,000 Sterling 6.0% non-cumulative callable preference shares of £100 each (the '6.0% Preference Shares') were issued on 22nd June 2005 for a consideration of £732.6m, of which the nominal value was £7.5m and the balance was share premium. The 6.0% Preference Shares entitle the holders thereof to receive Sterling non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 6.0% per annum on the amount of £10,000 per preference share until 15th December 2017, and thereafter quarterly at a rate reset quarterly equal to 1.42% per annum above the London interbank offered rate for three-month Sterling deposits.

The 6.0% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2017, and on each dividend payment date thereafter at £10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

US Dollar Preference Shares
100,000 US Dollar 6.278% non-cumulative callable preference shares of US$100 each (the '6.278% Preference Shares'), represented by 100,000 American Depository 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.

31 Ordinary shares, share premium and preference shares (continued)

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 Depository 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 Depository 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 Depository 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.

No redemption or purchase of any 4.875% Preference Shares, the 4.75% Preference Shares, the 6.0% Preference Shares, the 6.278% Preference Shares, the 6.625% Preference Shares, the 7.1% Preference Shares and the 7.75% Preference Shares (together the 'Preference Shares') may be made by Barclays Bank PLC without the prior notification to the UK FSA and any such redemption will be subject to the Companies Act and the Articles of Barclays Bank PLC.

On a winding-up of Barclays Bank PLC or other return of capital (other than a redemption or purchase of shares of Barclays Bank PLC, or a reduction of share capital), a holder of Preference Shares will rank in the application of assets of Barclays Bank PLC available to shareholders (1) junior to the holder of any shares of Barclays Bank PLC in issue ranking in priority to the Preference Shares, (2) equally in all respects with holders of other Preference Shares and any other shares of Barclays Bank PLC in issue ranking pari passu with the Preference Shares and (3) in priority to the holders of ordinary shares and any other shares of Barclays Bank PLC in issue ranking junior to the Preference Shares.

The holders of the £400m 6% Callable Perpetual Core Tier One Notes and the US$1,000m 6.86% Callable Perpetual Core Tier One Notes of Barclays Bank PLC (together, the 'TONs') and the holders of the US$1,250m 8.55% Step-up Callable Perpetual Reserve Capital Instruments, the US$750m 7.375% Step-up Callable Perpetual Reserve Capital Instruments, the €850m 7.50% Step-up Callable Perpetual Reserve Capital Instruments, the £500m 5.3304% Step-up Callable Perpetual Reserve Capital Instruments, the US$1,350m 5.926% Step-up Callable Perpetual Reserve Capital Instruments, the £500m 6.3688% Step-up Callable Perpetual Reserve Capital Instruments and the US$1,250m 7.434% Step-up Callable Perpetual Reserve Capital Instruments of Barclays Bank PLC (together, the 'RCIs') would, for the purposes only of calculating the amounts payable in respect of such securities on a winding-up of Barclays Bank PLC, subject to limited exceptions and to the extent that the TONs and the RCIs are then in issue, rank pari passu with the holders of the most senior class or classes of Preference Shares then in issue in the capital of Barclays Bank PLC. Accordingly, the holders of the Preference Shares would rank equally with the holders of such TONs and RCIs on such a winding-up of Barclays Bank PLC (unless one or more classes of shares of Barclays Bank PLC ranking in priority to the Preference Shares are in issue at the time of such winding-up, in which event the holders of such TONs and RCIs would rank equally with the holders of such shares and in priority to the holders of the Preference Shares).

Subject to such ranking, in such event holders of the Preference Shares will be entitled to receive out of assets of Barclays Bank PLC available for distributions to shareholders, liquidating distributions in the amount of €10,000 per 4.875% Preference Share, €10,000 per 4.75% Preference Share, £10,000 per 6.0% Preference Share, US$10,000 per 6.278% Preference Share, US$25 per 6.625% Preference Share, US$25 per 7.1% Preference Share and US$25 per 7.75% Preference Share plus, in each case, an amount equal to the accrued dividend for the then current dividend period to the date of the commencement of the winding up or other such return of capital. If a dividend is not paid in full on any Preference Shares on any dividend payment date, then a dividend restriction shall apply.

This dividend restriction will mean that neither Barclays Bank PLC nor Barclays PLC may (a) declare or pay a dividend (other than payment by Barclays PLC of a final dividend declared by its shareholders prior to the relevant dividend payment date, or a dividend paid by Barclays Bank PLC to Barclays PLC or to a wholly owned subsidiary) on any of their respective ordinary shares, other Preference Shares or other share capital or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital, other than shares of Barclays Bank PLC held by Barclays PLC or a wholly owned subsidiary, until the earlier of (1) the date on which Barclays Bank PLC next declares and pays in full a preference dividend and (2) the date on or by which all the Preference Shares are redeemed in full or purchased by Barclays Bank PLC.

Holders of the Preference Shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC. Barclays Bank PLC is not permitted to create a class of shares ranking as regards participation in the profits or assets of Barclays Bank PLC in priority to the Preference Shares, save with the sanction of a special resolution of a separate general meeting of the holders of the Preference Shares (requiring a majority of not less than three-fourths of the holders of the Preference Shares voting at the separate general meeting), or with the consent in writing of the holders of three-fourths of the Preference Shares.

Except as described above, the holders of the Preference Shares have no right to participate in the surplus assets of Barclays Bank PLC.

32 Reserves

Other reserves

The Group	Available for sale reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Total £m
At 1st January 2007	184	(230)	(438)	(484)
Net gains from changes in fair value	385	182	–	567
Net (gains)/losses transferred to net profit	(560)	198	–	(362)
Currency translation differences	–	–	29	29
Losses transferred to net profit due to impairment	13	–	–	13
Changes in insurance liabilities	22	–	–	22
Net losses transferred to net profit due to fair value hedging	68	–	–	68
Tax	(1)	(124)	102	(23)
At 31st December 2007	111	26	(307)	(170)

The Bank	Available for sale reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Total £m
At 1st January 2007	(7)	(129)	84	(52)
Net gains from changes in fair value	279	253	–	532
Net (gains)/losses transferred to net profit	(158)	39	–	(119)
Currency translation differences	–	–	41	41
Losses transferred to net profit due to impairment	13	–	–	13
Tax	(6)	(181)	–	(187)
At 31st December 2007	121	(18)	125	228

The Group	Available for sale reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Total £m
At 1st January 2006	257	70	156	483
Net gains/(losses) from changes in fair value	91	(421)	–	(330)
Net gains transferred to net profit	(308)	(51)	–	(359)
Currency translation differences	–	–	(464)	(464)
Losses transferred to net profit due to impairment	86	–	–	86
Changes in insurance liabilities	23	–	–	23
Net losses transferred to net profit due to fair value hedging	13	–	–	13
Tax	22	172	(130)	64
At 31st December 2006	184	(230)	(438)	(484)

The Bank	Available for sale reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Total £m
At 1st January 2006	1	250	131	382
Net losses from changes in fair value	(70)	(611)	–	(681)
Net gains transferred to net profit	(40)	(67)	–	(107)
Currency translation differences	–	–	(47)	(47)
Losses transferred to net profit due to impairment	85	–	–	85
Net losses transferred to net profit due to fair value hedging	14	–	–	14
Tax	9	299	–	308
Other	(6)	–	–	(6)
At 31st December 2006	(7)	(129)	84	(52)

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group's and the Bank's net investment in foreign operations, net of the effects of hedging.

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 transaction affects profit or loss.

The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition.

32 Reserves (continued)

Transfers from cash flow hedging reserve

Gains and losses transferred from the cash flow hedging reserve were to, interest income: £93m loss (2006: £7m loss), interest expense: £11m gain (2006: £73m gain), net trading income: £100m loss (2006: £15m loss), administrative and general expenses: £16m loss (2006: £nil), and for the Bank, interest income: £29m loss (2006: £11m loss), interest expense: £15m gain (2006: £78m gain), net trading income: £9m loss (2006: £nil) and administrative and general expenses: £16m loss (2006: £nil).

Retained earnings	The Group Retained earnings £m	The Bank Retained earnings £m
At 1st January 2007	11,556	4,146
Profit attributable to equity holders	4,749	4,792
Equity-settled share schemes	567	116
Tax on equity-settled shares schemes	28	(5)
Capital injection from Barclays PLC	1,434	1,434
Vesting of Barclays PLC shares under share-based payment schemes	(524)	(116)
Dividends paid	(3,287)	(3,287)
Dividends on Preference Shares and other shareholders' equity	(345)	(348)
Other	44	73
At 31st December 2007	14,222	6,805

Retained earnings	The Group Retained earnings £m	The Bank Retained earnings £m
At 1st January 2006	8,462	2,471
Profit attributable to equity holders	4,914	3,812
Equity-settled share schemes	663	94
Tax on equity-settled shares schemes	96	26
Vesting of Barclays PLC shares under share-based payment schemes	(394)	(94)
Dividends paid	(1,964)	(1,964)
Dividends on Preference Shares and other shareholders' equity	(329)	(332)
Other	108	133
At 31st December 2006	11,556	4,146

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that are restricted by these regulations, but the net profit retained of overseas subsidiaries, associates and joint ventures at 31st December 2007 totalled £7,311m (2006: £5,667m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

33 Other shareholders' equity

	The Group £m	The Bank £m
At 1st January 2007	2,534	2,598
Appropriations	8	8
Other movements	145	145
At 31st December 2007	2,687	2,751

	The Group £m	The Bank £m
At 1st January 2006	2,490	2,554
Appropriations	44	44
At 31st December 2006	2,534	2,598

33 Other shareholders' equity (continued)

Included in other shareholders' equity are:

Issuances of reserve capital instruments which bear a fixed rate of interest ranging between 7.375%-8.55% until 2010 or 2011. After these dates, in the event that the reserve capital instruments are not redeemed, they will bear interest at rates fixed periodically in advance, based on London or European interbank rates. These instruments are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June or December 2010 or 2011. The Bank may elect to defer any payment of interest on the reserve capital instruments for any period of time. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

Issuance of capital notes which bear interest at rates fixed periodically in advance, based on London interbank rates. These notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The Bank is not obliged to make a payment of interest on its capital notes if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC.

34 Minority interests

	The Group	
	2007 £m	2006 £m
At beginning of year	1,685	1,578
Share of profit after tax	377	342
Dividend and other payments	(131)	(127)
Equity issued by subsidiaries	137	233
Available for sale reserve: net gain/(loss) from changes in fair value	1	(2)
Cash flow hedges: net loss from changes in fair value	(16)	(9)
Currency translation differences	16	(316)
Additions	27	20
Disposals	(111)	(34)
Other	(36)	–
At end of year	1,949	1,685

35 Contingent liabilities and commitments

Contingent liabilities and commitments

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Acceptances and endorsements	365	287	332	234
Guarantees and letters of credit pledged as collateral security	35,692	31,252	10,106	11,155
Other contingent liabilities	9,717	7,880	8,463	6,856
Contingent liabilities	45,774	39,419	18,901	18,245
Documentary credits and other short-term trade related transactions	522	414	372	312
Undrawn note issuance and revolving underwriting facilities:				
Forward asset purchases and forward deposits placed	283	360	273	347
Standby facilities, credit lines and other	191,834	204,730	186,492	181,826
Commitments	192,639	205,504	187,137	182,485

Nature of instruments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

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

35 Contingent liabilities and commitments (continued)

Capital commitments

At 31st December 2007 the Group commitments for capital expenditure under contract amounted to £6m (2006: £9m). At 31st December 2007 the Bank commitments for capital expenditure under contract amounted to £6m (2006: £9m).

Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to futures and options. The disclosure includes any asset transfers associated with liabilities under repurchase agreements and securities lending transactions.

The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
Trading portfolio assets	76,226	77,255	49,873	40,496
Loans and advances	32,846	23,715	28,008	18,919
Available for sale investments	16,378	20,495	15,272	18,275
Other	580	4	189	–
Assets pledged	126,030	121,469	93,342	77,690

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	
	2007 £m	2006 £m	2007 £m	2006 £m
Fair value of securities accepted as collateral under reverse repurchase agreements and stock borrowing	343,986	279,591	298,398	244,392
Of which fair value of securities repledged / transferred to others	269,157	210,182	240,642	209,978

36 Legal proceedings

Barclays has for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On 20th July 2006, Barclays received an Order from the United States District Court for the Southern District of Texas Houston Division which dismissed the claims against Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. in the Newby litigation. On 4th December 2006 the Court stayed Barclays dismissal from the proceedings and allowed the plaintiffs to file a supplemental complaint. On 19th March 2007 the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by Barclays and two other financial institutions contesting a ruling by the District Court allowing the Newby litigation to proceed as a class action. The Court of Appeals held that because no proper claim against Barclays and the other financial institutions had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs applied to the United States Supreme Court for a review of this decision. On 22nd January 2008, the United States Supreme Court denied the plaintiffs' request for review. Following the Supreme Court's decision, the District Court ordered a further briefing concerning the status of the plaintiffs' claims. Barclays plans to seek the dismissal of the plaintiffs' claims.

Barclays considers that the Enron related claims against it are without merit and is defending them vigorously. It is not possible to estimate Barclays possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

Barclays has been in negotiations with the staff of the US Securities and Exchange Commission with respect to a settlement of the Commission's investigations of transactions between Barclays and Enron. Barclays does not expect that the amount of any settlement with the Commission would have a significant adverse effect on its financial position or operating results.

Like other UK financial services institutions, Barclays faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the Unfair Terms in Consumer Contracts Regulations 1999 or are unenforceable penalties or both. Pending resolution of the test case referred to below (the 'test case'), existing and new claims in the County Courts are stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. In July 2007, and by agreement with all parties, the OFT launched the test case by commencing proceedings against seven banks and one building society including Barclays, the first stage of which seeks declarations on two issues of legal principle. The hearing commenced on 17th January 2008. Barclays is defending the test case vigorously. It is not practicable to estimate Barclays possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period.

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

37 Competition and regulatory matters

The scale of regulatory change remains challenging, arising in part from the implementation of some key European Union (EU) directives. Many changes to financial services legislation and regulation have come into force in recent years and further changes will take place in the near future. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and beyond the Group's control but could have an impact on the Group's businesses and earnings. In June 2005 an inquiry into retail banking in all of the then 25 Member States was launched by the European Commission's Directorate General for Competition. The inquiry looked at retail banking in Europe generally. In January 2007 the European Commission announced that the inquiry had identified barriers to competition in certain areas of retail banking, payment cards and payment systems in the EU. The Commission indicated it will use its powers to address these barriers, and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the Commission and national competition authorities could have an impact on the payment cards and payment systems businesses of Barclays and on its retail banking activities in the EU countries in which it operates.

In September 2005 the UK Office of Fair Trading (OFT) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (PPI). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006, the OFT announced the outcome of the market study and, following a period of consultation, the OFT referred the PPI market to the UK Competition Commission for an in-depth inquiry in February 2007. This inquiry could last for up to two years. Also in October 2006, the UK Financial Services Authority (FSA) published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly. Barclays has cooperated fully with these investigations and will continue to do so.

In April 2006, the OFT commenced a review of the undertakings given following the conclusion of the Competition Commission inquiry in 2002 into the supply of banking services to small and medium enterprises. Based on the OFT's report, the Competition Commission issued its final decision on 21st December 2007 and decided to release the UK's four largest clearing banks (including Barclays) from most of the transitional undertakings given by them in 2002.

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

In April 2007, the UK consumer interest association known as Which? submitted a super-complaint to the OFT pursuant to the Enterprise Act 2002. The super-complaint criticises the various ways in which credit card companies calculate interest charges on credit card accounts. In June 2007, the OFT announced a new programme of work with the credit card industry and consumer bodies in order to make the costs of credit cards easier for consumers to understand. This OFT decision follows the receipt by the OFT of the super-complaint from Which? This new work will explore the issues surrounding the costs of credit for credit cards including purchases, cash advances, introductory offers and payment allocation. The OFT's programme of work is expected to take six months.

On 11th February 2008, the OFT announced its recommendations, which include the introduction of an FSA price comparison website, improvements to customer information in summary boxes and the use of standard terminology.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29th March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT announced a market study into personal current accounts (PCAs) in the UK on 26th April 2007. The market study will look at: (i) whether the provision of 'free if in credit' PCAs delivers sufficiently high levels of transparency and value for customers; (ii) the implications for competition and consumers if there were to be a shift away from 'free if in credit' PCAs; (iii) the fairness and impact on consumers generally of the incidence, level and consequences of account charges; and (iv) what steps could be taken to improve customers' ability to secure better value for money, in particular to help customers make more informed current account choices and drive competition. The study will focus on PCAs but will include an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. The OFT will publish its interim findings after the test case (see below).

In July 2007, the OFT commenced a test case in the High Court by agreement with Barclays and seven other financial institutions in which the parties seek declarations on two legal issues arising from the banks' terms and conditions relating to overdraft charges. The test case does not encompass claims from local, medium or larger business customers. The proceedings will run in parallel with the ongoing OFT dual inquiry into unauthorised overdraft charges and PCAs. Please also refer to Note 35.

In January 2007, the FSA issued a statement of good practice relating to mortgage exit administration fees. Barclays agreed to charge the fee applicable at the time the customer took out the mortgage, which was one of the options recommended by the FSA.

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

38 Leasing

The Group and the Bank are both lessor and lessee under finance and operating leases, providing asset financing for their customers and leasing assets for their own use. In addition, assets leased by the Group and the Bank 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 work with a broad range of international technology, industrial equipment and commercial companies to provide customised finance programmes to assist manufacturers, dealers and distributors of assets.

Finance lease receivables are included within loans and advances to customers.

The Group and the Bank's net investment in finance lease receivables was as follows:

	The Group							
	2007				2006			
	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m
Not more than one year	3,657	(780)	2,877	213	3,650	(734)	2,916	166
Over one year but not more than five years	7,385	(1,613)	5,772	374	5,824	(1,490)	4,334	334
More than five years	3,476	(935)	2,541	14	3,790	(898)	2,892	15
Total	14,518	(3,328)	11,190	601	13,264	(3,122)	10,142	515

	The Bank							
	2007				2006			
	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m
Not more than one year	7	(1)	6	–	7	(1)	6	–
Over one year but not more than five years	91	(2)	89	–	48	(2)	46	–
More than five years	67	(3)	64	–	29	(2)	27	–
Total	165	(6)	159	–	84	(5)	79	–

The allowance for uncollectible finance lease receivables included in the allowance for impairment for the Group amounted to £113m at 31st December 2007 (2006: £99m).

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 treated as plant and equipment in the Group and the Bank's financial statements and are generally disposed of at the end of the lease term (see Note 23).

The future minimum lease payments expected to be received under non-cancellable operating leases at 31st December 2007 were as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	Plant and equipment £m	Plant and equipment £m	Plant and equipment £m	Plant and equipment £m
Not more than one year	29	18	–	–
Over one year but not more than two years	24	5	–	–
Over two years but not more than three years	22	3	–	–
Over three years but not more than four years	20	3	–	–
Over four years but not more than five years	11	3	–	–
Over five years	10	7	–	–
Total	116	39	–	–

38 Leasing (continued)

(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 other liabilities (see Note 25).

Obligations under finance leases were as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	Total future minimum payments £m	Total future minimum payments £m	Total future minimum payments £m	Total future minimum payments £m
Not more than one year	12	6	7	3
Over one year but not more than two years	14	21	2	2
Over two years but not more than three years	13	11	3	2
Over three years but not more than four years	12	14	2	3
Over four years but not more than five years	15	9	–	1
Over five years	17	31	–	–
Net obligations under finance leases	83	92	14	11

The carrying amount of assets held under finance leases at the balance sheet date was:

	The Group		The Bank	
	2007	2006	2007	2006
	£m	£m	£m	£m
Cost	94	44	–	14
Less: accumulated depreciation	(24)	(25)	–	(3)
Net book value	70	19	–	11

Operating lease commitments

The Group and the Bank lease various offices, branches and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. The Group and the Bank also lease equipment under non-cancellable lease arrangements.

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			
	2007		2006		2007		2006	
	Property £m	Equipment £m	Property £m	Equipment £m	Property £m	Equipment £m	Property £m	Equipment £m
Not more than one year	191	6	335	9	44	5	228	8
Over one year but not more than two years	396	1	337	9	252	–	228	7
Over two years but not more three years	357	1	311	2	233	–	218	2
Over three years but not more four years	323	–	268	–	219	1	201	–
Over four years but not more than five years	287	–	223	–	195	–	189	–
Over five years	2,225	–	2,057	–	1,869	–	1,835	–
Total	3,779	8	3,531	20	2,812	6	2,899	17

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is £167m (2006: £251m) for the Group and £167m (2006: £230m) for the Bank.

39 Acquisitions

The Group made the following material acquisitions in 2007:

(a) Indexchange Investment AG
On 8th February 2007, the Group acquired 100% of the ordinary shares of Indexchange Investment AG, based in Munich offering exchange traded fund products.

(b) Equifirst Corporation
On 30th March 2007, the Group acquired 100% of the ordinary shares of Equifirst Corporation, a sub-prime mortgage origination business.

(c) Walbrook Group Limited
On 18th May 2007, the Group acquired 100% of the ordinary shares of Walbrook Group Limited. The business serves high net worth private clients and corporate customers.

Details of the net assets of material companies acquired and consideration paid were as follows:

	Carrying value pre-acquisition £m	Fair value adjustments £m	2007 £m
Assets			
Cash and balances at central banks	51	–	51
Assets designated at fair value	133	–	133
Goodwill	41	(41)	–
Property, plant and equipment	7	–	7
Other assets	19	–	19
Intangible assets	–	53	53
Deferred tax assets	10	–	10
Total assets	261	12	273
Liabilities			
Deposits from banks	162	–	162
Deferred tax liabilities	–	4	4
Other liabilities	98	(38)	60
Total liabilities	260	(34)	226
Net assets acquired			47
Goodwill			267
Total			314

The excess of proceeds over the net assets acquired has generated goodwill of £267m, based on the exchange rate at the date of acquisition and is attributable to the operational synergies and earnings potential expected to be realised over the longer term.

In aggregate, the acquired businesses generated a loss of (£15m) to consolidated profit before tax for the period from acquisition date to 31st December 2007.

If all of the above acquisitions had occurred on 1st January 2007 the impact on total Group income and net profit for the year would have been immaterial.

	2007 £m
Acquisition cost	
Cash paid	297
Deferred consideration	11
Attributable costs	6
Total consideration	314

Cash outflows in respect of acquisitions
The aggregate net outflow of cash from the acquisition of the above Group entities was as follows:

	2007 £m
Cash paid	297
Cash and cash equivalents acquired	(51)
Net cash outflow on acquisition	246
Cash paid in respect of acquisition of shares in Barclays Global Investors UK Holdings Limited	488
Cash paid in respect of acquisition of shares in Absa Bank Limited	180
Increase in investment in subsidiaries	668

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 operational 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

(a) 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.

(b) Subsidiaries

Transactions between Barclays plc and subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Group financial statements. A list of the Group's principal subsidiaries is shown in Note 41.

(c) Associates, joint ventures and other entities

The Group provides certain banking and financial services to associates and joint ventures.

Related party entity relationships

The Group provides banking services to its associates, joint ventures and the Group pension funds (principally the UK Retirement Fund), providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. Group companies, principally within Barclays Global Investors, also provide investment management and custodian services to the Group pension schemes. The Group also provides banking services for unit trust and investment funds managed by Group companies. All of these transactions are conducted on the same terms as third-party transactions and are not individually material.

