



## “2007 was an eventful year for Barclays and the financial services industry”

Barclays performed well during 2007, despite the difficult market conditions. Although profit before tax fell 1%, profit before business disposals rose 3%. The Investment Banking and Investment Management businesses (Barclays Capital, Barclays Global Investors and Barclays Wealth) all achieved profits ahead of 2006. In Global Retail and Commercial Banking, there were good performances from the UK businesses and continued investment in and development of the international business, where income rose sharply.

2007 was an eventful year for Barclays and the financial services industry. We announced in March that we were in merger discussions with ABN AMRO, although we subsequently withdrew our primarily share-based offer in light of a higher cash-based offer from a consortium of banks. We also announced, in July, that two new major investors had joined our share register, China Development Bank and Temasek Holdings of Singapore. The second half of the year saw extremely testing market conditions as rising default rates on sub-prime mortgages in the US severely affected confidence in the global credit and money markets.

The Group's diversified portfolio of businesses served shareholders well in 2007, enabling us to deliver another year of substantial profits. We have declared a final dividend for the year of 22.5p per share, making a total payment for the year of 34p, an increase of 10%. Share prices across the banking sector globally were badly affected during 2007 by market concerns over the impact of conditions in the credit and money markets on economic growth prospects. We remain committed to delivering top quartile returns to our shareholders over time.

The potential merger with ABN AMRO represented a significant opportunity for us to accelerate the implementation of our strategy. It was for that reason that we pursued it vigorously. But we see no distinction between strategy and economics: we apply stringent financial tests to all mergers and acquisitions and we were clear throughout the period of the bid that we were not prepared to overpay. Walking away from the opportunity, as we did for this reason, has not caused us to change strategy, and we remain confident in our ability to grow and deliver value for shareholders

through time. Meanwhile, the investments made by China Development Bank and Temasek are a signal of their belief in the strong future prospects of our Group. We're already seeing the benefits of the strategic partnership with China Development Bank that we announced in July.

### Corporate Governance

David Booth joined the Board on 1st May 2007 as a non-Executive Director. He brings to the Board extensive investment banking and US market knowledge and experience. As previously reported, Chris Lucas joined the Group and the Board on 1st April 2007 as Group Finance Director.

We also announced in December the appointment of Sir Michael Rake and Patience Wheatcroft to the Board with effect from 1st January 2008. Sir Michael is a former Chairman of KPMG International and is Chairman of BT Group plc. Patience is a former editor of the Sunday Telegraph and was Business and City Editor of The Times between 1997 and 2006. Dr Danie Cronjé has advised us that he does not intend to seek re-election at the 2008 Annual General Meeting. I would like to thank him for his considerable contribution to the Board and wish him well for the future.

### Responsible Banking

During the year we redefined our corporate responsibility strategy in support of corporate sustainability. The sustainability strategy we are developing encompasses several themes: customer centricity; inclusiveness; respect for diversity; environmental sustainability and responsible global citizenship.

Over the year we made significant progress in a number of important areas. We have continued to lead the market in inclusive banking in the UK and overseas. Our engagement with UK consumer groups has led to improvements in Barclays basic bank account (which is designed to help those who have been outside the banking system gain access via a simple account) and we plan a significant deepening of banking services in emerging markets. We are supporting over a quarter of a million entrepreneurs in emerging markets with a range of financial options.

In the area of the environment, we made our UK operations carbon neutral and this will be extended to cover all our businesses around the world by 2009. We launched Barclaycard Breathe, the UK's first credit card aimed at helping retail customers to address their own carbon impact. Barclays remains the largest trader of allowances in the EU Emissions Trading Scheme. We have developed environmental risk guidance for lending which we have issued via the United Nations Environment Programme to 170 small international banks.

### Management Team

2007 was my first year as Chairman and it has been a pleasure to get to know the people of Barclays. We are fortunate to have a forward-looking, ambitious management team which is energetic in its pursuit of new products and services to help meet the changing needs of customers and clients. Let me extend on behalf of our shareholders a vote of thanks to all of our people around the world who have worked so hard for the Group's customers in very difficult market and competitive conditions.

**Marcus Agius**  
Group Chairman  
Barclays PLC