



26 January 2009

Open Letter from Marcus Agius and John Varley

- SIGNIFICANT PRE TAX PROFITS IN 2008
- RECORD INCOME LEVELS ABSORB £8BN OF GROSS CREDIT MARKET WRITE DOWNS IN 2008 (£5BN NET)
- RELEASE OF RESULTS AGREED WITH AUDITORS BROUGHT FORWARD TO 9th FEBRUARY 2009
- CAPITAL RESOURCES WELL IN EXCESS OF REGULATORY REQUIREMENTS CREATE LARGE PERFORMANCE CUSHION
- NO FURTHER CAPITAL SUBSCRIPTION SOUGHT

In view of the events in the banking sector last week, we have decided to communicate now with employees, customers, clients, and shareholders in this open letter in order to address the principal causes of concern which we are hearing. Writing in this way ahead of the release of results is unusual, of course, but the turn of events is also unusual.

Our starting point is that Barclays has £36bn of committed equity capital and reserves; we are well funded, and we are profitable. However, we know that our stakeholders want to see the detailed figures for 2008 as quickly as possible. To enable that, we will bring forward the release of our 2008 financial results, as agreed by our auditors, to Monday, 9th February.

When we announce our results for 2008, we will report a profit before tax for the year well ahead of the consensus estimate of £5.3bn. This is as reported in our statement to the stock market of 16th January. The profit is struck after all costs, impairment and market valuations. Whilst it includes a number of individually significant items, it mainly reflects strong operating profit generation.

The profit includes the gains arising from the acquisition of the Lehman Brothers North American business, and also the gain on the sale of our closed life business.

Also included in the 2008 results are some £8bn of gross write downs (£5bn net of own credit, hedging and attributable income) relating to credit market exposures in Barclays Capital. This amount is arrived at by applying year end valuations and marks to market. It is derived on a consistent basis with, and includes, the comparable numbers for the first half of 2008 which were £3.3bn gross and £2bn net. In the interests of clarity and transparency, we are reporting these numbers on a gross and net basis. We will provide extensive details as to the level of write downs and marks by asset class when we report our results on 9th February 2009.

Our ability to absorb this level of write downs is derived from the strong and diversified income performance in Barclays Capital and from the substantial revenue generation of our retail and commercial banking and investment management and wealth businesses in the rest of the Group. In other words, these figures demonstrate that although we have been heavily impacted by the credit crunch, our income generation was at a record level in 2008 and has enabled us to withstand this impact and still produce strong profits.

As a result of the capital raising announced on 31st October 2008, our capital base has been substantially strengthened in accordance with the capital plan agreed with the UK Financial Services Authority. In consequence, our year end capital ratios, expressed on a proforma basis to reflect the conversion of the Mandatorily Convertible Notes, are approximately 6.5% for the Equity Tier 1 ratio, and 9.5% for the Tier 1 ratio. These ratios are as we announced in our statement to the market of 16th January, and are computed after including the combined impacts on our risk weighted assets of the weakening of sterling and the pro-cyclical effects of the International Basel Accord.

On the basis of the above year end capital ratios, we calculate that the Group's Tier 1 capital exceeds the regulatory minimum required by the FSA by an amount equivalent to some £17bn in PBT. This scale of loss absorption capability, when looked at in the context both of the solid and diversified profitability of the Group during the stress test of 2008, and of the substantial write downs that we have taken, gives us confidence that our capital resources are sufficient to manage Barclays safely and prudently even in these difficult markets. For these reasons we confirm in this letter that we are not seeking subscription for further capital - either from the private sector or from the UK Government.

Our capital position could benefit further from two other sources, which we describe below.

First, on 19th January the UK Government announced a comprehensive package of measures designed to support the UK economy by helping borrowers and lenders. We welcome that package and, alongside other banks, have started a dialogue with the Tripartite Authorities which will enable us to determine the terms on which, and the extent to which, we would wish to insure certain assets on our balance sheet through the UK Treasury's asset protection scheme. The procuring of insurance would have the effect of reducing capital consumption (which would allow the writing of new business in the UK).

Second, the FSA has announced a programme of work to reduce significantly the requirement for additional capital resulting from the pro-cyclical effects of the International Basel Accord. That reduction would be a source of further ratio strengthening.

Before closing, we should say a word about current trading. Recognising that 2009 is not yet a month old, and that the global economy will remain weak, we can tell you that customer and client activity levels have been high. As a result, we have had a good start to 2009. In particular the operating performance of Barclays Capital, benefitting as it is from the now completed integration of the Lehman business, has been extremely strong. The trends that lie behind the strong operating performance in Global Retail and Commercial Banking in 2008 are again observable in its performance in January.

We take this opportunity to thank the employees of Barclays for staying focused, and also to thank our customers and clients for their business.

Marcus Agius, Chairman

John Varley, Group Chief Executive

-ENDS-

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Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services, with an extensive international presence in Europe, the USA, Africa and Asia.

With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs over 150,000 people.

Barclays moves, lends, invests and protects money for over 42 million customers and clients worldwide.

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