Amounts included in the accounts, in aggregate by category of related party entity are as follows:

	For the year ended and as at 31st December 2007				
	Associates £m	Joint ventures £m	Entities under common directorships £m	Pension funds unit trusts and investment funds £m	Total £m
Income statement					
Interest received	5	75	1	–	81
Interest paid	(1)	(58)	(1)	–	(60)
Fees received for services rendered (including investment management and custody and commissions)	1	34	–	26	61
Fees paid for services provided	(52)	(78)	–	–	(130)
Principal transactions	(24)	47	(16)	–	7
Assets					
Loans and advances to banks and customers	142	886	40	–	1,068
Derivative transactions	–	4	36	–	40
Other assets	19	18	–	14	51
Liabilities					
Deposits from banks	11	–	–	–	11
Customer accounts	–	61	33	12	106
Derivative transactions	–	10	50	–	60
Other liabilities	4	125	–	–	129

40 Related party transactions and Directors' remuneration (continued)

	For the year ended and as at 31st December 2006				
	Associates £m	Joint ventures £m	Entities under common directorships £m	Pension funds unit trusts and investment funds £m	Total £m
Income statement					
Interest received	45	38	–	2	85
Interest paid	(31)	(57)	–	–	(88)
Fees received for services rendered (including investment management and custody and commissions)	14	7	–	28	49
Fees paid for services provided	(115)	(51)	–	(1)	(167)
Principal transactions	3	–	(2)	–	1
Assets					
Loans and advances to banks and customers	784	146	65	–	995
Derivative transactions	–	–	–	–	–
Other assets	19	3	–	17	39
Liabilities					
Deposits from banks	9	–	–	3	12
Customer accounts	19	18	5	34	76
Derivative transactions	–	–	2	–	2
Other liabilities	13	8	–	–	21

No guarantees, pledges or commitments have been given or received in respect of these transactions in 2007 or 2006.

There are no leasing transactions between related parties for 2007 or 2006.

Derivatives transacted on behalf of the Pensions Funds Unit Trusts and Investment funds amounted to £22m (2006: £1,209m).

In 2007 Barclays paid £18m (2006: £19m) of its charitable donations through the Charities Aid Foundation, a registered charitable organisation, in which a Director of the Company is a Trustee.

40 Related party transactions and Directors' remuneration (continued)

(ii) The Bank

Subsidiaries

Details of principal subsidiaries are shown in Note 41.

The Bank provides certain banking and financial services to subsidiaries.

The Bank also provides 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, principally within Barclays Global Investors, 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.

In aggregate, amounts included in the accounts are as follows:

	For the year ended and as at 31st December 2007					
	Subsidiaries £m	Associates £m	Joint ventures £m	Entities under common director-ships £m	Pension funds unit trusts and investment funds £m	Total £m
Assets						
Loans and advances to banks and customers	159,008	142	886	40	–	160,076
Derivative transactions	17,001	–	4	36	–	17,041
Other assets	76,164	19	18	–	14	76,215
Liabilities						
Deposits from banks	20,684	11	–	–	–	20,695
Customer accounts	135,408	–	61	33	12	135,514
Derivative transactions	12,914	–	10	50	–	12,974
Other liabilities	61,701	4	125	–	–	61,830

	For the year ended and as at 31st December 2006					
	Subsidiaries £m	Associates £m	Joint ventures £m	Entities under common director-ships £m	Pension funds unit trusts and investment funds £m	Total £m
Assets						
Loans and advances to banks and customers	87,421	784	146	65	–	88,416
Derivative transactions	15,240	–	–	–	–	15,240
Other assets	87,750	19	3	–	17	87,789
Liabilities						
Deposits from banks	26,268	9	–	–	3	26,280
Customer accounts	86,503	19	18	5	34	86,579
Derivative transactions	11,247	–	–	2	–	11,249
Other liabilities	45,596	13	8	–	–	45,617

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 1.

40 Related party transactions and Directors' remuneration (continued)

Key Management Personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays 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.

In the ordinary course of business, the Bank makes loans to companies where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays. These loans are made on substantially the same criteria and terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavourable features.

There were no material related party transactions with companies where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays.

Details of transactions with Directors and other Key Management Personnel (and their connected persons) are as follows:

	Directors, other Key Management Personnel and connected parties	
	2007 £m	2006 £m
Loans outstanding at 1st January	8.0	7.6
Loans issued during the year	2.8	2.7
Loan repayments during the year	(3.2)	(2.3)
Loans outstanding at 31st December	7.6	8.0
Interest income earned	0.4	0.4

No allowances for impairment were recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person) in 2007 or 2006.

	2007 £m	2006 £m
Deposits outstanding at 1st January	15.1	4.7
Deposits received during the year	114.6	105.4
Deposits repaid during the year	(115.2)	(94.9)
Deposits outstanding at 31st December	14.5	15.2
Interest expense on deposits	0.6	0.2

Of the loans outstanding above, £nil (2006: £nil) relates to Directors and other Key Management Personnel (and persons connected to them) that left during the year. Of the deposits outstanding above, £2.8m (2006: £0.1m) relates to Directors and other Key Management Personnel (and persons connected to them) that left the Group during the year.

All loans are provided on normal commercial terms to Directors and other Key Management Personnel (and persons connected to them) with the exception of £1,540 of loans which are provided to non-Director members of Key Management Personnel on staff preferential interest rates (5%) and £2,565 of loans which are provided on an interest free basis.

The loans of £1,540 provided at staff preferential rates of interest reflect the amortised principal amount of a home mortgage loan that was provided by Barclays to a non-Director member of key management personnel. The home mortgage loan was granted at a time when Barclays had in place a corporate policy of providing home mortgage loans at preferential rates of interest to all staff members. This policy has since been discontinued by Barclays. These home mortgage loans were made on substantially the same terms, including interest rates and collateral, to all staff members, who applied for such loans. The loans of £2,565 provided on an interest free basis relate to the granting of loans to two non-Director members of Barclays key management to purchase commuter rail tickets. The commuter rail ticket loans are still provided to all Barclays staff members upon request on the same terms.

40 Related party transactions and Directors' remuneration (continued)

Remuneration of Directors and other Key Management Personnel

	Directors and other Key Management Personnel	
	2007 £m	2006 £m
Salaries and other short-term benefits	23.9	34.3
Pension costs	1.1	0.8
Other long-term benefits	9.2	9.3
Termination benefits	0	1.4
Share-based payments	31.8	27.2
Employer social security charges on emoluments	7.8	10.0
	73.8	83.0

(b) Disclosure required by the Companies Act 1985

The following information is presented in accordance with the Companies Act 1985.

Directors' remuneration

	2007 £m	2006 £m
Aggregate emoluments	29.2	32.0
Gains made on the exercise of share options	0.3	5.5
Amounts paid under long-term incentive schemes	–	–
Actual pension contributions to money purchase scheme (2007: one Director, £10,233 and 2006: one Director, £11,414)	–	–
Notional pension contributions to money purchase scheme (2007: no Directors and 2006: no Directors)	–	–
	29.5	37.5

As at 31st December 2007, three Directors were accruing retirement benefits under a defined benefit scheme (2006: four Directors).

Of the figures in the table above, the amounts attributable to the highest paid Director are as follows:

	2007 £m	2006 £m
Aggregate emoluments	18.1	15.2
Accrued pension (2007: £38,306, 2006: £35,767)	–	–
Notional pension contributions to a money purchase scheme	–	–
Actual pension contributions to money purchase scheme (2007: £10,233, 2006: £11,414)	–	–

Two Directors (Naguib Kheraj and Frits Seegers) agreed to waive their fees as non-executive Directors of Absa Group Limited and Absa Bank Limited. The respective fees for 2007 were ZAR 0.1m (£0.01m) and ZAR 0.5m (£0.03m). The fees for 2006 were ZAR 0.4m (£ 0.03m) for Naguib Kheraj and ZAR 0.1m (£ 0.01m) for Frits Seegers. In both 2006 and 2007 the fees were paid to Barclays.

40 Related party transactions and Directors' remuneration (continued)

Executive Directors: shares provisionally allocated and shares under option under the Executive Share Award Scheme (ESAS) [a, h, i, j]

	Number at 1st January 2007	During 2007: Awarded in respect of the results for 2006	During 2007: Released [c]	During 2007: Market price on Release date £	During 2007: Exercised	During 2007: Market price on Exercise date £	During 2007: Bonus shares lapsed	Number at 31st December 2007
Executive Directors								
John Varley	278,211	95,328	28,828	7.15	–	–	–	344,711
Robert E Diamond Jr [d]	5,282,875	616,303	1,035,429	7.15	–	–	–	4,863,749
Gary Hoffman	166,526	27,712	16,924	7.15	–	–	–	177,314
Chris Lucas [b]	–	–	–	–	–	–	–	69,091
Frits Seegers	802,208	70,941	641,766	6.84	–	–	–	231,383
Former Director								
Naguib Kheraj	790,317	–	230,560	7.15	–	–	–	559,757

Shares under option under ESAS and voluntary ESAS as at 31st December 2007 (with the exception of voluntary ESAS, shares under option are included in aggregate figures above)

	Nil cost option granted at 3rd anniversary [e]	Nil cost option under voluntary ESAS at 1st January 2007 [f]	During 2007: Voluntary ESAS option granted	During 2007: Voluntary ESAS option exercised [g]	During 2007: Market price on exercise date of voluntary ESAS option £	During 2007: Bonus shares lapsed on exercise of voluntary ESAS option	Number under Voluntary ESAS at 31st December 2007	Date from which exercisable	Latest expiry date
Executive Directors									
John Varley	56,037	–	–	–	–	–	–	28/02/06	05/03/09
Robert E Diamond Jr	–	–	–	–	–	–	–	–	–
Gary Hoffman	47,663	136,584	–	39,496	7.17	–	97,088	05/03/04	05/03/14
Chris Lucas	–	–	–	–	–	–	–	–	–
Frits Seegers	–	–	–	–	–	–	–	–	–
Former Director									
Naguib Kheraj	402,509	–	–	–	–	–	–	28/02/06	30/06/08

Notes

a The number of shares shown in the table includes the maximum potential 30% bonus element where applicable.

b Figures shown in the column 'Number at 1st January 2007' for Chris Lucas are as at date of joining. An award of 69,091 Barclays shares was granted to Chris Lucas on 1st May 2007, following his appointment as an executive Director on 1st April 2007, in recognition of forfeited compensation from his previous employment. Bonus shares are not applicable to the award.

c The trustees may release additional shares to participants which represent accumulated dividends (net of withholding) in respect of shares under award. During 2007, the trustees released the following accumulated dividend shares: 6,865 to John Varley, 100,645 to Robert E Diamond Jr, 4,030 to Gary Hoffman and 54,899 to Naguib Kheraj. These are not awarded as part of the original award and consequently are not included in the 'Released' column.

d The number shown in the column headed 'Number at 1st January 2007' includes shares held by Robert E Diamond Jr which reflect interests built up over the course of successive years' service with Barclays. The awards were related to Robert E Diamond Jr's contribution to the performance of Investment Banking, Investment Management and the Barclays Group as a whole.

e The shares under option shown in this column are already included in the numbers shown at 1st January 2007 in the first table on this page, and relate to provisional allocations made in 2003 and 2004 except that the figures do not include accumulated dividend shares under option as follows: 7,410 shares for John Varley, 6,303 shares for Gary Hoffman and 53,059 shares for Naguib Kheraj.

f The shares under option in this column are not included in the numbers shown at 1st January 2007 or 31st December 2007 in the first table on this page.

g These figures do not include 9,624 accumulated dividend shares released on exercise of voluntary ESAS options.

h Awards in respect of 2007 will be made in March 2008. Including the maximum potential 30% bonus element, awards will total £617,500 to John Varley, £11,375,000 to Robert E Diamond Jr, £219,375 to Gary Hoffman, £568,750 to Frits Seegers and £195,000 to Chris Lucas.

i Nothing was paid by the participants on the grant of options or awards.

j ESAS is a deferred share award plan which operates in conjunction with the annual Group cash bonus plans. Under ESAS, awards are initially granted in the form of provisional allocations that do not give rise to any entitlement to shares at the award date. For executives, typically 75% of the annual bonus is delivered as cash. Typically a recommendation may be made to the ESAS trustee that the remaining 25% is typically delivered as an award under ESAS. This is known as a 'Mandatory ESAS award'. A Mandatory ESAS award also typically comprises an award of bonus shares which is approximately equal to 30% of the 25% of the bonus that has been deferred.

Normally the trustees of ESAS will permit the executive to call for the shares (plus two thirds of any bonus shares) in the form of a nil cost option following the third anniversary of the award date. As the nil cost option is part of the structure of an ESAS award and as ESAS is a deferred share award plan, it would not be appropriate to attach a performance condition to the exercise of these options. If the right is not exercised, the trustees of ESAS will normally, at the end of the fifth year, release all shares (including bonus shares equal to 30% of the basic award). If an executive ceases to be employed he may forfeit his award depending on the reason for leaving. An award under ESAS may be forfeited if the executive resigns and commences employment with a competitor business.

In addition, eligible executives may request that all or part of any cash bonus to which they would otherwise become entitled, be granted as an additional award under ESAS. This is known as a 'Voluntary ESAS award'. A Voluntary ESAS award is granted in the form of a nil cost option which is a right to acquire shares. This becomes fully exercisable five years from the date of the award. The number of shares under any award will reflect the value of the amount waived together with a number of bonus shares representing 30% of the amount waived.

40 Related party transactions and Directors' remuneration (continued)

Executive Directors: awards under the Performance Share Plan (PSP) [a, e]

	Shares under initial allocation at 1st January 2007	Shares under initial allocation granted during 2007 [b]	Maximum number of shares granted during 2007	Market price on award date £ [c]	Performance period [d]	Scheduled vesting date	Shares under initial allocation at 31st December 2007	Maximum number of shares under award at 31st December 2007	Lapses due in 2008 based on maximum number of shares under award
Executive Directors									
John Varley									
2005	142,045	–	–	–	01/01/05-31/12/07	16/06/08	142,045	426,135	426,135
2006	153,748	–	–	–	01/01/06-31/12/08	23/03/09	153,748	461,244	–
2007	–	163,710	491,130	7.08	01/01/07-31/12/09	22/03/10	163,710	491,130	–
Total							459,503	1,378,509	
Robert E Diamond Jr									
2005	52,083	–	–	–	01/01/05-31/12/07	16/06/08	52,083	156,249	156,249
2006	768,736	–	–	–	01/01/06-31/12/08	23/03/09	768,736	2,306,208	–
2007	–	934,516	2,803,548	7.08	01/01/07-31/12/09	22/03/10	934,516	2,803,548	–
Total							1,755,335	5,266,005	
Gary Hoffman									
2005	75,758	–	–	–	01/01/05-31/12/07	16/06/08	75,758	227,274	227,274
2006	96,092	–	–	–	01/01/06-31/12/08	23/03/09	96,092	288,276	–
2007	–	85,266	255,798	7.08	01/01/07-31/12/09	22/03/10	85,266	255,798	–
Total							257,116	771,348	
Chris Lucas									
2007	–	82,910	248,730	7.23	01/01/07-31/12/09	22/03/10	82,910	248,730	–
Total							82,910	248,730	
Frits Seegers									
2006	157,728	–	–	–	01/01/06-31/12/08	04/08/09	157,728	473,184	–
2007	–	136,426	409,278	7.08	01/01/07-31/12/09	22/03/10	136,426	409,278	–
Total							294,154	882,462	
Former Director									
Naguib Kheraj									
2005	87,121	–	–	–	01/01/05-31/12/07	16/06/08	87,121	261,363	261,363
2006	107,624	–	–	–	01/01/06-31/12/08	23/03/09	107,624	322,872	–
Total							194,745	584,235	

Executive Directors: Retained Incentive Opportunity [f]

	Date of award	Maximum potential value £000s	Performance period	Vesting date
Robert E Diamond Jr	25/05/05	14,850	01/01/05-31/12/07	No later than 15/03/08

Notes

a PSP replaced ISOP (Incentive Share Option Plan) as the Group's principal performance linked long-term incentive plan. Performance shares granted under the PSP are an award of 'free' Barclays shares in the form of a provisional allocation, which do not give the participant any right to acquire the shares until such time as the trustee decides to release the shares. No exercise price is payable. Performance shares are subject to performance conditions and qualify for dividends. The performance conditions for the 2005 awards were not met and all awards are due to lapse in 2008.

b In respect of John Varley, Robert E Diamond Jr, Gary Hoffman and Frits Seegers, the price used to convert the present fair value of the award to a number of shares was £7.33. This was the average over the period 20th February 2007 to 13th March 2007. In respect of Chris Lucas, the price used to convert the present fair value of the award to a number of shares was £7.23, which was the price at which shares were purchased in the market to fund the award.

c The price shown is the mid-market closing price on the date of the award.

d For PSP awards made in 2006 and 2007, 50% of each award depends on Barclays EP and 50% of each award depends on the growth in Barclays TSR relative to a peer group of 11 other international banks.

e Figures shown in column 'Shares under initial allocation at 1st January 2007' for Chris Lucas are as at date of joining. Nothing was paid by the participants on the grant of awards.

f Robert E Diamond Jr's award under the Retained Incentive Opportunity reached the end of its performance period on 31st December 2007. Barclays Capital's cumulative EP over the three-year performance period, which started on 1st January 2005, exceeded the £2bn threshold for the maximum potential value to vest in accordance with the terms of the award. This resulted in a vesting in February 2008 to the value of £14,850,000 with 50% payable in cash and the remaining 50% as a recommendation to the trustee of ESAS for an award of Barclays shares in the form of a provisional allocation. Any shares under the ESAS award would be releasable after 12 months from the award date. Bonus shares are not applicable to this award.

40 Related party transactions and Directors' remuneration (continued)

Executive Directors: shares under option under Sharesave[a]

		During 2007				Information as at 31st December 2007			
	Number held at 1st January 2007	Granted	Exercised	Exercise price per share £	Market price on date of exercise £	Number of shares held under option	Weighted average exercise price of outstanding options £	Date from which exercisable	Latest expiry date
Executive Directors									
John Varley	4,096	3,638	4,096	4.11	7.89	3,638	4.83	01/11/14	30/04/15
Robert E Diamond Jr	–	–	–	–	–	–	–	–	–
Gary Hoffman	6,474	–	324	3.16	5.09	6,150	4.35	01/11/08	30/04/14
Chris Lucas	–	3,638	–	–	–	3,638	4.83	01/11/14	30/04/15
Frits Seegers	–	3,390	–	–	–	3,390	4.83	01/11/12	30/04/13
Former Director									
Naguib Kheraj	4,007	–	–	–	–	4,007	4.08	01/01/08	30/06/08

Note

a Figures shown in column 'Number held at 1st January 2007' for Chris Lucas are as at date of joining. Nothing was paid by the participants on the grant of options.

40 Related party transactions and Directors' remuneration (continued)

Executive Directors: plans used in previous years (ESOS, ISOP and the BGI EOP)

The executive Directors continue to have interests in Barclays PLC ordinary shares under ESOS [a] and ISOP [b], and in Barclays Global Investors UK Holdings Limited under the BGI EOP [c] (as indicated in the table below). No awards were made to Directors under these plans during 2007.

Executive Directors: awards under plans used in previous years [e]

	Maximum number of shares under option at 1st January 2007	During 2007		Market price on exercise date £	Maximum number of shares under option at 31st December 2007	Weighted average exercise price of outstanding options £	Date from which exercisable	Latest expiry date	Vested number of shares at 31st December 2007
		Exercised	Lapsed						
Executive Directors									
John Varley									
ISOP	2,060,000	–	1,140,000	–	920,000	4.41	18/05/03	22/03/14	920,000
Robert E Diamond Jr									
ESOS	100,000	–	–	–	100,000	3.97	14/08/01	13/08/08	100,000
ISOP	1,340,000	–	780,000	–	560,000	4.54	12/03/04	22/03/14	560,000
BGI EOP	100,000	–	–	–	100,000	20.11	26/03/07	26/03/14	100,000
Gary Hoffman									
ISOP	1,320,000	–	780,000	–	540,000	4.51	12/03/04	22/03/14	540,000
Chris Lucas [d]									
–	–	–	–	–	–	–	–	–	–
Frits Seegers [d]									
–	–	–	–	–	–	–	–	–	–
Former Director									
Naguib Kheraj									
ESOS	60,000	–	–	–	60,000	3.97	14/08/01	13/08/08	60,000
ISOP	1,360,000	–	840,000	–	520,000	4.47	12/03/04	31/12/08	520,000

Notes

a Under ESOS (Executive Share Option Scheme), options granted (at market value) to executives were exercisable only if the growth in Barclays earnings per share over the three-year period was at least equal to the percentage increase in the UK Retail Prices Index plus 6% over the same period. The performance condition for the 1999 ESOS grant was met.

b Under ISOP, executives were awarded options (at market value) over Barclays shares which are normally exercisable after three years. The number of shares over which options can be exercised depends upon performance against specific performance conditions. For ISOP awards granted in 2000 to 2003, the first 40,000 target shares under option for each award was subject to an EP performance condition, tested over a period of three years. Any amount over 40,000 target shares was subject to a relative TSR performance condition, to be tested initially over three years. Because the TSR performance condition was not met over three years in relation to the awards in 2003, the TSR condition was tested over a period of four years from the original start date. Awards in 2004 were subject to a relative TSR performance condition. For the 2003 and 2004 grants under ISOP, which became exercisable in 2007, Barclays was ranked 6th in the peer group under the TSR performance condition. This was sufficient for only 25% of the maximum number of shares under the TSR condition to vest. The remaining 75% lapsed.

c Robert E Diamond Jr received a grant under the BGI EOP (BGI Equity Ownership Plan) in March 2004. He was not a Director of Barclays PLC at that time. The BGI EOP is an option plan, approved by shareholders in 2000 and offered predominantly to participants in the US. Under the BGI EOP, participants receive an option to purchase shares in Barclays Global Investors UK Holdings Limited. The exercise price is based on the fair value at the time of grant. The option normally vests in three equal tranches on the first, second, and third anniversary of the date of grant. Participants must, in accordance with the Articles of Association of Barclays Global Investors UK Holdings Limited, keep their shares for 355 days after the date of exercise, before they may be offered for sale. In line with market practice, the options were not subject to performance conditions. Robert E Diamond Jr is not eligible to receive further awards under the BGI EOP. The shares shown in respect of the BGI EOP in the above table are shares in Barclays Global Investors UK Holdings Limited.

d Frits Seegers was appointed as an executive Director on 10th July 2006, and Chris Lucas on 1st April 2007, and therefore no participation in the above plans has been offered to them.

e Nothing was paid by the participants on the grant of options.

40 Related party transactions and Directors' remuneration (continued)

Directors: interests in ordinary shares of Barclays PLC [a]

	At 1st January 2007 [b] Beneficial	At 1st January 2007 [b] Non-beneficial	At 31st December 2007 Beneficial	At 31st December 2007 Non-beneficial
Group Chairman				
Marcus Agius	15,000	–	86,136	–
Executive Directors				
John Varley	375,053	–	470,650	–
Robert E Diamond Jr [e]	2,531,582	–	3,402,192	–
Gary Hoffman	319,186	–	431,761	–
Chris Lucas [f]	–	–	38,003	–
Frits Seegers [d]	4,319	–	699,870	–
Non-executive Directors [c]				
David Booth [g]	–	–	50,374	–
Sir Richard Broadbent	8,092	–	14,026	–
Leigh Clifford	5,219	–	18,872	–
Fulvio Conti	2,538	–	10,067	–
Dr Danie Cronjé [d]	3,547	–	5,146	–
Professor Dame Sandra Dawson	9,953	–	12,040	–
Sir Andrew Likierman	5,441	–	8,137	–
Sir Nigel Rudd	51,117	–	84,843	–
Stephen Russell	18,661	–	21,054	–
Sir John Sunderland	10,054	–	31,658	–

Contracts with Directors (and their connected persons) and Managers

The aggregate amounts outstanding at 31st December 2007 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were during the year, Directors of Barclays Bank PLC and persons connected with them and for Managers, within the meaning of the Financial Services and Markets Act 2000, of Barclays Bank PLC were:

	Number of Directors or Managers	Number of connected persons	Amount £m
Directors			
Loans	2	5	2.1
Quasi-loans and credit card accounts	12	18	–
Managers			
Loans	13	n/a	13.5
Quasi-loans and credit card accounts	11	n/a	–

(c) US disclosures

The aggregate emoluments of all Directors and Officers of Barclays Bank PLC who held office during the year (2007: 23 persons, 2006: 25 persons, 2005: 26 persons) for the year ended 31st December 2007 amounted to £64.9m (2006: £72.2m, 2005: £75.4m). In addition, the aggregate amount set aside by the Bank and its subsidiaries for the year ended 31st December 2007, to provide pension benefits for the Directors and Officers amounted to £1.1m (2006: £0.8m, 2005: £0.2m).

Notes

a Beneficial interests in the table above represent shares held by Directors who were on the Board as at 31st December 2007, either directly or through a nominee, their spouse and children under 18. They include any interests held through Sharepurchase, but do not include any awards under ESAS, ISOP, PSP, ESOS and Sharesave. The beneficial interests in ordinary shares of Barclays PLC held by all Directors as shown in the table above amounted in aggregate to 5,384,829 ordinary shares of Barclays PLC as at 31st December 2007 and 5,398,797 ordinary shares of Barclays PLC as at 27th February 2008 (which amounted to less than 1% of Barclays PLC ordinary share capital outstanding as at 31st December 2007 and 27th February 2008 respectively). As at 31st December 2007, the executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 207,685,698 Barclays PLC ordinary shares (1st January 2007: 165,645,889) held by the trustees of the Barclays Employees' Benefit Trusts. As at 27th February 2008, a total of 218,235,925 shares were held by the trustees.

b Or date appointed to the Board if later.

c On 19th February 2008, the non-executive Directors acquired ordinary shares pursuant to arrangements under which part of each non-executive Director's fee is used to buy shares in Barclays. Barclays shares were acquired by each non-executive Director as follows: David Booth – 1,183; Sir Richard Broadbent – 1,487; Leigh Clifford – 1,312; Fulvio Conti – 1,401; Dr Danie Cronjé – 1,270; Professor Dame Sandra Dawson – 1,485; Sir Andrew Likierman – 1,353; Sir Michael Rake – 204; Sir Nigel Rudd – 1,646; Stephen Russell – 1,600; Sir John Sunderland – 1,231; Patience Wheatcroft – 169. On 19th February 2008, Sir Michael Rake also acquired 1,100 ordinary shares in Barclays. On 26th February 2008, Patience Wheatcroft acquired 1,200 ordinary shares in Barclays and Sir Nigel Rudd sold 28,000 ordinary shares in Barclays and acquired 28,000 ordinary shares in Barclays in PEP and ISA accounts. Except as described in this note, there were no changes to the beneficial or non-beneficial interests of Directors in the period 31st December 2007 to 27th February 2008.

d As at 1st January 2007, Frits Seegers and Dr Danie Cronjé held 1,000 and 101,577 shares in Absa Group Limited respectively. As at 31st December 2007, Frits Seegers and Dr Danie Cronjé held 1,000 and 101,577 shares in Absa Group Limited respectively. Dr Danie Cronjé also held 7,500 non-cumulative, non-redeemable preference shares in Absa Bank Limited as at 1st January 2007 and 11,700 such shares as at 31st December 2007.

e As at 1st January 2007 and 31st December 2007, Robert E Diamond Jr held 200,000 'A' ordinary shares in Barclays Global Investors UK Holdings Limited.

f Appointed as an executive Director on 1st April 2007.

g Appointed as a non-executive Director on 1st May 2007.

41 Principal subsidiaries

Country of registration or incorporation	Company name	Nature of business	Percentage of equity capital held %
Botswana	Barclays Bank of Botswana Limited	Banking	74.9
Egypt	Barclays Bank Egypt SAE	Banking	100
England	Barclays Mercantile Business Finance Limited	Loans and advances including leases to customers	100*
England	Barclays Global Investors UK Holdings Limited	Holding company	94.1
England	Barclays Global Investors Limited	Investment management	94.1*
England	Barclays Life Assurance Company Limited	Life assurance	100
England	Barclays Bank Trust Company Limited	Banking, securities industries and trust services	100
England	Barclays Stockbrokers Limited	Stockbroking	100
England	Barclays Capital Securities Limited	Securities dealing	100
England	Barclays Global Investors Pensions Management Limited	Investment management	94.1*
England	FIRSTPLUS Financial Group PLC	Secured loan provider	100
England	Gerrard Investment Management Limited	Investment management	100*
Ghana	Barclays Bank of Ghana Limited	Banking	100
Ireland	Barclays Insurance (Dublin) Limited	Insurance provider	100*
Ireland	Barclays Assurance (Dublin) Limited	Insurance provider	100*
Isle of Man	Barclays Private Clients International Limited [a]	Banking	100*
Japan	Barclays Capital Japan Limited	Securities dealing	100*
Jersey	Barclays Private Bank & Trust Limited	Banking, trust company	100*
Kenya	Barclays Bank of Kenya Limited	Banking	68.5
South Africa	Absa Group Limited	Banking	58.8
Spain	Barclays Bank SA	Banking	99.7
Switzerland	Barclays Bank (Suisse) S.A.	Banking and trust services	100*
USA	Barclays Capital Inc.	Securities dealing	100*
USA	Barclays Financial Corporation	Holding company for US credit card issuer	100*
USA	Barclays Global Investors, National Association	Investment management and securities industry	94.1*
Zimbabwe	Barclays Bank of Zimbabwe Limited	Banking	67.8*

In accordance with Section 231(5) of the Companies Act 1985, the above information is provided solely in relation to principal subsidiaries.

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries. Investments in these subsidiaries are held directly by Barclays Bank PLC except where marked *.

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

Note

a BBPLC is the beneficial owner of 38.1% of shares and Barclays Holdings (Isle of Man) Limited is the beneficial owner of 61.9% of shares.

42 Other entities

There are a number of entities that do not qualify as subsidiaries under UK Law but which are consolidated when the substance of the relationship between the Group and the entity (usually a Special Purpose Entity (SPE)) indicates that the entity is controlled by the Group. Such entities are deemed to be controlled by the Group when relationships with such entities gives rise to benefits that are in substance no different from those that would arise were the entity a subsidiary.

The consolidation of such entities may be appropriate in a number of situations, but primarily when:

– the operating and financial polices of the entity are closely defined from the outset (i.e. it operates on an 'autopilot' basis) with such policies being largely determined by the Group;

– the Group has rights to obtain the majority of the benefits of the entity and/or retains the majority of the residual or ownership risks related to the entity; or

– the activities of the entity are being conducted largely on behalf of the Group according to its specific business objectives.

Such entities are created for a variety of purposes including securitisation, structuring, asset realisation, intermediation and management.

Entities may have a different reporting date from that of the parent of 31st December. Dates may differ for a variety of reasons including local reporting regulations or tax laws. In accordance with our accounting policies, for the purpose of inclusion in the consolidated financial statements of Barclays PLC, entities with different reporting dates are made up until 31st December.

Entities may have restrictions placed on their ability to transfer funds, including payment of dividends and repayment of loans, to their parent entity. Reasons for the restrictions include:

– Central bank restrictions relating to local exchange control laws.

– Central bank capital adequacy requirements.

– Company law restrictions relating to treatment of the entities as going concerns.

Although the Group's interest in the equity voting rights in certain entities exceeds 50%, or it may have the power to appoint a majority of their Boards of Directors, they are excluded from consolidation because the Group either does not direct the financial and operating policies of these entities, or on the grounds that another entity has a superior economic interest in them. Consequently, these entities are not deemed to be controlled by Barclays.

The table below includes information in relation to such entities as required by the Companies Act 1985, Section 231(5).

Country of registration or incorporation	Name	Percentage of ordinary share capital held %	Equity share-holders' funds £m	Retained profit for the year £m
UK	Oak Dedicated Limited	100	(3)	4
UK	Oak Dedicated Two Limited	100	(3)	2
UK	Oak Dedicated Three Limited	100	1	1
UK	Fitzroy Finance Limited	100	–	–
Cayman Islands	St James Fleet Investments Two Limited	100	2	–
Cayman Islands	BNY BT NewCo Limited	–	–	–

43 Events after the balance sheet date

On 3rd March 2008, Barclays entered into an agreement with Petropavlovsk Finance (Limited Liability Society) to acquire 100% of the Russian Bank, Expobank, for a consideration of approximately $745m (£373m). The transaction is expected to close in summer 2008 after receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994, it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

44 Share-based payments

The Group operates share schemes for employees throughout the world. The main current schemes are:

Sharesave

Eligible employees in the UK, Spain and Ireland may participate in the Barclays Sharesave scheme. Under this scheme, employees may enter into contracts to save up to £250 per month (Ireland: €320, Spain €90) and, at the expiry of a fixed term of three, five or seven years (Spain: three years), have the option to use these savings to acquire shares in the Company at a discount, calculated in accordance with the rules of the scheme. The discount is currently 20% of the market price at the date the options are granted. Participants in the scheme have six months from the date of vest in which the option can be exercised.

Sharepurchase

Sharepurchase was introduced in January 2002. It is an HM Revenue & Customs approved all-employee share plan. The plan is open to all eligible UK employees, including executive Directors. Under the plan, participants are able to purchase up to £1,500 worth of Barclays PLC ordinary shares per tax year, which, if kept in trust for five years, can be withdrawn from the plan tax-free. Matching shares were introduced to the scheme during 2005 where the purchase of Barclays shares by the participant are matched equally by the Company up to a value of £600 per tax year. Any shares in the plan will earn dividends in the form of additional shares, which must normally be held by the trustee for three years before being eligible for release.

44 Share-based payments (continued)

Executive Share Award Scheme (ESAS)
For certain employees of the Group an element of their annual bonus is in the form of a deferred award of a provisional allocation of Barclays PLC shares under ESAS. The total value of the bonus made to the employee of which ESAS is an element is dependent upon the business unit, Group and individual employee performance. The ESAS element of the annual bonus must normally be held for at least three years. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award. ESAS awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeit if the individual resigns and commences work with a competitor business.

Performance Share Plan (PSP)
The Performance Share Plan (PSP) was approved by shareholders at the 2005 AGM to replace the ISOP scheme. Performance shares are 'free' Barclays shares for which no exercise price is payable and which qualify for dividends. Performance share awards are communicated to participants as an initial allocation. Barclays performance over a three-year period determines the final number of shares that may be released to participants.

Options granted under the following schemes are over subsidiaries of Barclays PLC:

Barclays Global Investors Equity Ownership Plan (BGI EOP)
The Equity Ownership Plan extends to key employees of BGI. The exercise price of the options is determined by the Remuneration Committee of Barclays PLC based on the fair value of BGI as determined by an independent appraiser. The options are granted over shares in Barclays Global Investors UK Holdings Limited, a subsidiary of Barclays Bank PLC. Options are not exercisable until vesting, with a third of the options held generally becoming exercisable at each anniversary of grant. The shareholder has the right to offer to sell the shares to Barclays Bank PLC 355 days following the exercise of the option. Barclays Bank PLC may accept the offer and purchase the shares at the most recently agreed valuation but is under no obligation to do so. Options lapse ten years after grant. The most recently agreed valuation was £106.03 at 30th June 2007.

Absa Group Limited Black Economic Empowerment (BEE) Transaction
On 25th June 2004, Absa shareholders approved the allocation of 73,152,300, redeemable cumulative option-holding Absa preference shares to Batho Bonke Capital Limited. Each redeemable preference share carries the option to acquire one Absa ordinary share. The shares carry the same rights as ordinary shares including voting rights, and receive dividends which are payable semi-annually. Options vest after three years and lapse after five years from the date of issue. Exercise may only occur in lots of 100 and within a price range varying from ZAR48 to ZAR69 (£3.40-£4.89) dependent on the 30-day volume weighted trading price on the JSE Limited. Options are redeemed by Absa on the final exercise date.

Absa Group Limited Share Incentive Trust (AGLSIT)
In terms of the rules of Absa Group Limited Share Incentive Trust the maximum number of shares which may be issued or transferred and/or in respect of which options may be granted to the participants shall be limited to shares representing 10% of the total number of issued shares. Options are allocated to Absa employees according to the normal Human Resources talent management process. The options issued up to August 2005 had no performance criteria linked to them and vested in equal tranches after three, four and five years respectively. No dividends accrue to the option holder over the period. The options expire after a period of ten years from the issuing date. Options issued since August 2005 have vesting performance criteria associated with them, which require headline earnings per share to exceed an agreed benchmark over a three-year period from July 2005 for the options to vest.

Absa Group Limited Share Ownership Trust (AGLSOT)
The Absa Group Limited Share Ownership Trust (AGLSOT) enabled all Absa employees to participate in a one-off offer to purchase 200 redeemable cumulative option-holding preference shares. Each redeemable preference share carries the option to acquire one Absa ordinary share. Options vest after three years and lapse after five years from the date of issue. Exercise may only occur in lots of 100 and within a price range varying from ZAR48 to ZAR69 (£3.40-£4.89) dependent on the 30-day volume weighted trading price on the JSE Limited. Options are redeemed by Absa on the final exercise date.

Absa Group Limited Executive Share Award Scheme (AGLESAS)
For certain employees of Absa an element of their annual bonus is in the form of a deferred award of a provisional allocation of Absa Group Limited shares under Absa ESAS. The total value of the bonus made to the employee of which ESAS is an element is dependent upon the business unit and individual employee performance. The ESAS element of the annual bonus must be held for at least three years. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award. All awards are subject to potential forfeit if the individual resigns.

In addition, options remain outstanding under the following closed schemes:

Incentive Share Option Plan (ISOP)
The ISOP was open by invitation to the employees and Directors of Barclays PLC. Options were granted at the market price at the date of grant calculated in accordance with the rules of the plan, and are normally exercisable between three and ten years from that date. The final number of shares over which the option may be exercised is determined by reference to set performance criteria. The number of shares under option represents the maximum possible number that may be exercised. No awards were made under ISOP during 2006 or 2007.

Executive Share Option Scheme (ESOS)
The ESOS is a long-term incentive scheme and was available by invitation to certain senior executives of the Group with grants usually made annually. Options were issued with an exercise price equivalent to the market price at the date of the grant without any discount, calculated in accordance with the rules of the scheme, and are normally exercisable between three and ten years from that date. No further awards are made under ESOS.

Woolwich Executive Share Option Plan (Woolwich ESOP)
Options originally granted over Woolwich PLC shares at market value were exercised in 2001 or exchanged, in accordance with the proposals made under the offer to acquire the Woolwich, for options over Barclays PLC shares. Under the rules of ESOP, the performance conditions attached to the exercise of options were disapplied on acquisition of Woolwich PLC by Barclays. Options lapse ten years after grant.

At the balance sheet date, no options remained outstanding or exercisable in respect of the following closed scheme:

44 Share-based payments (continued)

Woolwich Save as You Earn (Woolwich SAYE)

Under this scheme, employees entered into contracts to save up to £250 per month and, at the expiry of a fixed term of three, five, or seven years, have the option to use these savings to acquire the shares in the Company at a discount calculated in accordance with the rules of the scheme. The discount was 20% of the market price at the date the options were granted.

At the balance sheet date the following cash settled schemes operated within the Group:

Barclays Africa Share Plan

The Barclays Africa Share Plan grants a number of notional shares and settles in a cash award linked to the Barclays PLC share price. The exercise price of options is equal to the increment of the market price of Barclays shares over the original price on the date of grant. The final number of notional shares over which the option may be exercised is determined by reference to set performance criteria. Awards will vest three years from grant and expire four years from that date.

Absa Group Phantom Performance Share Plan (Absa Phantom PSP)

The Absa Phantom PSP was implemented during 2006 to replace the Absa Group Limited Share Incentive Trust (AGLSIT) scheme. Shares are awarded at no cost to participants and the cash paid is equal to the market value of ordinary shares of Absa Group Limited. The performance of Absa over a three-year period determines the final number of notional shares that any cash payment would be based on. Awards vest after three years to the extent that the performance conditions are satisfied.

The weighted average fair value per option granted during the year is as follows:

	2007 £	2006 £
Sharesave	1.25	1.88
Sharepurchase	6.84	6.55
ESAS	6.96	6.73
PSP	8.03	7.53
BGI EOP	22.18	21.18
AGLSIT	3.18	2.70
AGLESAS	n/a	8.42

Fair values for Sharesave, PSP , BGI EOP and AGLSIT are calculated at the date of grant using either a Black-Scholes model or Monte Carlo simulation. Sharepurchase, ESAS and AGLESAS are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value at that date.

The significant weighted average assumptions used to estimate the fair value of the options granted in 2007 for the Group are as follows:

	2007			
	Sharesave	PSP	BGI EOP	AGLSIT
Weighted average share price	5.82	7.07	95.33	9.18
Weighted average exercise price	4.81	–	95.33	7.62
Expected volatility	25%	25%	20%	30%
Expected option life	4 years	3 years	4 years	5 years

The significant weighted average assumptions used to estimate the fair value of the options granted in 2006 are as follows:

	2006			
	Sharesave	PSP	BGI EOP	AGLSIT
Weighted average share price	6.20	6.74	81.12	8.92
Weighted average exercise price	5.11	–	81.12	6.57
Expected volatility	25%	25%	24%	29%
Expected option life	4 years	3 years	4 years	5 years

Expected volatility and dividend yield on the date of grant have been used as inputs into the respective valuation models for Sharesave and PSP. Expected volatility has been determined using historical volatility of its peers over the expected life of the options for BGI EOP and AGLSIT applies a five-year rolling period.

The yield on UK government bonds with a commensurate life has been used to determine the risk-free discount rate of 5% for all schemes other than AGLSIT. Option life is estimated based upon historical data for the holding period of options between grant and exercise dates. The risk-free rate on the AGLSIT scheme represents the yield, recorded on date of option grant, on South African government zero coupon bond of a term commensurate to the expected life of the option.

For the purposes of determining the expected life and number of options to vest, historical exercise patterns have been used, together with an assumption that a certain percentage of options will lapse due to leavers.

The assumed dividend yield for Barclays PLC is the average annual dividend yield on the date of grant of 4%. Dividend yield for AGLSIT of 3.5% was based on the average 12-month trailing yield over the year to grant date.

44 Share-based payments (continued)

Analysis of the movement in the number and weighted average exercise price of options for the Group is set out below:

	Sharesave[a]				Sharepurchase[a, d]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	78,929	85,686	4.22	3.95	2,472	1,126	–	–
Granted in the year	18,748	17,449	4.81	5.11	1,852	1,561	–	–
Exercised/released in the year	(18,018)	(18,727)	3.70	3.84	(256)	(113)	–	–
Less: forfeited in the year	(5,632)	(5,479)	4.53	4.11	(244)	(102)	–	–
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	74,027	78,929	4.48	4.22	3,824	2,472	–	–
Of which exercisable:	2,324	915	3.69	3.87	–	–	–	–

	ESAS[a, d]				PSP[a, d]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	142,359	121,515	–	–	42,832	20,269	–	–
Granted in the year	76,064	59,758	–	–	20,331	22,563	–	–
Exercised/released in the year	(31,036)	(33,663)	–	–	–	–	–	–
Less: forfeited in the year	(5,187)	(5,251)	–	–	–	–	–	–
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	182,200	142,359	–	–	63,163	42,832	–	–
Of which exercisable:	16,587	9,607	–	–	–	–	–	–

	BGI EOP[b]				Absa BEE[c]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year/acquisition date	6,929	5,442	57.79	25.26	73,152	73,152	3.50-5.03	4.41-6.35
Granted in the year	2,599	3,973	95.33	81.12	–	–	–	–
Exercised/released in the year	(1,632)	(2,188)	34.99	19.92	–	–	–	–
Less: forfeited in the year	(394)	(298)	59.63	52.66	–	–	–	–
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	7,502	6,929	75.66	57.79	73,152	73,152	3.40-3.89	3.50-5.03
Of which exercisable:	1,556	1,050	47.00	18.99	73,152	–	3.40-3.89	–

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

44 Share-based payments (continued)

	AGLSIT[a]				AGLSOT[a]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year/acquisition date	18,778	25,126	3.87	4.38	4,847	5,359	3.50-5.03	4.41-6.35
Granted in the year	260	586	7.62	6.57	–	–	–	–
Exercised/released in the year	(4,668)	(6,137)	3.60	2.86	(3,592)	–	–	–
Less: forfeited in the year	(752)	(797)	5.22	4.12	(309)	(512)	3.40-3.89	3.85-5.53
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	13,618	18,778	4.81	3.87	946	4,847	3.40-3.89	3.50-5.03
Of which exercisable:	5,603	5,305	3.25	2.43	946	–	3.40-3.89	–

	AGLESAS[a, c]			
	Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006
Outstanding at beginning of year/acquisition date	37	–	–	–
Granted in the year	–	37	–	–
Exercised/released in the year	–	–	–	–
Less: forfeited in the year	–	–	–	–
Less: expired in the year	–	–	–	–
Outstanding at end of year	37	37	–	–
Of which exercisable:	–	–	–	–

	ISOP[b]				ESOS[b]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	77,507	105,081	4.59	4.46	1,748	2,552	4.14	4.16
Granted in the year	–	–	–	–	–	–	–	–
Exercised/released in the year	(9,718)	(25,122)	4.35	4.04	(325)	(768)	4.20	4.20
Less: forfeited in the year	(47,240)	(2,452)	4.66	4.75	–	(36)	–	4.71
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	20,549	77,507	4.56	4.59	1,423	1,748	4.13	4.14
Of which exercisable:	20,238	14,544	4.54	4.29	1,423	1,748	4.13	4.14

	Woolwich ESOP[b]				Woolwich SAYE[b]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	700	1,260	3.81	3.80	–	3	–	3.32
Granted in the year	–	–	–	–	–	–	–	–
Exercised/released in the year	(160)	(560)	3.84	3.79	–	(1)	–	3.32
Less: forfeited in the year	–	–	–	–	–	(2)	–	3.32
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	540	700	3.81	3.81	–	–	–	–
Of which exercisable:	540	700	3.81	3.81	–	–	–	–

Notes

a Options/award granted over Absa Group Limited shares.

b Options/award granted over Barclays PLC shares.

c Nil cost award.

44 Share-based payments (continued)

The table below shows the weighted average share price at the date of exercise/release of shares for the Group:

	2007 £	2006 £
Sharesave [a]	5.72	6.95
Sharepurchase [a, d]	6.74	6.59
ESAS [a, d]	6.71	6.78
BGI EOP [b]	97.06	81.08
AGLSIT [c]	9.52	8.81
ISOP [a]	7.31	6.75
ESOS [a]	7.26	6.64
Woolwich ESOP [a]	7.24	6.65
Woolwich SAYE [a]	n/a	6.09

The exercise price range, the weighted average contractual remaining life and number of options outstanding (including those exercisable) at the balance sheet date are as follows:

	2007		2006	
Exercise Price Range	Weighted average remaining contractual life in years	Number of options outstanding	Weighted average remaining contractual life in years	Number of options outstanding
Sharesave [a]				
£2.50-£3.49	–	328,822	1	2,177,121
£3.50-£4.49	2	40,371,606	2	59,531,668
£4.50-£5.49	4	33,327,119	4	17,220,043
Sharepurchase [a, d]	2	3,824,021	3	2,472,304
ESAS [a, d]	3	182,200,170	3	142,359,494
PSP [a, d]	1	63,162,894	2	42,832,026
BGI EOP [b]				
£6.11-£13.99	4	239,717	5	602,914
£14.00-£20.11	6	285,671	7	771,553
£20.12-£56.94	7	1,059,430	8	1,716,714
£56.95-£95.33	9	5,916,863	9	3,838,000
Absa BEE [c]				
£3.40-£4.89	2	73,152,300	3	73,152,300
AGLSIT [c]				
£3.60-£7.62	7	13,618,000	7	18,778,473
AGLSOT [c]				
£3.40-£4.89	2	946,000	3	4,847,400
AGLESAS [c, d]	3	37,059	3	37,059
ISOP [a]				
£2.50-£3.49	5	3,965,300	6	11,055,352
£3.50-£4.49	3	1,409,828	4	2,411,828
£4.50-£5.49	5	14,896,227	7	63,746,456
£5.50-£6.49	7	277,096	8	293,096
ESOS [a]				
£2.50-£3.49	–	4,000	1	45,288
£3.50-£4.49	1	1,418,818	2	1,702,612
Woolwich ESOP [a]				
£2.50-£3.49	2	110,616	3	128,624
£3.50-£4.49	2	429,584	3	571,836

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

44 Share-based payments (continued)

There were no modifications to the share-based payment arrangements in the years 2007, 2006 and 2005. As at 31st December 2007, the total liability arising from cash-settled share-based payment transactions was £16m (2006: £7m).

At 31st December 2007, 7.5 million (2006: 6.9 million) options were outstanding under the terms of the BGI EOP (which would represent a 8.1% interest if exercised). Employees in BGI own 5.9% of the shares in Barclays Global Investors UK Holdings Limited (2006: 9.4%). If all the current options were exercised, £567.6m (2006: £400.5m) would be subscribed. Since the scheme was introduced, options over 20.9 million (2006: 19.3 million) shares have been exercised, of which 5.0 million are still held by employees and represent a minority interest in the Group.

At 31st December 2007, there were 73.2 million, 13.6 million and 0.9 million options granted over Absa Group Limited shares under the Absa Group Limited Black Economic Empowerment Transaction, Absa Group Limited Share Incentive Trust and Absa Group Limited Share Ownership Trust respectively. In aggregate, these options would represent a 13.1% interest in Absa Group Limited if exercised.

45 Financial risks

Financial risk management

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 note and notes 46, 47 and 48 are those for the Barclays PLC group, which includes the Barclays Bank PLC group. The amounts included in these notes are those for Barclays Bank PLC.

Barclays Bank PLC is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Financial instruments are fundamental to the Group's business and managing financial risks, especially credit risk, is a fundamental part of its business activity. Barclays achieves its risk management goals by keeping risk management at the centre of the executive agenda and by building a culture where risk management is part of everyday business decision-making. Barclays ensures that it has the capacity to manage the risk in its established businesses as well as new and growing ones, and that its business plans are consistent with risk appetite, that is, the level of risk Barclays is willing to accept in fulfilling its business objectives.

Barclays risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits, and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date data. Risk management policies, models and systems are regularly reviewed to reflect changes to markets, products and best market practice. Individual responsibility and accountability, instilled through training, are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

Risk responsibilities

The Board approves risk appetite and the Board Risk Committee monitors the Group's risk profile against this appetite:

– The Group Risk Director, under delegated authority from the Group Chief Executive and Group Finance Director, has responsibility for ensuring effective risk management and control;

– Business Heads are responsible for the identification and management of risk in their businesses;

– Business risk teams, each under the management of a Business Risk Director, are responsible for assisting Business Heads in the identification and management of their business risk profiles for implementing appropriate controls. These risk management teams also assist Group Risk in the formulation of Group Risk policy and the implementation of it across the businesses;

– Within Group risk, Risk-Type Heads and their teams are responsible for establishing a risk control framework and risk oversight; and

– Internal Audit is responsible for the independent review of risk management and the control environment.

Oversight of risk management is exercised by the Risk Oversight Committee which is chaired by the Group Risk Director under authority delegated by the Group Finance Director. The Risk Oversight Committee oversees management of the Group's risk profile, exercised through the setting, review and challenge of the size and constitution of the profile when viewed against the Group risk appetite.

The Group Executive Committee monitors and manages risk-adjusted performance of businesses and receives a regularly quarterly risk update including a copy of the Group Risk Profile Report.

The Board Risk Committee (BRC) reviews the Group risk profile, approves the Group Control Framework and approves minimum control requirements for principal risks.

The Board Audit Committee (BAC) considers the adequacy and effectiveness of the Group Control Framework and receives quarterly reports on control issues of significance and half-yearly reports on impairment allowances and regulatory reports.

Both BRC and BAC also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both Committees are reported to the full Board. The Board approves the overall Group risk appetite.

The Risk Oversight Committee is chaired by the Group Risk Director and oversees the management of the Group's risk profile and all of its significant risks. Oversight is exercised through the setting, review and challenge of the size and constitution of the profile when viewed against the Group's risk appetite. It has delegated and apportioned responsibility for credit risk management to the Retail and Wholesale Credit Risk Management Committees.

The main financial risks affecting the Group are discussed in Notes 46 to 48.

46 Market Risk

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

Most market risk arises from trading activities. Barclays is also exposed to interest rate and potential foreign exchange risks arising from financial assets and liabilities not held for trading.

Market risk management and control responsibilities
The Board approves the overall market risk appetite. The Market Risk Director is responsible for the market risk control framework and, under delegated authority from the Group Risk Director, sets a limit framework within the context of the approved market risk appetite.

The head of each business, assisted by the business risk management team, is accountable for identifying, measuring and managing all market risks associated with the business' activities. Oversight and support is provided by the Market Risk Director, assisted by the central market risk team.

Market risk measurement
The measurement techniques used to measure and control market risk include:

– Daily Value at Risk;

– Stress Tests; and

– Annual Earnings at Risk.

Daily Value at Risk (DVaR)
The Group DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

The Bank DVaR is calculated in a similar manner except using a 99% confidence level.

In Barclays Capital, DVaR is an important market risk measurement and control tool. DVaR is calculated using the historical simulation method with a historical sample of two years.

DVaR Back-testing
The DVaR model is regularly assessed. The main approach employed is the technique known as back-testing which counts the number of days when trading losses exceed the corresponding DVaR estimate.

On the basis of DVaR, estimated to a 98% confidence level, on average there would be five days each year when trading losses would be expected to exceed DVaR and would therefore be reflected as back-testing exceptions. For Barclays Capital's trading book, there were seven instances of a daily trading loss exceeding the corresponding 98% back-testing DVaR. These back-testing exceptions in 2007 reflected the increased volatility across a number of markets in which Barclays Capital operates. There were no instances of back-testing exceptions on a similar basis in 2006.

Annual Earnings at Risk (AEaR)
AEaR measures the sensitivity of net interest income (NII) over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 50 basis points increase or decrease in interest rates. .

AEaR is used primarily to measure interest rate risk arising on non-trading assets and liabilities.

Traded market risk

Traded market risk management
Barclays policy is to concentrate trading activities in Barclays Capital. This includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, client and market activities are managed together.

In Barclays Capital, the Head of Market Risk is responsible for implementing the market risk control framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Market Risk Management team that operates independently of the trading areas. Daily market risk reports are produced for the main Barclays Capital business areas covering the different risk categories including: interest rate, credit spread, commodity, equity and foreign exchange. A more detailed trading market risk presentation is produced fortnightly and discussed at Barclays Capital's Traded Products Risk Review meeting. The meeting is attended by the senior managers from Barclays Capital and the central market risk team.

46 Market Risk (continued)

The Group

Analysis of trading market risk exposures

The table below shows the DVaR statistics for Barclays Capital's trading and non-trading activities. DVaR is the main measure for internal risk management within Barclays Capital.

Barclays Capital's market risk exposure, as measured by average total Daily Value at Risk (DVaR), increased by 13% to £42.0m (2006: £37.1m). Interest rate and credit spread risks were broadly unchanged while commodity DVaR and equity DVaR increased by £8.9m and £3.4m respectively. The growth in both these risks is consistent with Barclays Capital's business plan. Diversification across risk types remained significant, reflecting the broad product mix. Total DVaR as at 31st December 2007 was £53.9m (31st December 2006 £41.9m). This growth reflected the increased market volatility in the second half of the year.

Barclays Capital DVaR: Summary table for 2007 and 2006

The Group	12 months to 31st December 2007 Average £m	High £m	Low £m
Interest rate risk	20.0	33.3	12.6
Credit spread risk	24.9	43.3	14.6
Commodities risk	20.2	27.2	14.8
Equities risk	11.2	17.6	7.3
Foreign exchange risk	4.9	9.6	2.9
Diversification effect[a]	(39.2)	n/a	n/a
Total DVaR	42.0	59.3	33.1

The Group	12 months to 31st December 2006 Average £m	High £m	Low £m
Interest rate risk	20.1	28.8	12.3
Credit spread risk	24.3	33.1	17.9
Commodities risk	11.3	21.6	5.7
Equities risk	7.8	11.6	5.8
Foreign exchange risk	4.0	7.7	1.8
Diversification effect[a]	(30.4)	n/a	n/a
Total DVaR	37.1	43.2	31.3

The Bank

Barclays Capital's market risk exposure, as measured by average total DVaR, increased by 30% to £32.2m (2006: £24.8m). Total DVaR at 31st December 2007 was £38.9m (2006: £29.3m). The high for the year was £40.7m (2006: £34.9m), and the low for the year was £24.3m (2006: £16.2m).

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.

46 Market Risk (continued)

Non-trading interest rate risk

Asset and liability market risk
Interest rate risk arises from the provision of retail and wholesale (non-trading) banking products and services, as well as foreign currency translational exposures within the Group's balance sheet.

The Group's approach is to transfer risk from the businesses either into local treasuries or to Group Treasury using an internal transfer price or interest rate swap. The methodology used to transfer this risk depends on whether the product contains yield curve risk, basis risk or customer optionality. Limits exist to ensure there is no material risk retained within any business or product area.

Sensitivity analysis
Set out below are the impacts on net interest income and equity of a reasonably possible change in market rates of interest, based on the AEaR model described above.

(a) Impact on net interest income
The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the non-trading financial assets and financial liabilities held at 31st December 2007, including the effect of hedging instruments.

The effect on net interest income, and therefore profit before tax, of a 50 basis points change would be as follows:

The Group	+50 basis points 2007 £m	–50 basis points 2007 £m	+50 basis points 2006 £m	–50 basis points 2006 £m
GBP	19	(19)	11	(11)
USD	(1)	1	(4)	4
EUR	(11)	11	(9)	9
ZAR	9	(9)	12	(12)
Others	2	(2)	1	(1)
Total	18	(18)	11	(11)
As percentage of net interest income	0.19%	(0.19%)	0.12%	(0.12%)

The Bank	+50 basis points 2007 £m	–50 basis points 2007 £m	+50 basis points 2006 £m	–50 basis points 2006 £m
GBP	14	(14)	7	(7)
USD	(2)	2	(4)	4
EUR	(1)	1	(3)	3
ZAR	(2)	2	–	–
Others	1	(1)	–	–
Total	10	(10)	–	–
As percentage of net interest income	0.27%	(0.27%)	–	–

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

46 Market Risk (continued)

(b) Impact on equity

Interest rate changes affect equity in the following three ways:

– Higher or lower profit after tax resulting from higher or lower net interest income

– Higher or lower available for sale reserves reflecting higher or lower fair values of available for sale financial instruments

– Higher or lower values of derivatives held in the cash flow hedging reserves

The sensitivities of equity shown below are based on scenarios constructed from actual exposures and consider the impact on the cash flow hedging reserve and the available for sale reserve only. They are calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges, and derivatives designated as cash flow hedges, for the effect of the assumed changes in interest rates. They are based on the assumption that there are parallel shifts in the yield curve. The effects of taxation have been estimated using the Group's effective tax rate of 28% (2006: 27%).

The Group	+50 basis points 2007 £m	–50 basis points 2007 £m	+50 basis points 2006 £m	–50 basis points 2006 £m
Net interest income	18	(18)	11	(11)
Taxation effects on the above	(5)	5	(3)	3
Effect on profit for the year	13	(13)	8	(8)
As percentage of net profit after tax	0.25%	(0.25%)	0.15%	(0.15%)
Effect on profit for year (per above)	13	(13)	8	(8)
Available for sale reserve	(150)	150	(185)	185
Cashflow hedging reserve	(225)	225	(304)	304
Taxation effects on the above	105	(105)	132	(132)
Effect on equity	(257)	257	(349)	349
As a percentage of equity	(0.81%)	0.81%	(1.29%)	1.29%

The Bank	+50 basis points 2007 £m	–50 basis points 2007 £m	+50 basis points 2006 £m	–50 basis points 2006 £m
Net interest income	10	(10)	–	–
Taxation effects on the above	(3)	3	–	–
Effect on profit for the year	7	(7)	–	–
As percentage of net profit after tax	0.15%	(0.15%)	–	–
Effect on profit for year (per above)	7	(7)	–	–
Available for sale reserve	(169)	169	(187)	187
Cashflow hedging reserve	(206)	206	(292)	292
Taxation effects on the above	105	(105)	129	(129)
Effect on equity	(263)	263	(350)	350
As a percentage of equity	(1.15%)	1.15%	(1.89%)	1.89%

46 Market Risk (continued)

Concentrations of interest rate risk

The table below summarises the repricing profiles of the Group's financial instruments and other assets and liabilities at their carrying value on 31st December 2007. Items are allocated to time periods by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

As at 31st December 2007

The Group	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Trading portfolio and derivatives £m	Non-interest bearing £m	Total £m
Assets										
Cash and balances at central banks	4,370	–	–	–	–	–	–	–	1,431	5,801
Items in course of collection from other banks	194	–	–	–	–	–	–	–	1,642	1,836
Trading portfolio assets	–	–	–	–	–	–	–	193,726	–	193,726
Financial assets designated at fair value:										
Held on own account	21,436	12,587	9,208	3,526	2,706	1,339	2,753	–	3,074	56,629
Derivative financial instruments	–	–	–	–	–	–	–	248,088	–	248,088
Loans and advances to banks	33,770	501	500	164	181	158	–	–	4,846	40,120
Loans and advances to customers	246,776	20,481	14,452	20,312	10,864	10,082	5,193	–	17,238	345,398
Available for sale financial instruments	26,173	2,370	2,223	3,632	1,466	4,414	2,057	–	921	43,256
Reverse repurchase agreements and cash collateral on securities borrowed	175,679	3,307	2,032	802	191	118	946	–	–	183,075
Total financial assets	508,398	39,246	28,415	28,436	15,408	16,111	10,949	441,814	29,152	1,117,929
Other assets	–	–	–	–	–	–	–	–	109,654	109,654
Total assets	508, 398	39,246	28,415	28,436	15,408	16,111	10,949	441,814	138,806	1,227,583
Liabilities										
Deposits from other banks	81,802	2,244	907	235	1	21	181	–	5,155	90,546
Items in course of collection due to other banks	76	–	–	–	–	–	–	–	1,716	1,792
Customer accounts	234,336	8,812	3,844	2,511	377	59	1,217	–	44,693	295,849
Trading portfolio liabilities	–	–	–	–	–	–	–	65,402	–	65,402
Financial liabilities designated at fair value:										
Held on own account	27,030	7,993	3,874	3,122	2,323	724	766	–	28,657	74,489
Derivative financial instruments	–	–	–	–	–	–	–	248,288	–	248,288
Debt securities in issue	102,883	10,034	4,529	1,821	632	209	120	–	–	120,228
Repurchase agreements and cash collateral on securities lent	163,112	1,789	2,085	37	92	4	–	–	2,310	169,429
Subordinated liabilities	5,735	695	59	650	1,134	5,465	4,410	–	2	18,150
Total financial liabilities	614,974	31,567	15,298	8,376	4,559	6,482	6,694	313,690	82,533	1,084,173
Other liabilities	–	–	–	–	–	–	–	–	111,589	111,589
Total liabilities	614,974	31,567	15,298	8,376	4,559	6,482	6,694	313,690	194,122	1,195,762
Interest rate repricing gap	(106,576)	7,679	13,117	20,060	10,849	9,629	4,255			
Cumulative gap	(106,576)	(98,897)	(85,780)	(65,720)	(54,871)	(45,242)	(40,987)			

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets or liabilities.

46 Market Risk (continued)

As at 31st December 2007

The Bank	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Trading portfolio and derivatives £m	Non-interest bearing £m	Total £m
Assets										
Cash and balances at central banks	1,826	–	–	–	–	–	–	–	93	1,919
Items in course of collection from other banks	399	–	–	–	–	–	–	–	1,510	1,909
Trading portfolio assets	–	–	–	–	–	–	–	141,969	–	141,969
Financial assets designated at fair value:										
– held on own account	9,834	10,763	8,801	2,450	605	423	1,356	–	2,081	36,313
Derivative financial instruments	–	–	–	–	–	–	–	260,754	–	260,754
Loans and advances to banks	22,063	408	360	74	40	7	–	–	3,491	26,443
Loans and advances to customers	333,975	16,003	7,386	15,900	8,155	6,291	2,698	–	8,856	399,264
Available for sale financial instruments	15,543	679	1,202	756	1,140	4,252	1,631	–	379	25,582
Reverse repurchase agreements and cash collateral on securities borrowed	179,687	2,849	1,962	802	190	118	946	–	–	186,554
Total financial assets	563,327	30,702	19,711	19,982	10,130	11,091	6,631	402,723	16,410	1,080,707
Other assets	–	–	–	–	–	–	–	–	25,100	25,100
Total assets	563,327	30,702	19,711	19,982	10,130	11,091	6,631	402,723	41,510	1,105,807
Liabilities										
Deposits from other banks	96,154	2,055	681	301	30	–	–	–	5,953	105,174
Items in course of collection due to other banks	76	–	–	–	–	–	–	–	1,715	1,791
Customer accounts	309,608	3,579	2,264	311	–	–	243	–	43,056	359,061
Trading portfolio liabilities	–	–	–	–	–	–	–	44,054	–	44,054
Financial liabilities designated at fair value:										
– held on own account	25,949	7,895	3,881	2,672	2,337	830	756	–	29,585	73,905
Derivative financial instruments	–	–	–	–	–	–	–	257,194	–	257,194
Debt securities in issue	48,374	6,715	820	42	305	–	152	–	–	56,408
Repurchase agreements and cash collateral on securities lent	143,965	1,844	2,452	37	92	4,007	1,234	–	18	153,649
Subordinated liabilities	5,663	743	44	342	1,024	5,179	4,988	–	4	17,987
Total financial liabilities	629,789	22,831	10,142	3,705	3,788	10,016	7,373	301,248	80,331	1,069,223
Other liabilities	–	–	–	–	–	–	–	–	13,667	13,667
Total liabilities	629,789	22,831	10,142	3,705	3,788	10,016	7,373	301,248	93,998	1,082,890
Interest rate repricing gap	(66,462)	7,871	9,569	16,277	6,342	1,075	(742)			
Cumulative gap	(66,462)	(58,591)	(49,022)	(32,745)	(26,403)	(25,328)	(26,070)			

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets or liabilities.

46 Market Risk (continued)

As at 31st December 2006

The Group	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Trading portfolio and derivatives £m	Non-interest bearing £m	Total £m
Assets										
Cash and balances at central banks	6,462	–	–	–	–	–	–	–	333	6,795
Items in course of collection from other banks	654	–	–	–	–	–	–	–	1,754	2,408
Trading portfolio assets	–	–	–	–	–	–	–	177,884	–	177,884
Financial assets designated at fair value:										
– held on own account	17,831	834	387	1,121	2,544	1,131	6,231	–	1,720	31,799
Derivative financial instruments	–	–	–	–	–	–	–	138,353	–	138,353
Loans and advances to banks	25,012	483	233	211	69	36	1	–	4,881	30,926
Loans and advances to customers	195,500	15,048	14,225	24,850	9,485	6,399	7,699	–	9,094	282,300
Available for sale financial instruments	26,148	2,427	7,780	3,737	3,234	6,701	1,091	–	834	51,952
Reverse repurchase agreements and cash collateral on securities borrowed	157,592	4,721	8,338	–	3,431	–	–	–	8	174,090
Total financial assets	429,199	23,513	30,963	29,919	18,763	14,267	15,022	316,237	18,624	896,507
Other assets	–	–	–	–	–	–	–	–	99,996	99,996
Total assets	429,199	23,513	30,963	29,919	18,763	14,267	15,022	316,237	118,620	996,503
Liabilities										
Deposits from other banks	72,353	1,377	763	351	–	7	199	–	4,512	79,562
Items in course of collection due to other banks	20	–	–	–	–	–	–	–	2,201	2,221
Customer accounts	207,023	3,965	3,963	2,371	506	43	216	–	38,667	256,754
Trading portfolio liabilities	–	–	–	–	–	–	–	71,874	–	71,874
Financial liabilities designated at fair value:										
– held on own account	20,186	5,635	3,800	1,538	1,607	1,843	774	–	18,604	53,987
Derivative financial instruments	–	–	–	–	–	–	–	140,697	–	140,697
Debt securities in issue	92,649	5,624	2,430	4,020	1,630	3,249	1,535	–	–	111,137
Repurchase agreements and cash collateral on securities lent	122,612	6,132	2,348	1,662	–	–	2,818	–	1,384	136,956
Subordinated liabilities	3,192	377	21	1,074	783	3,475	4,842	–	22	13,786
Total financial liabilities	518,035	23,110	13,325	11,016	4,526	8,617	10,384	212,571	65,390	866,974
Other liabilities	–	–	–	–	–	–	–	–	102,423	102,423
Total liabilities	518,035	23,110	13,325	11,016	4,526	8,617	10,384	212,571	167,813	969,397
Interest rate repricing gap	(88,836)	403	17,638	18,903	14,237	5,650	4,638			
Cumulative gap	(88,836)	(88,433)	(70,795)	(51,892)	(37,655)	(32,005)	(27,367)			

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets or liabilities.

46 Market Risk (continued)

As at 31st December 2006

The Bank	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Trading portfolio and derivatives £m	Non-interest bearing £m	Total £m
Assets										
Cash and balances at central banks	4,400	–	–	–	–	–	–	–	11	4,411
Items in course of collection from other banks	599	–	–	–	–	–	–	–	1,713	2,312
Trading portfolio assets	–	–	–	–	–	–	–	120,975	–	120,975
Financial assets designated at fair value: – held on own account	15,556	374	138	443	917	732	5,028	–	–	23,188
Derivative financial instruments	–	–	–	–	–	–	–	149,439	–	149,439
Loans and advances to banks	18,499	357	211	309	553	449	100	–	3,389	23,867
Loans and advances to customers	190,402	14,282	7,408	19,233	6,602	3,514	2,054	–	36,325	279,820
Available for sale financial instruments	14,850	985	6,142	1,364	2,459	5,252	301	–	211	31,564
Reverse repurchase agreements and cash collateral on securities borrowed	167,548	4,607	6,815	343	1,185	127	–	–	–	180,625
Total financial assets	411,854	20,605	20,714	21,692	11,716	10,074	7,483	270,414	41,649	816,201
Other assets	–	–	–	–	–	–	–	–	25,356	25,356
Total assets	411,854	20,605	20,714	21,692	11,716	10,074	7,483	270,414	67,005	841,557
Liabilities										
Deposits from other banks	95,387	905	214	355	–	–	–	–	3,711	100,572
Items in course of collection due to other banks	8	–	–	–	–	–	–	–	2,196	2,204
Customer accounts	236,731	6,373	2,908	1,345	779	370	366	–	34,113	282,985
Trading portfolio liabilities	–	–	–	–	–	–	–	43,479	–	43,479
Financial liabilities designated at fair value: – held on own account	19,377	5,626	3,738	1,307	950	1,001	774	–	18,463	51,236
Derivative financial instruments	–	–	–	–	–	–	–	147,382	–	147,382
Debt securities in issue	46,418	4,864	1,137	152	353	5	94	–	–	53,023
Repurchase agreements and cash collateral on securities lent	101,311	5,926	2,281	–	–	–	–	–	–	109,518
Subordinated liabilities	3,113	399	21	848	703	3,217	5,155	–	4	13,460
Total financial liabilities	502,345	24,093	10,299	4,007	2,785	4,593	6,389	190,861	58,487	803,859
Other liabilities	–	–	–	–	–	–	–	–	19,191	19,191
Total liabilities	502,345	24,093	10,299	4,007	2,785	4,593	6,389	190,861	77,678	823,050
Interest rate repricing gap	(90,491)	(3,488)	10,415	17,685	8,931	5,481	1,094			
Cumulative gap	(90,491)	(93,979)	(83,564)	(65,879)	(56,948)	(51,467)	(50,373)			

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets and liabilities.

46 Market Risk (continued)

Effective interest rates

Weighted average effective interest rates were as follows:

	The Group		The Bank	
	2007 %	2006 %	2007 %	2006 %
As at 31st December				
Assets				
Cash and balances at central banks	4.2	4.1	5.5	4.1
Loans and advances to banks	4.5	4.1	4.4	3.5
Loans and advances to customers	7.1	6.5	7.2	6.5
Available for sale financial instruments	5.0	4.6	4.3	4.2
Reverse repurchase agreements and cash collateral on securities borrowed	4.2	4.2	4.3	3.8
Liabilities				
Deposits from other banks	4.2	4.3	4.2	4.2
Customer accounts	3.8	3.4	3.6	3.1
Debt securities in issue	5.3	5.0	5.0	4.7
Repurchase agreements and cash collateral on securities lent	3.9	4.2	4.0	4.2
Subordinated liabilities	5.9	5.9	5.8	5.7

Foreign exchange risk

The group is exposed to two sources of foreign exchange risk.

(a) Transactional foreign currency exposure

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

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

There were no material net transactional foreign currency exposures outside the trading portfolio at either 31st December 2007 or 2006. Due to the low level of non-trading exposures no reasonably possible change in foreign exchange rates would have a material effect on either the Group's profit or movements in equity for the year ended 31st December 2007 or 2006.

46 Market Risk (continued)

(b) Translational foreign exchange exposure

The Group operates in a number of economic environments resulting in structural foreign exchange exposures on net investments in branches, subsidiaries or associated undertakings, the functional currencies of which are currencies other than Sterling.

Exchange differences are created by the translation of these net assets measured in their functional currencies to Sterling, the Group's presentational currency. These exchange differences are recorded in the consolidated translation reserve and reflected in the statement of recognised income and expense.

Additionally the Group's regulatory capital ratios are sensitive to foreign exchange movements in reserves, goodwill, minority interests and other non-Sterling debt capital as well as non sterling risk weighted assets.

The Group's policy is to economically hedge foreign currency net investments, where practical, after taking consideration of available markets to conduct hedging, the size of the investment and the cost of hedging; unless doing so would result in capital ratios which are overly sensitive to foreign exchange movements.

The Group uses foreign currency borrowings and derivatives to hedge its foreign currency net investments. There was no ineffectiveness arising from these hedges in the year ended 31st December 2007. The carrying value of the Group's foreign currency net investments and the foreign currency borrowings and derivatives used to hedge them as at 31st December 2007 were as follows:

The Group **At 31st December 2007** **Functional currency of the operation involved**	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
United States Dollar	3,273	1,000	–	2,273	3,575	(1,302)
Euro	3,690	1,506	–	2,184	2,387	(203)
Rand	3,205	–	2,599	606	165	441
Japanese Yen	2,986	180	2,773	33	–	33
Swiss Franc	2,140	–	2,131	9	–	9
Other	1,847	53	465	1,329	–	1,329
Total	17,141	2,739	7,968	6,434	6,127	307

The Group **At 31st December 2006** **Functional currency of the operation involved**	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
United States Dollar	4,462	2,141	–	2,321	2,361	(40)
Euro	3,409	1,185	–	2,224	2,180	44
Rand	2,849	–	2,665	184	165	19
Japanese Yen	2,754	202	2,527	25	–	25
Swiss Franc	2,071	158	1,900	13	–	13
Other	2,069	205	410	1,454	742	712
Total	17,614	3,891	7,502	6,221	5,448	773

The economic hedges represent the US Dollar and Euro Preference Shares and Reserve Capital Instruments in issue that are treated as equity under IFRS, and do not qualify as hedges for accounting purposes.

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

– A higher or lower profit after tax, arising from changes in the exchange rates used to translate items in the consolidated income statement

– A higher or lower currency translation reserve within equity, representing the retranslation of non Sterling subsidiaries, branches and associated undertakings net of the revaluation of the hedges of net investments.

– A higher or lower value of available for sale investments denominated in foreign currencies, impacting the available for sale reserve.

The impact of foreign exchange rate changes on derivatives and borrowings designated as IFRS net investment hedges would be fully offset by the impact on the hedged net investments, resulting in no impact on the Group profit or equity.

47 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from the credit enhancement products it provides, such as financial guarantees, letters of credit, endorsements and acceptances.

Barclays is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including, non-equity trading portfolio assets, derivatives as well as settlement balances with market counterparties and reverse repo loans.

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

Credit risk management and control responsibilities

The granting of credit is one of the Group's major sources of income and is therefore one of its most significant risks, and the Group dedicates considerable resources to controlling it effectively.

The credit risk management teams in each business are accountable to the Business Risk Directors in those businesses who, in turn, report to the heads of their businesses and also to the Group Risk Director.

The Credit Risk function provides Group-wide direction of credit risk-taking. The teams within this function manage the resolution of all significant credit policy issues and run the Credit Committee, which approves major credit decisions.

Each business segment has an embedded credit risk management team. These teams assist Group Risk in the formulation of Group Risk policy and the implementation of it across the businesses. Examples include ensuring that:

– Maximum exposure guidelines are in place relating to the exposures to any individual customer or counterparty;

– Country risk policy specifies risk appetite by country and avoids excessive concentration of credit risk by country; and

– Policies are in place to monitor exposures to individual industrial sectors.

The principal committees that review credit risk management, formulate overall Group credit policy and resolve all significant credit policy issues are the Wholesale Credit Risk Management Committee, the Retail Credit Risk Management Committee, the Risk Oversight Committee and the Board Risk Committee. All these Committees receive regular and comprehensive reports on risk issues.

The Retail Credit Risk Management Committee (RCRMC) oversees exposures, which comprise unsecured personal lending (including small businesses), mortgages and credit cards. The RCRMC monitors the risk profile and performance of the retail portfolios by receipt of key risk measures and indicators at an individual portfolio level, ensuring mitigating actions taken to address performance are appropriate and timely. Metrics reviewed will consider portfolio composition and both an overall stock and new flow level.

The Wholesale Credit Risk Management Committee (WCRMC) oversees wholesale exposures, comprising lending to businesses, banks and other financial institutions. The WCRMC monitors exposure by country, industry sector, individual large exposures and exposures to sub-investment grade countries.

The monthly Wholesale and Retail Credit Risk Management Committees exercise oversight through review and challenge of the size and constitution of the portfolios when viewed against Group risk appetite for wholesale and retail credit risks. They are chaired by the Group Wholesale and Retail Credit Risk Directors.

Corporate and commercial lending

Corporate accounts which are deemed to contain heightened levels of risk are recorded on graded problem loan lists known as early warning or watch lists. These are updated monthly and circulated to the relevant risk control points. Once listing has taken place, exposures are closely monitored and, where appropriate, reduced.

These lists are graded in line with the perceived severity of the risk attached to the lending, and its probability of default. Businesses with exposure to corporate customers all work to three categories of increasing concern. By the time an account becomes impaired it will normally have passed through all three categories, which reflect the need for ever-increasing caution and control.

Where an obligor's financial health gives grounds for concern, it is immediately placed into the appropriate category. All obligors, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis. More frequent interim reviews may be undertaken should circumstances dictate.

Retail lending

Within the retail portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow the risk of impairment to be monitored on a portfolio basis. This applies to UK Retail Banking, Barclays Wealth, International Retail and Commercial Banking and Barclaycard.

Within Local Business, accounts that are deemed to have a heightened level of risk, or that exhibit some unsatisfactory features which could affect viability in the short or medium term, are transferred to a separate 'Caution' refer stream where a cautious approach is appropriate. Accounts on the Caution refer stream are reviewed on at least a quarterly basis at which time consideration will be given to continuing with the agreed strategy, returning the customer to a lower risk refer stream, or instigating recovery or exit action if the strategy has failed.

47 Credit risk (continued)

Debt Securities

Managing credit risk associated with debt securities differs in important respects from the process for loans originated by the Group. Firstly, market prices are generally available for listed bonds and securities and these prices are a good indicator of the credit standing of the issuer. Secondly, most listed and some unlisted securities are rated by external rating agencies which is another strong indicator of overall credit quality. Where such ratings are not available or are not current, the Group will have regard to its own internal ratings for the securities.

Settlement Risk

The Group is exposed to settlement risk in its dealings with market counterparties (predominantly other financial institutions). These risks arise, for example, in foreign exchange transactions when Barclays pays away its side of the transaction to another bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. It also arises on derivative contracts where the carrying value of the financial asset is related to the credit condition of the counterparty.

Settlement risk also arises through the operation of a number of systems through which Barclays makes and receives payments on behalf of its customers.

While these exposures are of short duration, they can be large. In recent years, settlement risk has been reduced by several industry initiatives that have enabled simultaneous and final settlement of transactions to be made (such as payment-versus-payment through Continuous Linked Settlement and delivery-versus-payment in central bank money).

Barclays has worked with its peers in the development of these arrangements. Increasingly the majority of high value transactions are settled by such mechanisms. Where these mechanisms are not available, the risk is further reduced by dealing predominantly with highly-rated counterparties, holding collateral and limiting the size of the exposures according to the rating of the counterparty, with smaller exposures to those of higher risk.

Country Risk

Credit risk is manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the asset, or where the counterparty is the country itself.

Barclays manages country risk by setting a country risk appetite, which is known as the Country Guideline and agreed at the Group Credit Committee. All cross-border or domestic foreign currency transactions are aggregated to give the current utilisation, in terms of country loss given default (CLGD), against country appetite. The level of CLGD incurred by a counterparty transaction will largely depend on three main factors: the country severity, the product severity and counterparty grade. The calculation and loss given default is described under 'Credit risk measurement' below.

CLGD is incurred in the country of direct risk, defined as where the majority of operating assets are held. This may differ from the country of incorporation. However, where transactions are secured with collateral, the country risk can be transferred from the country of the borrower to the country of the collateral provider. This is only permitted where the collateral definitely covers the borrowing and is not expected to decrease over time.

Credit risk measurement

Barclays uses statistical modelling techniques throughout its business in its credit rating systems. These systems assist the Bank in frontline credit decisions on new commitments and in managing the portfolio of existing exposures. They enable a coherent approach to risk measurement across all credit exposures, retail and wholesale. The key building blocks in the measurement system are the probability of customer default (PD), exposure in the event of default (EAD), and severity of loss-given-default (LGD). Using these, Barclays builds the analyses that lead to its decision support systems in the Risk Appetite context described previously.

Where financial models are used to monitor credit risk, they are based upon customers' personal and financial performance information over recent periods as a predictor for future performance. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

For corporate and wholesale customers, Barclays also assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating. There are two different categories of default rating used. The first reflects the statistical probability of a customer in a rating class defaulting within the next 12-month period, and is referred to as a point in time rating (PIT). The second also reflects the statistical probability of a customer in a rating class defaulting, but the period of assessment is 12 months of average credit conditions for the customer type. This type of rating therefore provides a measure of risk that is independent of the current credit conditions for a particular customer type, is much more stable over time than a PIT rating and is referred to as a through the cycle (TTC) rating.

Country risk grades are assigned to all countries where the Group has, or is likely to have, exposure and are reviewed every quarter to ensure they remain appropriate. Country grades, which are derived from long-term sovereign foreign currency ratings, range from 1 (lowest probability of default) to 21 (highest probability of default). A ceiling is applied where a country is graded 12 or lower so that the counterparty cannot be graded higher than the country, unless some form of protection is available in the event of a cross-border event, such as a significant portion of a counterparty's assets or income being held or generated in a convertible currency.

47 Credit risk (continued)

As noted above, for listed debt securities, the Group has regard to both external credit ratings and internal default grades where such ratings are not available or current.

Multiple rating methodologies may be used to inform the rating decision on individual large credits, such as internal and external models, rating agency grades and, for wholesale assets, market information such as credit spreads. For smaller credits, a single source may suffice, such as the result from a rating model.

For debt securities and counterparties where third party ratings are used to inform credit decisions, the Group mainly uses those provided by Standards and Poors' or Moody's.

Barclays wholesale credit rating contains 21 grades, representing the Group's best estimate of credit risk for a counterparty based on current economic conditions.

Retail customers are not assigned internal risk ratings in this way for account management purposes, although a mapping of the PIT probability of default to one of eight Barclays Retail Grades (BRG) is used for internal reporting purposes.

The tables below detail how external rating grades, Default Grades and Barclays Retail Grades, relate to the categories of credit quality selected for the financial statements. Where applicable, the internal measure of probability of default has been presented for indicative purposes.

Listed and unlisted debt securities and market counterparties where external ratings are available

External ratings	Financial statements description
AAA, AA+,AA, AA-, A+, A, A-, BBB+, BBB, BBB-	Strong
BB+,BB,BB-,B+,B	Satisfactory
B-,CCC+,CCC and lower.	Weak / Substandard

Wholesale lending

Default Grade	Financial statements description	Probability of default
1-3 4-5 6-8 9-11	Strong	0.0-0.05% 0.05-0.15% 0.15-0.30% 0.30-0.60%
12 -14 15 -19	Satisfactory	0.60-2.15% 2.15-11.35%
20 - 21	Weak / Substandard	11.35% +

Retail lending

Barclays Retail Grade	Financial statements description	Probability of default
1 2 3	Strong	0.0-0.15% 0.15-0.30% 0.30-0.60%
4-5 5-7	Satisfactory	0.60-2.50% 2.50-10.00%
8	Weak / Substandard	10.00% +

Financial statement descriptions can be summarised as follows:

Strong – there is a very high likelihood of the asset being recovered in full. If it is a debt security, then it will be investment grade.

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

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

47 Credit risk (continued)

Credit risk mitigation, collateral, security, and other credit enhancements

The Group uses a wide variety of techniques to reduce credit risk on its lending. The most important of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing. Barclays policy is to establish that loans are within the customer's capacity to repay, rather than to rely excessively on security. As a result no security is required for a wide range of lending products.

Credit risk mitigation

Barclays actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures – the Group takes action to mitigate the risks. Such actions may, for example, include; reducing the amounts outstanding (in discussion with the customers, clients or counterparties if appropriate); using credit derivatives securitising the assets; and, on occasion, selling them.

Barclays maintains the diversification of its portfolio to avoid unwanted credit risk concentrations. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to higher-rated borrowers than to lower-rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly, and are reported to the Risk Oversight Committee and the Board Risk Committee.

Similarly, country risk policy specifies risk appetite by country and avoids excessive concentrations of credits in individual countries, whilst other policies limit lending to certain industries.

A further protection against undesirable concentration of risk is the mandate and scale framework. Mandate and scale limits, which can also be set at Group level to reflect overall risk appetite, can relate either to the stock of current exposures in the relevant portfolio or to the flow of new exposures into that portfolio. Typical limits include the proportion of lending with maturity in excess of seven years and the proportion of new mortgage business that is buy-to-let.

Businesses may put in place other forms of credit risk mitigation, such as credit derivatives or other forms of credit protection in accordance with their procedures or policies. Hedges and mitigants are monitored and risk appetite reviewed to ensure that credit risk is kept to acceptable levels.

Collateral and security

Collateral and security can be an important mitigant of credit risk. The Group routinely obtains collateral and security, such as in the case of a residential or commercial mortgage, a reverse repurchase agreement, or a commercial loan with a floating charge over book debts and inventories.

The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, businesses holding specific, agreed classes of collateral must ensure that they are holding a correctly perfected charge.

The principal collateral and security types are as follows:

- Personal lending – mortgages over residential properties;
- Commercial and industrial sector – charges over business assets such as premises, stock and debtors, and third party credit protection (i.e. guarantees);
- Commercial real estate sector – charges over the properties being financed; and,
- Over-The-Counter (OTC) trading exposures – cash; direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country debt issued by supranationals and letters of credit issued by an institution with a long-term unsecured debt rating of A+/A3 or better.

Valuation of the collateral and security taken is within agreed parameters.

Before reliance is placed on third party protection in the form of bank, government or corporate guarantees or credit derivative protection from financial intermediary counterparties, a credit assessment is undertaken Eligibility parameters for guarantees and credit derivative are similar to those applied to collateral held against OTC traded exposures.

Any collateral taken in respect of OTC trading exposures will be subject to a 'haircut' which is negotiated at the time of signing the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security.

The Group also uses various forms of specialised legal agreements to reduce risk, including entering into master netting agreement with counterparties, which the Group uses to restrict its exposure to credit losses. Group policy requires all netting arrangements to be legally documented. The ISDA Master Agreement is the Group's preferred agreement for documenting OTC activity. It provides the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-determined events occur. In the normal course of events, where the master agreement is ISDA, the collateral document will be the ISDA Credit Support Annex (CSA). The collateral document must give Barclays the power to realise any collateral placed with it in the event of the failure of the counterparty, and to place further collateral when requested or in the event of insolvency, administration or similar processes, as well as in the case of early termination.

Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

Any properties repossessed are made available for sale in an orderly and timely fashion, with any proceeds realised being used to reduce or repay the outstanding loan. For business customers, in some cirumstances, 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.

47 Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

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

The following table presents the maximum exposure at 31 December 2007 and 2006 to credit risk of balance sheet and off balance sheet financial instruments, before taking account of any collateral held or other credit enhancements and after allowance for impairment and netting where appropriate.

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

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts have not been included as the Group is not exposed to credit risk on these assets. Credit losses in these portfolios, if any, would lead to a reduction in the linked liabilities and result in no direct loss to the Group.

	The Group		The Bank	
	2007 £m	2006 £m	2007 £m	2006 £m
On balance sheet:				
Cash and balances at central banks	5,801	6,795	1,919	4,411
Items in course of collection from other banks	1,836	2,408	1,909	2,312
Trading portfolio:				
Treasury and other eligible bills	2,094	2,960	1,765	2,135
Debt securities	152,778	140,576	119,255	102,851
Traded loans	1,780	1,843	1,775	976
Total trading portfolio	156,652	145,379	122,795	105,962
Financial assets designated at fair value held on own account:				
Loans and advances	23,491	13,196	18,806	14,951
Debt securities	24,217	12,100	17,388	8,237
Other financial assets	3,545	2,792	76	–
Total financial assets designated at fair value held on own account	51,253	28,088	36,270	23,188
Derivative financial instruments	248,088	138,353	260,754	149,439
Loans and advances to banks	40,120	30,926	26,443	23,867
Loans and advances to customers:				
Residential mortgage loans	111,955	94,511	84, 866	70,513
Credit card receivables	14,289	13,399	10,140	10,648
Other personal lending	24,968	20,511	12,914	12,118
Wholesale and corporate loans and advances	183,109	143,836	291,192	186,462
Finance lease receivables	11,077	10,043	152	79
Total loans and advances to customers	345,398	282,300	399,264	279,820
Available for sale financial investments:				
Treasury and other eligible bills	2,723	2,420	335	325
Debt securities	38,673	47,912	24,594	30,628
Total available for sale financial investments	41,396	50,332	24,929	30,953
Reverse repurchase agreements	183,075	174,090	186,554	180,625
Other assets	3,966	4,097	2,223	2,868
Total on balance sheet	1,077,585	862,768	1,063,060	803,445
Off balance sheet:				
Acceptances and endorsements	365	287	332	234
Guarantees and letters of credit pledged as collateral security	35,692	31,252	10,106	11,155
Commitments	192,639	205,504	187,137	182,485
Total off balance sheet	228,696	237,043	197,575	193,874
Total maximum exposure at 31st December	1,306,281	1,099,811	1,260,635	997,319

47 Credit risk (continued)

Whilst the Group's maximum exposure to credit risk is the carrying value of the assets, or, in the case of off-balance sheet items the amount guaranteed, committed, accepted or endorsed, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the Group's exposure, described below for each class of financial instrument:

Asset	Nature of collateral obtained or other credit risk mitigation
Cash with central banks, items in the course of collection, and loans and advances to banks	Due to the nature of the counterparties, collateral is generally not sought on these balances which are considered to be low risk.
Trading portfolio	The credit risk of these assets is reflected in their fair values. No collateral or enhancements are obtained directly from the issuer or counterparty but may be implicit in the terms of the instrument.
Financial assets designated at fair value held on own account	The credit risk of these assets is reflected in their fair values. Debt securities may be collateralised, according to their terms. Loans and advances included in this category may be collateralised.
Derivatives	Credit risk is also minimised where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Collateral will also be sought, depending on the creditworthiness of the counterparty and/or nature of the transaction.
Loans and advances to customers	
Residential mortgage loans	These are secured by a fixed charge over the property. In addition, portfolios may be securitised.
Credit card receivables	This lending is generally unsecured. Balances may be securitised.
Other personal lending	In general this is unsecured. For certain personal lending, a charge over the borrower's property or other assets may be sought.
Wholesale and corporate loans and advances	Various forms of collateral may be sought for these loans, often in the form of a fixed charge over the borrower's property and a floating charge over the current assets of a corporate borrower. Loan covenants may be put in place to safeguard the Bank's financial position. If the exposure is sufficiently large, either individually or at the portfolio level, credit protection in the form of guarantees, credit derivatives or insurance may be taken out.
Finance lease receivables	The net investment in the lease is secured through retention of legal title to the leased assets.
Available for sale assets	No collateral or enhancements are obtained although collateral may be inherent in the structure of the asset.
Reverse repurchase agreements and cash collateral on securities borrowed	These loans are fully collateralised with the securities legally transferred to the Group. The level of collateral is monitored daily and further collateral calls made when required.
Off balance sheet	The Group applies the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. Collateral may be sought, depending on the strength of the counterparty and/or nature of the transaction.
Acceptances and endorsements	Amounts paid are normally repaid by the customer on presentation.
Guarantees and letters of credit pledged as security	The Group is only required to meet its obligations should the customer default, in which case the Group will generally have recourse to the customer.
Commitments	These are commitments to future lending and are subject to the Group's normal lending policies including taking collateral depending on the customers' circumstances.

Financial assets that would be past due or impaired had their terms not been renegotiated

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

Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged, otherwise, the product type in accordance with the manner in which the Group manages credit risk.

47 Credit risk (continued)

Analyses of the Group's credit exposure are set out below:

Credit risk concentrations by geographical sector

The Group	2007 United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
On balance sheet:						
Cash and balances at central banks	1,458	2,170	206	1,406	561	5,801
Items in the course of collection from other banks	1,638	75	–	110	13	1,836
Trading portfolio	28,959	41,675	53,208	877	31,933	156,652
Financial assets designated at fair value held on own account	15,713	5,907	20,396	958	8,279	51,253
Derivative financial instruments	60,534	75,017	82,975	2,229	27,333	248,088
Loans and advances to banks	5,515	11,102	13,443	2,581	7,479	40,120
Loans and advances to customers	187,824	56,189	39,944	38,653	22,788	345,398
Available for sale financial investments	5,934	18,354	7,818	2,944	6,346	41,396
Reverse repurchase agreements	42,160	51,734	67,018	2,156	20,007	183,075
Other assets	1,813	617	424	698	414	3,966
Total on balance sheet	351,548	262,840	285,432	52,612	125,153	1,077,585
Off balance sheet:						
Acceptances and endorsements	227	5	5	34	94	365
Guarantees and letters of credit pledged as collateral security	7,377	1,468	23,696	1,286	1,865	35,692
Commitments	90,964	23,946	48,657	20,471	8,601	192,639
Total off balance sheet	98,568	25,419	72,358	21,791	10,560	228,696
Total	450,116	288,259	357,790	74,403	135,713	1,306,281

The Bank	2007 United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
On balance sheet:						
Cash and balances at central banks	1,116	278	12	51	462	1,919
Items in the course of collection from other banks	1,853	46	–	1	9	1,909
Trading portfolio	27,390	40,647	29,452	373	24,933	122,795
Financial assets designated at fair value held on own account	10,980	5,810	10,873	126	8,481	36,270
Derivative financial instruments	75,181	74,861	83,705	519	26,488	260,754
Loans and advances to banks	4,505	12,348	1,101	1,413	7,076	26,443
Loans and advances to customers	297,365	38,163	42,137	1,972	19,627	399,264
Available for sale financial investments	4,028	11,242	5,843	221	3,595	24,929
Reverse repurchase agreements	46,724	49,310	75,400	94	15,026	186,554
Other assets	1,637	338	165	23	60	2,223
Total on balance sheet	470,779	233,043	248,688	4,793	105,757	1,063,060
Off balance sheet:						
Acceptances and endorsements	228	5	5	–	94	332
Guarantees and letters of credit pledged as collateral security	3,104	1,122	4,401	13	1,466	10,106
Commitments	91,553	23,581	62,601	816	8,586	187,137
Total off balance sheet	94,885	24,708	67,007	829	10,146	197,575
Total	565,664	257,751	315,695	5,622	115,903	1,260,635

47 Credit risk (continued)

Credit risk concentrations by geographical sector

The Group	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
	2006					
On balance sheet:						
Cash and balances at central banks	3,817	2,275	109	515	79	6,795
Items in the course of collection from other banks	2,296	21	–	82	9	2,408
Trading portfolio assets	27,900	30,508	55,674	762	30,535	145,379
Financial assets designated at fair value held on own account	9,969	4,559	10,951	244	2,365	28,088
Derivative financial instruments	44,022	41,424	35,485	1,639	15,783	138,353
Loans and advances to banks	6,227	8,511	9,056	2,219	4,913	30,926
Loans and advances to customers	168,043	43,121	25,577	31,274	14,285	282,300
Available for sale financial investments	9,262	22,288	9,132	2,287	7,363	50,332
Reverse repurchase agreements	33,544	41,725	73,415	1,147	24,259	174,090
Other assets	1,288	1,433	237	982	157	4,097
Total on balance sheet	306,368	195,865	219,636	41,151	99,748	862,768
Off balance sheet:						
Acceptances and endorsements	220	6	–	47	14	287
Guarantees and letters of credit pledged as collateral security	5,210	3,489	19,682	1,196	1,675	31,252
Commitments	88,731	27,355	56,546	20,880	11,992	205,504
Total off balance sheet	94,161	30,850	76,228	22,123	13,681	237,043
Total	400,529	226,715	295,864	63,274	113,429	1,099,811

The Bank	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
	2006					
On balance sheet:						
Cash and balances at central banks	3,897	404	1	72	37	4,411
Items in the course of collection from other banks	2,293	14	–	5	–	2,312
Trading portfolio	27,568	30,023	25,934	345	22,092	105,962
Financial assets designated at fair value	6,221	4,104	5,948	–	6,915	23,188
Derivative financial instruments	56,901	41,435	35,341	608	15,154	149,439
Loans and advances to banks	3,155	11,481	3,837	771	4,623	23,867
Loans and advances to customers	225,745	24,674	15,287	2,093	12,021	279,820
Available for sale financial investments	7,428	13,138	6,351	130	3,906	30,953
Reverse repurchase agreements	52,428	32,532	71,402	14	24,249	180,625
Other assets	2,210	268	34	42	314	2,868
Total on balance sheet	387,846	158,073	164,135	4,080	89,311	803,445
Off balance sheet:						
Acceptances and endorsements	216	3	–	1	14	234
Guarantees and letters of credit pledged as collateral security	3,510	2,308	4,320	–	1,017	11,155
Commitments	88,471	24,299	56,897	841	11,977	182,485
Total off balance sheet	92,197	26,610	61,217	842	13,008	193,874
Total	480,043	184,683	225,352	4,922	102,319	997,319

47 Credit risk (continued)

Credit risk concentrations by industrial sector

	2007									
The Group	Government and Central Banks £m	Financial Services £m	Transport, Postal and communi-cation and Business and other services £m	Agriculture, Manufac-turing and Wholesale and retail trade £m	Con-struction and Property £m	Energy and water £m	Residential mortgage loans £m	Other personal lending £m	Finance lease receivables £m	Total £m
On balance sheet:										
Cash and balances at central banks	5,801	–	–	–	–	–	–	–	–	5,801
Items in the course of collection from other banks	8	1,828	–	–	–	–	–	–	–	1,836
Trading portfolio assets	58,608	83,790	4,434	3,928	924	4,072	895	1	–	156,652
Financial assets designated at fair value held on own account	10,914	23,742	570	699	11,325	396	3,509	98	–	51,253
Derivative financial instruments	2,886	227,609	2,771	5,567	1, 106	8,031	87	31	–	248,088
Loans and advances to banks	7,881	32,239	–	–	–	–	–	–	–	40,120
Loans and advances to customers	2,036	70,699	41,678	37,722	22,288	8,623	111,955	39,320	11,077	345,398
Available for sale financial investments	8,880	29,693	2,142	249	167	246	–	19	–	41,396
Reverse repurchase agreements	1,713	179,459	416	735	752	–	–	–	–	183,075
Other assets	270	1,506	542	307	168	5	112	1,056	–	3,966
Total on balance sheet	98,997	650,565	52,553	49,207	36,730	21,373	116,558	40,525	11,077	1,077,585
Off balance sheet:										
Acceptances and endorsements	–	125	111	91	21	4	–	13	–	365
Guarantees and letters of credit pledged as collateral security	51	17,021	12,847	1,867	538	2,687	1	680	–	35,692
Commitments	4,511	30,492	26,370	32,388	11, 282	9,961	10,969	66,666	–	192,639
Total off balance sheet	4,562	47,638	39,328	34,346	11,841	12,652	10,970	67,359	–	228,696
Total	103,559	698,203	91,881	83,553	48,571	34,025	127,528	107,884	11,077	1,306,281

47 Credit risk (continued)

Credit risk concentrations by industrial sector

The Bank	Government and Central Banks £m	Financial Services £m	Transport, Postal and communication and Business and other services £m	Agriculture, Manufacturing and Wholesale and retail trade £m	Construction and Property £m	Energy and water £m	Residential mortgage loans £m	Other personal lending £m	Finance lease services £m	Total £m
	2007									
On balance sheet:										
Cash and balances at central banks	1,919	–	–	–	–	–	–	–	–	1,919
Items in the course of collection from other banks	1	1,908	–	–	–	–	–	–	–	1,909
Trading portfolio assets	43,889	66,480	3,892	2,909	795	3,959	870	1	–	122,795
Financial assets designated at fair value held on own account	3,519	20,848	350	187	8,279	75	3,012	–	–	36,270
Derivative financial instruments	2,885	240,858	2,729	5,454	820	8,003	1	4	–	260,754
Loans and advances to banks	1,386	25,057	–	–	–	–	–	–	–	26,443
Loans and advances to customers	–	197,392	36,381	32,987	16,444	7,904	84,881	23,119	156	399,264
Available for sale financial investments	6,088	17,982	379	219	168	93	–	–	–	24,929
Reverse repurchase agreements	1,522	184,075	222	735	–	–	–	–	–	186,554
Other assets	129	783	344	45	70	5	124	723	–	2,223
Total on balance sheet	61,338	755,383	44,297	42,536	26,576	20,039	88,888	23,847	156	1,063,060
Off balance sheet:										
Acceptances and endorsements	–	124	99	87	22	–	–	–	–	332
Guarantees and letters of credit pledged as collateral security	–	2,510	3,714	1,743	420	1,600	–	119	–	10,106
Commitments	4,511	40,029	19,561	31,023	10,150	9,776	8,014	64,073	–	187,137
Total off balance sheet	4,511	42,663	23,374	32,853	10,592	11,376	8,014	64,192	–	197,575
Total	65,849	798,046	67,671	75,389	37,168	31,415	96,902	88,039	156	1,260,635

47 Credit risk (continued)

Credit risk concentrations by industrial sector

The Group	2006 Government and Central Banks £m	Financial Services £m	Transport, Postal and communication and Business and other services £m	Agriculture, Manufacturing and Wholesale and retail trade £m	Construction and Property £m	Energy and water £m	Residential mortgage loans £m	Other personal lending £m	Finance lease receivables £m	Total £m
On balance sheet:										
Cash and balances at central banks	6,795	–	–	–	–	–	–	–	–	6,795
Items in the course of collection from other banks	5	2,403	–	–	–	–	–	–	–	2,408
Trading portfolio assets	56,222	78,322	2,793	3,333	792	3,043	871	3	–	145,379
Financial assets designated at fair value held on own account	6,412	12,101	269	325	6,797	162	2,022	–	–	28,088
Derivative financial instruments	1,701	119,812	2,496	5,945	642	7,681	53	23	–	138,353
Loans and advances to banks	2,221	28,705	–	–	–	–	–	–	–	30,926
Loans and advances to customers	2,426	45,033	34,543	34,755	20,542	6,810	94,511	33,538	10,142	282,300
Available for sale financial investments	10,055	39,105	733	9	141	257	31	1	–	50,332
Reverse repurchase agreements	1,205	171,146	107	435	918	20	–	259	–	174,090
Other assets	43	2,637	469	78	97	5	–	768	–	4,097
Total on balance sheet	87,085	499,264	41,410	44,880	29,929	17,978	97,488	34,592	10,142	862,768
Off balance sheet:										
Acceptances and endorsements	11	99	38	114	21	1	1	2	–	287
Guarantees and letters of credit pledged as collateral security	12	20,999	4,313	1,915	907	2,900	9	197	–	31,252
Commitments	4,914	49,917	23,807	29,164	15,263	12,401	19,375	50,663	–	205,504
Total off balance sheet	4,937	71,015	28,158	31,193	16,191	15,302	19,385	50,862	–	237,043
Total	92,022	570,279	69,568	76,073	46,120	33,280	116,873	85,454	10,142	1,099,811

47 Credit risk (continued)

Credit risk concentrations by industrial sector

The Bank	Government and Central Banks £m	Financial Services £m	Transport, Postal and communication and Business and other services £m	Agriculture, Manufacturing and Wholesale and retail trade £m	Construction and Property £m	Energy and water £m	Residential mortgage loans £m	Other personal lending £m	Finance lease receivables £m	Total £m
	2006									
On balance sheet:										
Cash and balances at central banks	4,411	–	–	–	–	–	–	–	–	4,411
Items in the course of collection from other banks	5	2,307	–	–	–	–	–	–	–	2,312
Trading portfolio assets	39,928	57,981	2,118	2,628	645	2,662	–	–	–	105,962
Financial assets designated at fair value held on own account	3,352	13,308	260	324	5,944	–	–	–	–	23,188
Derivative financial instruments	1,660	130,710	2,413	5,658	539	7,570	53	836	–	149,439
Loans and advances to banks	896	22,971	–	–	–	–	–	–	–	23,867
Loans and advances to customers	–	105,902	30,678	29,392	15,263	6,387	70,555	21,558	85	279,820
Available for sale financial investments	7,785	22,527	424	–	141	76	–	–	–	30,953
Reverse repurchase agreements	1,205	178,986	–	430	4	–	–	–	–	180,625
Other assets	32	987	1,324	67	67	4	4	383	–	2,868
Total on balance sheet	59,274	535,679	37,217	38,499	22,603	16,699	70,612	22,777	85	803,445
Off balance sheet:										
Acceptances and endorsements	–	96	23	94	21	–	–	–	–	234
Guarantees and letters of credit pledged as collateral security	–	3,035	3,524	1,425	275	2,808	–	88	–	11,155
Commitments	4,805	48,362	18,760	25,641	10,915	12,076	12,412	49,514	–	182,485
Total off balance sheet	4,805	51,493	22,307	27,160	11,211	14,884	12,412	49,602	–	193,874
Total	64,079	587,172	59,524	65,659	33,814	31,583	83,024	72,379	85	997,319

47 Credit risk (continued)

Financial assets subject to credit risk

For the purposes of the Group's disclosures regarding credit quality, its financial assets have been analysed as follows:

The Group	As at 31st December 2007 Neither past due nor individually impaired £m	Past due but not individually impaired £m	Individually impaired £m	Total £m	Impairment allowance £m	Total carrying value £m
Cash and balances at central banks	5,801	–	–	5,801	–	5,801
Items in the course of collection from other banks	1,836	–	–	1,836	–	1,836
Trading portfolio	156,652	–	–	156,652	–	156,652
Financial assets designated at fair value	50,896	357	–	51,253	–	51,253
Derivatives	248,088	–	–	248,088	–	248,088
Loans and advances to banks	37,601	2,522	–	40,123	(3)	40,120
Loans and advances to customers	324,318	16,005	8,844	349,167	(3,769)	345,398
Available for sale financial investments	41,304	92	–	41,396	–	41,396
Reverse repurchase agreements	183,075	–	–	183,075	–	183,075
Other assets	3,966	–	–	3,966	–	3,966
Total	1,053,537	18,976	8,844	1,081,357	(3,772)	1,077,585

The Bank	As at 31st December 2007 Neither past due nor individually impaired £m	Past due but not individually impaired £m	Individually impaired £m	Total £m	Impairment allowance £m	Total carrying value £m
Cash and balances at central banks	1,919	–	–	1,919	–	1,919
Items in the course of collection from other banks	1,909	–	–	1,909	–	1,909
Trading portfolio	122,795	–	–	122,795	–	122,795
Financial assets designated at fair value	35,983	287	–	36,270	–	36,270
Derivatives	260,754	–	–	260,754	–	260,754
Loans and advances to banks	24,605	1,841	–	26,446	(3)	26,443
Loans and advances to customers	382,690	11,634	7,711	402,035	(2,771)	399,264
Available for sale financial investments	24,852	77	–	24,929	–	24,929
Reverse repurchase agreements	186,554	–	–	186,554	–	186,554
Other assets	2,223	–	–	2,223	–	2,223
Total	1,044,284	13,839	7,711	1,065,834	(2,774)	1,063,060

47 Credit risk (continued)

The Group	Neither past due nor individually impaired £m	Past due but not individually impaired £m	Individually impaired £m	Total £m	Impairment allowance £m	Total carrying value £m
	As at 31st December 2006					
Cash and balances at central banks	6,795	–	–	6,795	–	6,795
Items in the course of collection from other banks	2,408	–	–	2,408	–	2,408
Trading portfolio	145,379	–	–	145,379	–	145,379
Financial assets designated at fair value	28,088	–	–	28,088	–	28,088
Derivatives	138,353	–	–	138,353	–	138,353
Loans and advances to banks	29,355	1,575	–	30,930	(4)	30,926
Loans and advances to customers	270,321	10,989	4,321	285,631	(3,331)	282,300
Available for sale financial investments	50,156	176	–	50,332	–	50,332
Reverse repurchase agreements	174,090	–	–	174,090	–	174,090
Other assets	4,097	–	–	4,097	–	4,097
Total	849,042	12,740	4,321	866,103	(3,335)	862,768

The Bank	Neither past due nor individually impaired £m	Past due but not individually impaired £m	Individually impaired £m	Total £m	Impairment allowance[a] £m	Total carrying value £m
	As at 31st December 2006					
Cash and balances at central banks	4,411	–	–	4,411	–	4,411
Items in the course of collection from other banks	2,312	–	–	2,312	–	2,312
Trading portfolio	105,962	–	–	105,962	–	105,962
Financial assets designated at fair value	23,188	–	–	23,188	–	23,188
Derivatives	149,439	–	–	149,439	–	149,439
Loans and advances to banks	22,360	1,509	–	23,869	(2)	23,867
Loans and advances to customers	269,623	9,244	3,517	282,384	(2,564)	279,820
Available for sale financial investments	30,777	176	–	30,953	–	30,953
Reverse repurchase agreements	180,625	–	–	180,625	–	180,625
Other assets	2,868	–	–	2,868	–	2,868
Total	791,565	10,929	3,517	806,011	(2,566)	803,445

Financial assets designated at fair value, derivatives, and trading portfolios are not subject to impairment allowances as credit losses are fully reflected in their fair values.

The impairment allowance above includes allowances against financial assets that have been individually impaired and those subject to collective impairment. Assets subject to a collective impairment allowance are included in financial assets neither past due nor individually impaired or financial assets past due but not individually impaired, as appropriate.

47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired

The credit quality of financial assets subject to credit risk, that were neither past due nor impaired, based on the credit ratings on page 110, was as follows:

	2007			
The Group	Strong £m	Satisfactory £m	Weak/sub-standard £m	Total £m
Cash and balances at central banks	5,801	–	–	5,801
Items in the course of collection from other banks	1,713	123	–	1,836
Trading portfolio:				
Treasury bills and other eligible bills	1,984	110	–	2,094
Debt securities	143,161	8,958	659	152,778
Traded loans	223	1,228	329	1,780
Total trading portfolio	145,368	10,296	988	156,652
Financial assets designated at fair value held on own account:				
Loans and advances	13,844	6,186	3,104	23,134
Debt securities	10,010	14,207	–	24,217
Other financial assets	3,541	4	–	3,545
Total financial assets designated at fair value held on own account	27,395	20,397	3,104	50,896
Derivative financial instruments	243,491	3,630	967	248,088
Loans and advances to banks	35,635	1,955	11	37,601
Loans and advances to customers:				
Residential mortgage loans	62,748	41,144	1,761	105,653
Credit card receivables	–	12,582	5	12,587
Other personal lending	2,882	19,915	889	23,686
Wholesale and corporate loans and advances	114,695	54,380	2,427	171,502
Finance lease receivables	4,586	6,036	268	10,890
Total loans and advances to customers	184,911	134,057	5,350	324,318
Available for sale financial investments:				
Debt securities	36,623	1,528	430	38,581
Treasury bills and other eligible bills	2,130	593	–	2,723
Total available for sale financial investments	38,753	2,121	430	41,304
Reverse repurchase agreements	180,637	2,391	47	183,075
Other assets	2,410	1,452	104	3,966
Total financial assets neither past due nor individually impaired	866,114	176,422	11,001	1,053,537

47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired (continued)

	2007			
The Bank	Strong £m	Satisfactory £m	Weak/sub-standard £m	Total £m
Cash and balances at central banks	1,919	–	–	1,919
Items in the course of collection from other banks	1,775	134	–	1,909
Trading portfolio:				
Treasury bills and other eligible bills	1,764	1	–	1,765
Debt securities	111,130	7,502	623	119,255
Traded loans	207	1,197	371	1,775
Total trading portfolio	113,101	8,700	994	122,795
Financial assets designated at fair value held on own account:				
Loans and advances	15,200	646	2,673	18,519
Debt securities	3,084	14,304	–	17,388
Other financial assets	76	–	–	76
Total financial assets designated at fair value held on own account	18,360	14,950	2,673	35,983
Derivative financial instruments	256,271	3,516	967	260,754
Loans and advances to banks	23,634	960	11	24,605
Loans and advances to customers:				
Residential mortgage loans	61,451	17,650	–	79,101
Credit card receivables	–	8,645	–	8,645
Other personal lending	1,645	9,733	153	11,531
Wholesale and corporate loans and advances	233,069	47,638	2,548	283,255
Finance lease receivables	5	153	–	158
Total loans and advances to customers	296,170	83,819	2,701	382,690
Available for sale financial investments:				
Debt securities	22,596	1,503	418	24,517
Treasury bills and other eligible bills	114	221	–	335
Total available for sale financial investments	22,710	1,724	418	24,852
Reverse repurchase agreements	184,997	1,555	2	186,554
Other assets	643	1,496	84	2,223
Total financial assets neither past due nor individually impaired	919,580	116,854	7,850	1,044,284

47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired (continued)

	2006			
The Group	Strong £m	Satisfactory £m	Weak/sub-standard £m	Total £m
Cash and balances at central banks	6,795	–	–	6,795
Items in the course of collection from other banks	1,814	594	–	2,408
Trading portfolio:				
Treasury bills and other eligible bills	2,947	13	–	2,960
Debt securities	133,230	5,907	1,439	140,576
Traded loans	405	1,425	13	1,843
Total trading portfolio	136,582	7,345	1,452	145,379
Financial assets designated at fair value held on own account:				
Loans and advances	10,586	2,228	382	13,196
Debt securities	5,307	6,793	–	12,100
Other financial assets	2,637	155	–	2,792
Total financial assets designated at fair value held on own account	18,530	9,176	382	28,088
Derivative financial instruments	133,980	4,194	179	138,353
Loans and advances to banks	29,008	336	11	29,355
Loans and advances to customers:				
Residential mortgage loans	53,760	34,019	1,316	89,095
Credit card receivables	–	11,858	49	11,907
Other personal lending	2,832	16,652	110	19,594
Wholesale and corporate loans and advances	92,912	44,583	2,295	139,790
Finance lease receivables	4,481	5,349	105	9,935
Total loans and advances to customers	153,985	112,461	3,875	270,321
Available for sale financial investments:				
Debt securities	47,687	49	–	47,736
Treasury bills and other eligible bills	2,313	107	–	2,420
Total available for sale financial investments	50,000	156	–	50,156
Reverse repurchase agreements	171,725	856	1,509	174,090
Other assets	2,548	1,546	3	4,097
Total financial assets neither past due nor individually impaired	704,967	136,664	7,411	849,042

47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired (continued)

The Bank	2006 Strong £m	Satisfactory £m	Weak/sub-standard £m	Total £m
Cash and balances at central banks	4,411	–	–	4,411
Items in the course of collection from other banks	1,718	594	–	2,312
Trading portfolio:				
Treasury bills and other eligible bills	2,134	1	–	2,135
Debt securities	98,622	3,239	990	102,851
Traded loans	405	558	13	976
Total trading portfolio	101,161	3,798	1,003	105,962
Financial assets designated at fair value held on own account:				
Loans and advances	14,363	206	382	14,951
Debt securities	1,445	6,792	–	8,237
Other financial assets	–	–	–	–
Total financial assets designated at fair value held on own account	15,808	6,998	382	23,188
Derivative financial instruments	145,066	4,194	179	149,439
Loans and advances to banks	22,199	150	11	22,360
Loans and advances to customers:				
Residential mortgage loans	51,717	13,704	4	65,425
Credit card receivables	–	9,213	–	9,213
Other personal lending	1,744	9,437	3	11,184
Wholesale and corporate loans and advances	152,884	28,766	2,066	183,716
Finance lease receivables	20	64	1	85
Total loans and advances to customers	206,365	61,184	2,074	269,623
Available for sale financial investments:				
Debt securities	30,446	6	–	30,452
Treasury bills and other eligible bills	325	–	–	325
Total available for sale financial investments	30,771	6	–	30,777
Reverse repurchase agreements	179,435	499	691	180,625
Other assets	2,160	699	9	2,868
Total financial assets neither past due nor individually impaired	709,094	78,122	4,349	791,565

47 Credit risk (continued)

(b) Financial assets that are past due but not individually impaired

An age analysis of financial assets that are past due but not individually impaired is set out below:

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

The Group expends considerable effort in monitoring overdue assets. Assets may be overdue for a number of reasons, including late processing of payments or documentation, for example, over weekends and holiday periods. Where assets are considered to be uncollectable they are subject to individual impairment.

Trading portfolio and derivative assets are measured on a fair value basis such that their carrying amount reflects expected defaults. Amounts that are past due as a result of counterparty credit issues are not significant.

	2007					
The Group	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
Financial assets designated at fair value:						
Loans and advances	261	4	1	24	67	357
Total Financial assets designated at fair value	261	4	1	24	67	357
Loans and advances to banks	2,031	305	186	–	–	2,522
Loans and advances to customers:						
Residential mortgage loans	3,609	1,349	456	215	184	5,813
Credit card receivables	558	155	107	205	1	1,026
Other personal lending	271	199	193	152	205	1,020
Wholesale and corporate loans and advances	6,970	622	267	62	66	7,987
Finance lease receivables	75	28	18	38	–	159
Total loans and advances to customers	11,483	2,353	1,041	672	456	16,005
Available for sale financial investments:						
Debt securities	92	–	–	–	–	92
Total available for sale financial investments	92	–	–	–	–	92
Total financial assets past due but not individually impaired	13,867	2,662	1,228	696	523	18,976

	2007					
The Bank	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
Financial assets designated at fair value:						
Loans and advances	256	1	1	2	27	287
Total financial assets designated at fair value	256	1	1	2	27	287
Loans and advances to banks	1,362	301	178	–	–	1,841
Loans and advances to customers:						
Residential mortgage loans	3,509	1,316	330	215	184	5,554
Credit card receivables	466	124	80	147	1	818
Other personal lending	180	180	178	122	205	865
Wholesale and corporate loans and advances	3,601	519	155	56	66	4,397
Finance lease receivables	–	–	–	–	–	–
Total loans and advances to customers	7,756	2,139	743	540	456	11,634
Available for sale financial investments:						
Debt securities	77	–	–	–	–	77
Total available for financial investments	77	–	–	–	–	77
Total financial assets past due but not individually impaired	9,451	2,441	922	542	483	13,839

47 Credit risk (continued)

(b) Financial assets that are past due but not individually impaired (continued)

	2006					
The Group	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
Financial assets designated at fair value:						
Loans and advances to banks	–	–	–	–	–	–
Total Financial assets designated at fair value	–	–	–	–	–	–
Loans and advances to banks	1,004	234	337	–	–	1,575
Loans and advances to customers:						
Residential mortgage loans	3,394	1,124	280	208	150	5,156
Credit card receivables	622	202	144	304	–	1,272
Other personal lending	276	118	119	253	1	767
Wholesale and corporate loans and advances	3,322	130	180	20	53	3,705
Finance lease receivables	35	10	22	22	–	89
Total loans and advances to customers	7,649	1,584	745	807	204	10,989
Available for sale financial investments:						
Debt securities	131	22	–	23	–	176
Total available for sale financial investments	131	22	–	23	–	176
Total financial assets past due but not individually impaired	8,784	1,840	1,082	830	204	12,740

	2006					
The Bank	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
Financial assets designated at fair value:						
Loans and advances to banks	–	–	–	–	–	–
Total Financial assets designated at fair value	–	–	–	–	–	–
Loans and advances to banks	939	233	337	–	–	1,509
Loans and advances to customers:						
Residential mortgage loans	3,294	1,076	224	208	150	4,952
Credit card receivables	565	187	133	281	–	1,166
Other personal lending	222	103	94	251	1	671
Wholesale and corporate loans and advances	2,238	67	115	5	30	2,455
Finance lease receivables	–	–	–	–	–	–
Total loans and advances to customers	6,319	1,433	566	745	181	9,244
Available for sale financial investments:						
Debt securities	131	22	23	–	–	176
Total available for financial investments	131	22	23	–	–	176
Total financial assets past due but not individually impaired	7,389	1,688	926	745	181	10,929

47 Credit risk (continued)

(c) Impaired financial assets

Financial assets individually assessed as impaired
An analysis of financial assets individually assessed as impaired is as follows:

The Group	2007 Original carrying amount £m	2007 Impairment allowance £m	2007 Revised carrying amount £m	2006 Original carrying amount £m	2006 Impairment allowance £m	2006 Revised carrying amount £m
Loans and advances to customers:						
Residential mortgage loans	621	(88)	533	384	(75)	309
Credit card receivables	1,517	(725)	792	1,250	(839)	411
Other personal lending	1,635	(1,030)	605	1,289	(954)	335
Wholesale and corporate loans and advances	4,930	(944)	3,986	1,280	(589)	691
Finance lease receivables	141	(102)	39	118	(79)	39
Total loans and advances to customers individually impaired	8,844	(2,889)	5,955	4,321	(2,536)	1,785
Collective impairment allowance		(883)			(799)	
Total impairment allowance		(3,772)			(3,335)	

In addition to the above, there are impaired available for sale debt securities with a carrying value at 31st December 2007 of £432m, after a writedown of £13m. In 2006, all impaired available for sale debt securities had been disposed of prior to 31st December.

The Bank	2007 Original carrying amount £m	2007 Impairment allowance £m	2007 Revised carrying amount £m	2006 Original carrying amount £m	2006 Impairment allowance £m	2006 Revised carrying amount £m
Loans and advances to customers:						
Residential mortgage loans	267	(33)	234	188	(31)	157
Credit card receivables	1,410	(716)	694	1,204	(824)	380
Other personal lending	1,466	(982)	484	1,161	(858)	303
Wholesale and corporate loans and advances	4,568	(478)	4,090	964	(401)	563
Finance lease receivables	–	–	–	–	–	–
Total loans and advances to customers individually impaired	7,711	(2,209)	5,502	3,517	(2,114)	1,403
Collective impairment allowance		(565)			(452)	
Total impairment allowance		(2,774)			(2,566)	

47 Credit risk (continued)

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

The Group	2007 At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to profit £m	Balance at 31st December £m
Loans and advances to banks	4	–	–	–	(1)	13	(13)	3
Loans and advances to customers:								
Residential mortgage loans	124	–	–	2	(5)	5	6	132
Credit card receivables	1,030	(75)	(60)	4	(819)	103	658	841
Other personal lending	1,139	–	(53)	10	(668)	54	891	1,373
Wholesale and corporate loans and advances	939	1	–	37	(440)	46	727	1,310
Finance lease receivables	99	1	–	–	(30)	6	37	113
Total loans and advances to customers	3,331	(73)	(113)	53	(1,962)	214	2,319	3,769
Total impairment allowance	3,335	(73)	(113)	53	(1,963)	227	2,306	3,772

The Bank	2007 At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to profit £m	Balance at 31st December £m
Loans and advances to banks	2	–	–	–	–	–	1	3
Loans and advances to customers:								
Residential mortgage loans	52	–	(1)	–	(5)	2	8	56
Credit card receivables	935	(77)	(59)	11	(729)	97	555	733
Other personal lending	898	–	(33)	4	(476)	35	520	948
Wholesale and corporate loans and advances	673	–	–	23	(429)	53	708	1,028
Finance lease receivables	6	–	–	–	–	–	–	6
Total loans and advances to customers	2,564	(77)	(93)	38	(1,639)	187	1,791	2,771
Total impairment allowance	2,566	(77)	(93)	38	(1,639)	187	1,792	2,774

The Group	2006 At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to profit £m	Balance at 31st December £m
Loans and advances to banks	4	–	–	–	–	33	(33)	4
Loans and advances to customers:								
Residential mortgage loans	139	–	(8)	(8)	(51)	14	38	124
Credit card receivables	978	–	(66)	(21)	(887)	101	925	1,030
Other personal lending	975	–	(22)	(42)	(557)	63	722	1,139
Wholesale and corporate loans and advances	1,253	(12)	(2)	(69)	(626)	41	354	939
Finance lease receivables	101	(11)	–	(13)	(53)	7	68	99
Total loans and advances to customers	3,446	(23)	(98)	(153)	(2,174)	226	2,107	3,331
Total impairment allowance	3,450	(23)	(98)	(153)	(2,174)	259	2,074	3,335

47 Credit risk (continued)

The Bank	At beginning year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to profit £m	Balance at 31st December £m
	2006							
Loans and advances to banks	2	–	–	–	–	–	–	2
Loans and advances to customers:								
Residential mortgage loans	66	–	(1)	–	(31)	10	8	52
Credit card receivables	904	–	(67)	(3)	(837)	100	838	935
Other personal lending	769	–	(21)	(1)	(467)	41	577	898
Wholesale and corporate loans and advances	764	–	–	(19)	(428)	58	298	673
Finance lease receivables	7	–	–	(1)	–	–	–	6
Total loans and advances to customers	2,510	–	(89)	(24)	(1,763)	209	1,721	2,564
Total impairment allowance	2,512	–	(89)	(24)	(1,763)	209	1,721	2,566

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

Assets in these categories subject to collateralisation are mainly corporate and residential mortgage loans.

For corporate loans, security may be in the form of floating charges where the value of the collateral varies with the level of assets such as inventory and receivables held by the customer. For these and other reasons collateral given is only accurately valued on origination of the loan or in the course of enforcement actions and as a result it is not practicable to estimate the fair value of the collateral held.

A description and the estimated fair value of collateral held in respect of residential home loans that are past due or individually assessed as impaired was as follows:

	The Group 2007 Fair value £m	The Group 2006 Fair value £m	The Bank 2007 Fair value £m	The Bank 2006 Fair value £m
Nature of assets				
– Residential Property	6,488	6,183	5,542	5,657
Total	6,488	6,183	5,542	5,657

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

Collateral and other credit enhancements obtained
The carrying value of assets held by the Group as at 31st December 2007 as a result of the enforcement of collateral was as follows:

	The Group 2007 Carrying amount £m	The Group 2006 Carrying amount £m	The Bank 2007 Carrying amount £m	The Bank 2006 Carrying amount £m
Nature of assets				
– Residential Property	34	12	–	–
– Commercial and industrial property	1	2	–	–
– Other credit enhancements	–	–	–	–
Total	35	14	–	–

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

48 Liquidity risk

Liquidity risk management and measurement

This is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to meet its obligations is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Intraday liquidity

The need to monitor, manage and control intraday liquidity in real time is recognised by the Group as a mission critical process: any failure to meet specific intraday commitments would have significant consequences.

The Group policy is that each operation must ensure that it has access to sufficient intraday liquidity to meet any obligations it may have to clearing and settlement systems. Major currency payment flows and payment system collateral are monitored and managed in real time to ensure that at all times there is sufficient collateral to make payments.

Day to day funding

Day to day funding is managed by short-term mismatch limits for the next day, week and month which control cash flows to ensure that requirements can be met. These requirements include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets and monitors and manages the wholesale money market capacity for the Group's name to enable that to happen.

In addition to cash flow management, Barclays Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquid Assets

The Group maintains a portfolio of highly marketable assets including UK, US and Euro-area government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The Group accesses secured funding markets in these assets on a regular basis to ensure market access. The Group does not rely on committed funding lines for protection against unforeseen interruption to cash flow.

Diversification of liquidity sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. In addition, to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the Group's reputation and relationship with those clients, the strength of earnings and the Group's financial position.

Structural liquidity

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

The Group policy is to fund the balance sheet of the retail and commercial bank on a global basis with customer deposits without recourse to the wholesale markets. This provides protection from the liquidity risk of wholesale market funding. The exception to this policy is ABSA, which has a large portion of wholesale funding due to the structural nature of the South African financial sector.

Stress tests

Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk.

Treasury develops and monitors a range of stress tests on the Group's projected cash flows. These stress scenarios include Barclays-specific scenarios such an unexpected rating downgrade and operational problems, and external scenarios such as Emerging Market crises, payment system disruption and macroeconomic shocks. The output informs both the liquidity mismatch limits and the Group's contingency funding plan. This is maintained by Treasury and is aligned with the Group and country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

The ability to raise funds is in part dependent on maintaining the Bank's credit rating. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered significant in overall Group terms.

48 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities

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

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

The Group At 31st December 2007	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	4,785	1,016	–	–	–	–	–	–	5,801
Items in course of collection from other banks	1,651	185	–	–	–	–	–	–	1,836
Trading portfolio assets	193,726	–	–	–	–	–	–	–	193,726
Financial assets designated at fair value:									
– held on own account	1,901	3,202	657	3,029	13,882	7,022	10,637	16,299	56,629
Derivative financial instruments:									
– held for trading	246,950	–	–	–	–	–	–	–	246,950
– designated for risk management	–	76	92	39	260	105	317	249	1,138
Loans and advances to banks	5,882	22,143	446	3,189	1,259	1,035	5,680	486	40,120
Loans and advances to customers	43,469	62,294	12,793	19,307	35,195	30,926	47,297	94,117	345,398
Available for sale financial instruments	994	9,009	4,544	2,377	10,831	6,466	5,268	3,767	43,256
Reverse repurchase agreements and cash collateral on securities borrowed	–	158,475	7,369	7,835	4,921	4,348	127	–	183,075
Total financial assets	499,358	256,400	25,901	35,776	66,348	49,902	69,326	114,918	1,117,929
Other assets	–	–	–	–	–	–	–	109,654	109,654
Total assets	499,358	256,400	25,901	35,776	66,348	49,902	69,326	224,572	1,227,583
Liabilities									
Deposits from other banks	16,288	69,049	1,977	991	651	1,171	231	188	90,546
Items in the course of collection due to other banks	1,781	11	–	–	–	–	–	–	1,792
Customer accounts	175,145	101,667	5,692	4,097	1,576	1,240	1,058	5,374	295,849
Trading portfolio liabilities	65,402	–	–	–	–	–	–	–	65,402
Financial liabilities designated at fair value:									
– held on own account	655	18,022	8,331	6,933	10,830	11,601	12,625	5,492	74,489
Derivative financial instruments:									
– held for trading	247,378	–	–	–	–	–	–	–	247,378
– designated for risk management	–	51	43	82	310	150	215	59	910
Debt securities in issue	698	70,760	11,798	6,945	13,308	7,696	3,123	5,900	120,228
Repurchase agreements and cash collateral on securities lent	–	160,822	2,906	5,547	40	92	22	–	169,429
Subordinated liabilities	–	–	–	–	250	934	7,511	9,455	18,150
Total financial liabilities	507.347	420,382	30,747	24,595	26,965	22,884	24,785	26,468	1,084,173
Other liabilities	–	–	–	–	–	–	–	111,589	111,589
Total liabilities	507,347	420,382	30,747	24,595	26,965	22,884	24,785	138,057	1,195,762
Cumulative liquidity gap	(7,989)	(171,971)	(176,817)	(165,636)	(126,253)	(99,235)	(54,694)	31,821	31,821

48 Liquidity risk (continued)

The Bank At 31st December 2007	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	1,828	91	–	–	–	–	–	–	1,919
Items in course of collection from other banks	1,789	120	–	–	–	–	–	–	1,909
Trading portfolio assets	141,969	–	–	–	–	–	–	–	141,969
Financial assets designated at fair value:									
– held on own account	72	1,480	736	1,668	11,432	2,722	4,080	14,123	36,313
Derivative financial instruments:									
– held for trading	259,897	–	–	–	–	–	–	–	259,897
– designated for risk management	–	39	108	12	102	93	260	243	857
Loans and advances to banks	4,411	18,856	426	1,054	756	486	33	421	26,443
Loans and advances to customers	55,340	164,508	7,659	13,034	25,564	24,762	40,578	67,819	399,264
Available for sale financial instruments	19	4,185	1,321	1,192	6,692	4,577	4,786	2,810	25,582
Reverse repurchase agreements and cash collateral on securities borrowed	–	151,521	8,307	8,269	6,009	5,696	2,200	4,552	186,554
Total financial assets	465,325	340,800	18,557	25,229	50,555	38,336	51,937	89,968	1,080,707
Other assets	–	–	–	–	–	–	–	25,100	25,100
Total assets	465,325	340,800	18,557	25,229	50,555	38,336	51,937	115,068	1,105,807
Liabilities									
Deposits from other banks	16,745	83,829	1,766	749	659	1,200	226	–	105,174
Items in the course of collection due to other banks	1,781	10	–	–	–	–	–	–	1,791
Customer accounts	166,866	171,758	3,846	2,316	5,613	4,223	472	3,967	359,061
Trading portfolio liabilities	44,054	–	–	–	–	–	–	–	44,054
Financial liabilities designated at fair value:									
– held on own account	656	17,032	8,259	6,928	10,820	11,655	13,087	5,468	73,905
Derivative financial instruments:									
– held for trading	256,630	–	–	–	–	–	–	–	256,630
– designated for risk management	–	27	32	53	172	65	179	36	564
Debt securities in issue	631	42,334	6,921	1,937	3,950	352	56	227	56,408
Repurchase agreements and cash collateral on securities lent	–	138,574	3,585	6,015	40	102	4,100	1,233	153,649
Subordinated liabilities	–	–	–	–	251	925	7,276	9,535	17,987
Total financial liabilities	487,363	453,564	24,409	17,998	21,505	18,522	25,396	20,466	1,069,223
Other liabilities	–	–	–	–	–	–	–	13,667	13,667
Total liabilities	487,363	453,564	24,409	17,998	21,505	18,522	25,396	34,133	1,082,890
Cumulative liquidity gap	(22,038)	(134,802)	(140,654)	(133,423)	(104,373)	(84,559)	(58,018)	22,917	22,917

48 Liquidity risk (continued)

The Group At 31st December 2006	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	6,500	295	–	–	–	–	–	–	6,795
Items in course of collection from other banks	1,782	626	–	–	–	–	–	–	2,408
Trading portfolio assets	177,884	–	–	–	–	–	–	–	177,884
Financial assets designated at fair value:									
– held on own account	1,899	1,975	295	942	5,692	5,239	4,018	11,739	31,799
Derivative financial instruments:									
– held for trading	137,273	–	–	–	–	–	–	–	137,273
– designated for risk management	–	72	88	37	249	100	296	238	1,080
Loans and advances to banks	2,887	18,806	800	3,063	1,595	1,130	1,012	1,633	30,926
Loans and advances to customers	32,492	44,424	9,901	15,508	31,986	27,668	38,036	82,285	282,300
Available for sale financial instruments	564	9,084	2,516	8,733	14,103	4,621	6,999	5,332	51,952
Reverse repurchase agreements and cash collateral on securities borrowed	–	149,872	4,670	11,025	1,375	6,939	168	41	174,090
Total financial assets	361,281	225,154	18,270	39,308	55,000	45,697	50,529	101,268	896,507
Other assets	–	–	–	–	–	–	–	99,996	99,996
Total assets	361,281	225,154	18,270	39,308	55,000	45,697	50,529	201,264	996,503
Liabilities									
Deposits from other banks	19,163	55,534	1,418	891	593	1,406	367	190	79,562
Items in the course of collection due to other banks	2,154	67	–	–	–	–	–	–	2,221
Customer accounts	153,642	89,079	5,594	3,604	1,655	1,436	807	937	256,754
Trading portfolio liabilities	71,874	–	–	–	–	–	–	–	71,874
Financial liabilities designated at fair value:									
– held on own account	6	13,958	6,297	5,143	7,090	8,447	10,978	2,068	53,987
Derivative financial instruments:									
– held for trading	139,746	–	–	–	–	–	–	–	139,746
– designated for risk management	–	306	13	59	230	284	51	8	951
Debt securities in issue	17	70,805	8,669	5,311	10,408	3,798	4,017	8,112	111,137
Repurchase agreements and cash collateral on securities lent	–	121,278	6,362	2,659	2,305	–	–	4,352	136,956
Subordinated liabilities	–	–	–	–	236	911	4,623	8,016	13,786
Total financial liabilities	386,602	351,027	28,353	17,667	22,517	16,282	20,843	23,683	866,974
Other liabilities	–	–	–	–	–	–	–	102,423	102,423
Total liabilities	386,602	351,027	28,353	17,667	22,517	16,282	20,843	126,106	969,397
Cumulative liquidity gap	(25,321)	(151,194)	(161,277)	(139,636)	(107,153)	(77,738)	(48,052)	27,106	27,106

48 Liquidity risk (continued)

The Bank At 31st December 2006	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	4,391	20	–	–	–	–	–	–	4,411
Items in course of collection from other banks	1,713	599	–	–	–	–	–	–	2,312
Trading portfolio assets	120,975	–	–	–	–	–	–	–	120,975
Financial assets designated at fair value:									
– held on own account	–	543	267	727	4,573	2,502	2,220	12,356	23,188
Derivative financial instruments:									
– held for trading	149,059	–	–	–	–	–	–	–	149,059
– designated for risk management	–	3	–	136	120	47	72	2	380
Loans and advances to banks	2,220	17,216	546	672	785	791	1,203	434	23,867
Loans and advances to customers	43,672	85,224	5,861	8,238	22,780	22,609	33,439	57,997	279,820
Available for sale financial instruments	133	4,467	1,519	6,819	8,097	3,901	5,396	1,232	31,564
Reverse repurchase agreements and cash collateral on securities borrowed	–	159,821	5,202	9,493	1,515	4,426	127	41	180,625
Total financial assets	322,163	267,893	13,395	26,085	37,870	34,276	42,457	72,062	816,201
Other assets	–	–	–	–	–	–	–	25,356	25,356
Total assets	322,163	267,893	13,395	26,085	37,870	34,276	42,457	97,418	841,557
Liabilities									
Deposits from other banks	18,505	78,579	948	326	473	1,374	367	–	100,572
Items in the course of collection due to other banks	2,143	61	–	–	–	–	–	–	2,204
Customer accounts	153,312	107,989	4,063	855	2,781	6,936	1,412	5,637	282,985
Trading portfolio liabilities	43,479	–	–	–	–	–	–	–	43,479
Financial liabilities designated at fair value:									
– held on own account	7	13,152	6,286	5,134	6,786	7,695	10,108	2,068	51,236
Derivative financial instruments:									
– held for trading	147,034	–	–	–	–	–	–	–	147,034
– designated for risk management	–	5	–	7	123	184	29	–	348
Debt securities in issue	12	40,804	6,957	2,356	2,299	404	11	180	53,023
Repurchase agreements and cash collateral on securities lent	–	98,940	6,157	2,593	1,828	–	–	–	109,518
Subordinated liabilities	–	–	–	–	226	895	4,228	8,111	13,460
Total financial liabilities	364,492	339,530	24,411	11,271	14,516	17,488	16,155	15,996	803,859
Other liabilities	–	–	–	–	–	–	–	19,191	19,191
Total liabilities	364,492	339,530	24,411	11,271	14,516	17,488	16,155	35,187	823,050
Cumulative liquidity gap	(42,329)	(113,966)	(124,982)	(110,168)	(86,814)	(70,026)	(43,724)	18,507	18,507

48 Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows. Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

The Group **At 31st December 2007**	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
Deposits from other banks	16,288	72,533	2,099	275	91,195
Items in the course of collection due to other banks	1,781	11	–	–	1,792
Customer accounts	175,145	112,863	3,739	10,280	302,027
Trading portfolio liabilities	65,402	–	–	–	65,402
Financial liabilities designated at fair value:					
– held on own account	655	34,008	25,870	31,868	92,401
Derivative financial instruments:					
– held for trading	247,378	–	–	–	247,378
– designated for risk management	–	226	479	186	891
Debt securities in issue	698	91,201	22,926	15,020	129,845
Repurchase agreements and cash collateral on securities lent	–	169,877	146	23	170,046
Subordinated liabilities	–	463	4,964	17,875	23,302
Other financial liabilities	–	2,983	1,456	–	4,439
Total financial liabilities	507,347	484,165	61,679	75,527	1,128,718
Off balance sheet items					
Loan commitments	183,784	3,111	4,513	963	192,371
Other commitments	453	200	145	12	810
Total off balance sheet items	184,237	3,311	4,658	975	193,181
Total financial liabilities and off balance sheet items	691,584	487,476	66,337	76,502	1,321,899

48 Liquidity risk (continued)

The Bank **At 31st December 2007**	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
Deposits from other banks	16,745	86,621	2,097	215	105,678
Items in the course of collection to other banks	1,781	10	–	–	1,791
Customer accounts	166,866	177,777	12,160	8,469	365,272
Trading portfolio liabilities	44,054	–	–	–	44,054
Financial assets designated at fair value:					–
– held on own account	656	32,996	25,788	32,530	91,970
Derivative financial instruments:					
– held for trading	256,630	–	–	–	256,630
– designated for risk management	–	112	237	291	640
Debt securities in issue	631	51,865	4,611	180	57,287
Repurchase agreement and cash collateral on securities lent	–	148,974	1,095	6,574	156,643
Subordinated liabilities	–	891	4,340	17,576	22,807
Other financial liabilities	–	5,907	1,608	–	7,515
Total financial liabilities	487,363	505,153	51,936	65,835	1,110,287
Off balance sheet items					
Loan commitments	183,498	1,235	1,574	207	186,514
Other commitments	452	44	138	11	645
Total off balance sheet items	183,950	1,279	1,712	218	187,159
Total financial liabilities and off balance sheet items	671,313	506,432	53,648	66,053	1,297,446

The Group **At 31st December 2006**	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
Deposits from other banks	19,163	58,101	2,317	590	80,171
Items in the course of collection due to other banks	2,154	67	–	–	2,221
Customer accounts	153,642	99,165	3,593	2,836	259,236
Trading portfolio liabilities	71,874	–	–	–	71,874
Financial liabilities designated at fair value:					
– held on own account	6	28,123	13,972	21,365	63,466
Derivative financial instruments:					
– held for trading	139,746	–	–	–	139,746
– designated for risk management	–	378	584	199	1,161
Debt securities in issue	17	89,222	13,932	15,668	118,839
Repurchase agreements and cash collateral on securities lent	–	137,040	366	–	137,406
Subordinated liabilities	–	837	7,487	9,411	17,735
Other financial liabilities	–	3,138	1,072	–	4,210
Total financial liabilities	386,602	416,071	43,323	50,069	896,065
Off balance sheet items					
Loan commitments	192,293	10,939	1,255	624	205,111
Other commitments	313	370	38	56	777
Total off balance sheet items	192,606	11,309	1,293	680	205,888
Total financial liabilities and off balance sheet items	579,208	427,380	44,616	50,749	1,101,953

48 Liquidity risk (continued)

The Bank At 31st December 2006	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
Deposits from other banks	18,505	80,068	2,200	362	101,135
Items in the course of collection due to other banks	2,143	61	–	–	2,204
Customer accounts	153,312	112,815	11,014	8,659	285,800
Trading portfolio liabilities	43,479	–	–	–	43,479
Financial liabilities designated at fair value:					
– held on own account	7	26,880	12,867	20,915	60,669
Derivative financial instruments:					
– held for trading	147,034	–	–	–	147,034
– designated for risk management	–	12	307	153	472
Debt securities in issue	12	50,755	2,641	492	53,900
Repurchase agreements and cash collateral on securities lent	–	109,535	365	–	109,900
Subordinated liabilities	–	722	6,996	9,489	17,207
Other financial liabilities	–	6,474	6,848	–	13,322
Total financial liabilities	364,492	387,322	43,238	40,070	835,122
Off balance sheet items					
Loan commitments	179,383	2,009	363	119	181,874
Other commitments	313	370	38	56	777
Total off balance sheet items	179,696	2,379	401	175	182,651
Total financial liabilities and off balance sheet items	544,188	389,701	43,639	40,245	1,017,773

Financial liabilities designated at fair value in respect of linked liabilities under investment contracts have been excluded from this analysis as the Group is not exposed to liquidity risk arising from them. Any request for funds from the investors would be met simultaneously from the linked assets.

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

The principal due under perpetual subordinated liability instruments has been included in the over five years category. Further interest payments have not been included on this amount, which according to their strict contractual terms, carry on indefinitely.

49 Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

The following table summarises the carrying amounts of financial assets and financial liabilities presented on the Group's balance sheet, and their fair values:

The Group	Notes	2007 Carrying amount £m	2007 Fair value £m	2006 Carrying amount £m	2006 Fair value £m
Financial assets:					
Cash and balances at central banks	a	5,801	5,801	6,795	6,795
Items in the course of collection from other banks	a	1,836	1,836	2,408	2,408
Trading portfolio assets:					
– Treasury and other eligible bills	b	2,094	2,094	2,960	2,960
– Debt securities	b	152,778	152,778	140,576	140,576
– Equity securities	b	36,342	36,342	31,565	31,565
– Traded Loans	b	1,780	1,780	1,843	1,843
– Commodities	b	732	732	940	940
Financial assets designated at fair value:					
held in respect of linked liabilities under investment contracts	b	90,851	90,851	82,798	82,798
held under own account:					
– Equity securities	b	5,376	5,376	3,711	3,711
– Loans and advances	b	23,491	23,491	13,196	13,196
– Debt securities	b	24,217	24,217	12,100	12,100
– Other financial assets designated at fair value	b	3,545	3,545	2,792	2,792
Derivative financial instruments	b	248,088	248,088	138,353	138,353
Loans and advances to banks	c	40,120	40,106	30,926	30,895
Loans and advances to customers:					
– Residential mortgage loans	c	111,955	111,951	94,511	94,511
– Credit card receivables	c	14,289	14,289	13,399	13,399
– Other personal lending	c	24,968	24,968	20,511	20,488
– Wholesale and corporate loans and advances	c	183,109	181,589	143,835	143,621
– Finance lease receivables	c	11,077	11,066	10,044	10,042
Available for sale financial instruments:					
– Treasury and other eligible bills	b	2,723	2,723	2,420	2,420
– Debt securities	b	38,673	38,673	47,912	47,912
– Equity securities	b	1,860	1,860	1,620	1,620
Reverse repurchase agreements and cash collateral on securities borrowed	c	183,075	183,075	174,090	174,090
Financial liabilities:					
Deposits from banks	d	90,546	90,508	79,562	79,436
Items in the course of collection due to other banks	a	1,792	1,792	2,221	2,221
Customer accounts:					
– Current and demand accounts	d	80,006	80,006	77,216	77,216
– Savings accounts	d	74,599	74,599	65,784	65,792
– Other time deposits	d	141,244	142,779	113,754	113,653
Trading portfolio liabilities:					
– Treasury and other eligible bills	b	486	486	608	608
– Debt securities	b	50,506	50,506	58,142	58,142
– Equity securities	b	13,702	13,702	12,697	12,697
– Commodities	b	708	708	427	427
Financial liabilities designated at fair value:					
– Liabilities to customers under investment contracts	b	92,639	92,639	84,637	84,637
– Held on own account	b	74,489	74,489	53,987	53,987
Derivative financial instruments	b	248,288	248,288	140,697	140,697
Debt securities in issue	e	120,228	120,176	111,137	111,131
Repurchase agreements and cash collateral on securities lent	d	169,429	169,429	136,956	136,956
Subordinated liabilities	f	18,150	17,410	13,786	13,976

49 Fair value of financial instruments (continued)

The Bank	Notes	2007 Carrying amount £m	2007 Fair value £m	2006 Carrying amount £m	2006 Fair value £m
Financial assets:					
Cash and balances at central banks	a	1,919	1,919	4,411	4,411
Items in the course of collection from other banks	a	1,909	1,909	2,312	2,312
Trading portfolio assets:					
– Treasury and other eligible bills	b	1,765	1,765	2,135	2,135
– Debt securities	b	119,255	119,255	102,851	102,851
– Equity securities	b	18,660	18,660	14,076	14,076
– Traded Loans	b	1,775	1,775	976	976
– Commodities	b	514	514	937	937
Financial assets designated at fair value:					
held in respect of linked liabilities under investment contracts	b	–	–	–	–
held under own account:					
– Equity securities	b	43	43	–	–
– Loans and advances	b	18,806	18,806	14,951	14,951
– Debt securities	b	17,388	17,388	8,237	8,237
– Other financial assets designated at fair value	b	76	76	–	–
Derivative financial instruments	b	260,754	260,754	149,439	149,439
Loans and advances to banks	c	26,443	26,443	23,867	23,856
Loans and advances to customers:					
– Residential mortgage loans	c	84,866	84,866	70,513	70,513
– Credit card receivables	c	10,140	10,140	10,648	10,648
– Other personal lending	c	12,914	12,914	12,118	12,118
– Wholesale and corporate loans and advances	c	291,192	289,754	186,462	185,885
– Finance lease receivables	c	152	152	79	79
Available for sale financial instruments:					
– Treasury and other eligible bills	b	335	335	325	325
– Debt securities	b	24,594	24,594	30,628	30,628
– Equity securities	b	653	653	611	611
Reverse repurchase agreements and cash collateral on securities borrowed	c	186,554	186,554	180,625	180,625
Financial liabilities:					
Deposits from banks	d	105,174	105,162	100,572	100,563
Items in the course of collection due to other banks	a	1,791	1,791	2,204	2,204
Customer accounts	d	359,061	358,997	282,985	282,932
Trading portfolio liabilities:					
– Treasury and other eligible bills	b	121	121	203	203
– Debt securities	b	41,150	41,150	41,228	41,228
– Equity securities	b	2,075	2,075	1,621	1,621
– Commodities	b	708	708	427	427
Financial liabilities designated at fair value:					
– Liabilities to customers under investment contracts	b	–	–	–	–
– Held on own account	b	73,905	73,905	51,236	51,236
Derivative financial instruments	b	257,194	257,194	147,382	147,382
Debt securities in issue	e	56,408	56,378	53,023	53,016
Repurchase agreements and cash collateral on securities lent	d	153,649	153,649	109,518	109,518
Subordinated liabilities	f	17,987	17,223	13,460	13,668

49 Fair value of financial instruments (continued)

a Fair value approximates carrying value due to the short-term nature of these financial assets and liabilities.

b Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available for sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics. These estimates are calibrated against industry standards, economic models and observed transaction prices. Changes to assumptions or estimated levels can potentially impact the fair value of an instrument as reported. The effect of changing these assumptions, for those financial instruments for which the fair values were measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable market prices, to a range of reasonably possible alternative assumptions, would be to increase the fair value by up to £1.5bn (2006: £0.1bn) or to decrease the fair value by up to £1.2bn (2006: £0.1bn).

These variations in the assumptions have been estimated on a product by product basis and form part of the Bank's internal control processes over the determination of fair value.

The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model, market data and assumptions or estimates in these are all subject to internal review and approval procedures and consistent application between accounting periods.

The amount that has yet to be recognised in income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	The Group		The Bank	
As at 31st December	2007 £m	2006 £m	2007 £m	2006 £m
At 1st January	534	260	458	212
New transactions	134	359	91	314
Amounts recognised in profit or loss during the year	(514)	(85)	(419)	(68)
At 31st December	154	534	130	458

The net asset fair value position of the related financial instruments increased by £2,842m for the year ended 31st December 2007 (31st December 2006: £2,814m). In many cases these changes in fair values were offset by changes in fair values of other financial instruments, which were priced in active markets or valued by using a valuation technique which is supported by observable market prices or rates, or by transactions which have been realised.

c The fair value for loans and advances, and other lending (including reverse repurchase agreements and cash collateral on securities borrowed) is calculated using discounted cash flows, applying either market rates where practicable or, where the counterparty is a bank, rates currently offered by other financial institutions for placings with similar characteristics. In many cases the fair value approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently.

d Fair values of customer accounts, other deposits and other borrowings (including repurchase agreements and cash collateral on securities lent) are estimated using market rates at the balance sheet date. The fair value of these instruments approximate to carrying amounts in most cases because, in general, they are short term in nature and reprice frequently.

e Fair values of short-term debt securities in issue are approximately equal to their carrying amount. Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable, are estimated using other valuation techniques.

f The calculated fair values for dated and undated convertible and non-convertible loan capital were based upon quoted market rates for the issue concerned or equivalent issues with similar terms and conditions.

The Group considers that, given the lack of an established market, the diversity of fee structures and the difficulty of separating the value of the instruments from the value of the overall transaction, it is not meaningful to provide an estimate of the fair value of financial commitments and contingent liabilities.

50 Capital Management

Barclays operates a centralised capital management model, considering both regulatory and economic capital. The capital management strategy is to continue to maximise shareholder value through optimising both the level and mix of capital resources. Decisions on the allocation of capital resources are conducted as part of the strategic planning review.

The Group's capital management objectives are to:

– Support the Group's AA credit rating.

– Maintain sufficient capital resources to support the Group's risk appetite and economic capital requirements.

– Maintain sufficient capital resources to meet the FSA's minimum regulatory capital requirements and the US Federal Reserve Bank's requirements that a financial holding company be well capitalised.

– Ensure locally regulated subsidiaries can meet their minimum capital requirements.

Compliance with the Group's capital management objectives is managed by the Barclays Treasury Committee.

External Regulatory Capital Requirements

The Group is subject to minimum capital requirements imposed by the Financial Services Authority (FSA), following guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and implemented in the UK via European Union Directives.

Minimum requirements under FSA's Basel I rules are expressed as a ratio of capital resources to risk weighted assets (Risk Asset Ratio). Risk weighted assets are a function of risk weights applied to the Group's assets using calculations developed by the Basel Committee on Banking Supervision.

Effective from 1st January 2008, the Group has been granted approval by the FSA to adopt the advanced approaches to credit and operational risk management under Basel II. Pillar 1 risk weighted assets will be generated using the Group's risk models. Pillar 1 minimum capital requirements under Basel II are Pillar 1 RWAs multiplied by 8%, the internationally agreed minimum ratio.

Under Pillar 2 of Basel II, the Group is subject to an overall regulatory capital requirement (expressed in £ terms) based on individual capital guidance ('ICG') received from the FSA. The ICG imposes additional capital requirements in excess of Pillar 1 minimum capital requirements. Barclays received its ICG from the FSA in December 2007.

The Group manages its capital resources to ensure those Group entities that are subject to local capital adequacy regulation in individual countries meet their minimum capital requirements. Local management manages compliance with subsidiary entity minimum regulatory capital requirements with reporting to local Asset and Liability Committees and to Treasury Committee, as required.

Regulatory Capital Ratios

As at December 2007, the Group's Risk Asset Ratio was 11.8% and the Group's Tier 1 ratio was 7.5%.

In accordance with the Group's capital management objectives, the Bank's regulatory minimum capital requirements were exceeded at all times during the year.

51 Segmental reporting

Business segments

The Group reports the results of its operations through seven business segments: UK Banking, Barclaycard, International Retail and Commercial Banking, Barclays Capital, Barclays Global Investors, Barclays Wealth and Head Office and other operations.

UK Banking provides banking solutions to Barclays UK retail and commercial banking customers. Barclaycard provides credit card services across Europe and the United States. International Retail and Commercial Banking provides banking services to personal and corporate customers in Europe, Africa and the Middle East. Barclays Capital conducts the Group's investment banking business providing corporate, institutional and government clients with financing and risk management products. Barclays Global Investors provides investment management products and services to international institutional clients. Barclays Wealth provides banking and asset management services to affluent and high net worth clients. Head Office functions and other operations comprise all the Group's central function costs and other central items including businesses in transition.

During 2007 Barclays realigned a number of reportable business segments to better reflect the type of client served, the nature of the products offered and the associated risks and rewards. The changes have no impact on the Group Income Statement or Balance Sheet, and are summarised as follows:

UK Retail Banking. The unsecured lending business, previously managed and reported within Barclaycard and the Barclays Financial Planning business, previously managed and reported within Barclays Wealth are now managed and reported within UK Retail Banking. The changes combine these products with related products already offered by UK Retail Banking. In the UK certain UK Premier customers are now managed and reported within Barclays Wealth.

Barclaycard. The unsecured lending portfolio, previously managed and reported within Barclaycard, is now managed and reported within UK Retail Banking.

International Retail and Commercial Banking – excluding Absa. A number of high net worth customers are now managed and reported within Barclays Wealth in order to better match client profiles to wealth services.

Barclays Wealth. In the UK and Western Europe certain Premier and high net worth customers are now managed and reported within Barclays Wealth having been previously reported within UK Retail Banking and International Retail and Commercial Banking – excluding Absa.

The Barclays Financial Planning business previously managed and reported within Barclays Wealth, is now managed and reported within UK Retail Banking. Finally with effect from 1st January 2007 Barclays Wealth – closed life assurance activities continues to be managed within Barclays Wealth and for reporting purposes has been combined rather than being reported separately.

The structure and reporting remains unchanged for Barclays Commercial Bank, International Retail and Commercial Banking – Absa, Barclays Capital and Barclays Global Investors.

All transactions between business segments are conducted on an arms length basis. Internal charges and transfer pricing adjustments are reflected in the performance of each business. Head office functions and other operations contains a centralised treasury function, which deals with the Group's funding requirements. The funding requirements of each business segment reflects funding at market rates and not internally generated transfer prices and is therefore not separately disclosed within inter-segment net income.

As at 31st December 2007	UK Banking £m	Barclaycard £m	International Retail and Commercial Banking £m	Barclays Capital £m	Barclays Global Investors £m	Barclays Wealth £m	Head office functions and other operations £m	Total £m
Income from external customers, net of insurance claims	6,913	2,340	3,510	6,934	1,915	1,343	76	23,031
Inter-segment income	(62)	146	13	185	11	(56)	(237)	–
Total income net of insurance claims	6,851	2,486	3,523	7,119	1,926	1,287	(161)	23,031
Impairment charge and other credit provisions	(849)	(838)	(252)	(846)	–	(7)	(3)	(2,795)
Segment expenses – external	(2,521)	(909)	(3,494)	(3,989)	(1,180)	(829)	(277)	(13,199)
Inter-segment expenses	(849)	(192)	1,138	16	(12)	(144)	43	–
Total expenses	(3,370)	(1,101)	(2,356)	(3,973)	(1,192)	(973)	(234)	(13,199)
Share of post-tax results of associates and joint ventures	7	(7)	7	35	–	–	–	42
Profit on disposal of subsidiaries, associates and joint ventures	14	–	13	–	–	–	1	28
Business segment performance before tax	2,653	540	935	2,335	734	307	(397)	7,107
Additional information								
Depreciation and amortisation	107	57	242	181	22	18	26	653
Impairment loss – intangible assets	13	–	1	–	–	–	–	14
Capital expenditure[a]	393	105	456	407	687	196	55	2,299
Investments in associates and joint ventures	(6)	19	108	171	–	–	85	377
Total assets	161,822	22,168	89,482	839,765	89,226	18,045	7,075	1,227,583
Total liabilities	166,988	1,559	48,809	811,516	87,101	43,988	35,801	1,195,762

Note

a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

51 Segmental reporting (continued)

As at 31st December 2006	UK Banking £m	Barclaycard £m	International Retail and Commercial Banking £m	Barclays Capital £m	Barclays Global Investors £m	Barclays Wealth £m	Head office functions and other operations £m	Total £m
Income from external customers, net of insurance claims	6,804	2,355	3,220	6,222	1,670	1,198	187	21,656
Inter-segment income	(63)	159	29	61	(5)	(38)	(143)	–
Total income net of insurance claims	6,741	2,514	3,249	6,283	1,665	1,160	44	21,656
Impairment charge and other credit provisions	(887)	(1,067)	(167)	(42)	–	(2)	11	(2,154)
Segment expenses – external	(2,626)	(712)	(2,177)	(3,988)	(940)	(772)	(1,459)	(12,674)
Inter-segment expenses	(763)	(269)	15	(21)	(11)	(141)	1,190	–
Total expenses	(3,389)	(981)	(2,162)	(4,009)	(951)	(913)	(269)	(12,674)
Share of post-tax results of associates and joint ventures	5	(8)	49	–	–	–	–	46
Profit on disposal of subsidiaries, associates and joint ventures	76	–	247	–	–	–	–	323
Business segment performance before tax	2,546	458	1,216	2,232	714	245	(214)	7,197
Additional information								
Depreciation and amortisation	96	45	180	132	13	10	115	591
Impairment loss – intangible assets	–	–	7	–	–	–	–	7
Capital expenditure[a]	232	84	206	246	406	45	152	1,371
Investments in associates and joint ventures	12	89	56	71	–	–	–	228
Total assets	147,629	20,089	68,612	658,053	80,518	15,038	6,564	996,503
Total liabilities	156,906	1,812	37,031	632,208	79,366	37,652	24,422	969,397

Geographic segments

Year ended 31st December 2007	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
Total income net of insurance claims	13,158	3,374	2,209	3,188	1,102	23,031
Total assets (by location of asset)	429,665	285,719	301,973	56,117	154,109	1,227,583
Capital expenditure (by location of asset)[a]	894	303	789	225	88	2,299

Year ended 31st December 2006	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
Total income net of insurance claims	12,215	2,882	2,840	2,791	928	21,656
Total assets (by location of asset)	406,044	203,929	229,779	44,696	112,055	996,503
Capital expenditure (by location of asset)[a]	569	62	565	136	39	1,371

Note
a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

Mixed Sources
Product group from well-managed forests and recycled wood or fiber
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Report Cover: Produced using 50% recycled fibre and pulp bleached using Elemental Chlorine Free (ECF) process.
Report Text: Produced from 100% post consumer waste.
Both mills are certified to the ISO 14001 environmental management standard.

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