

## Robert Le Blanc, Chief Risk Officer

### Risk

2009 was clearly a very difficult year for the financial industry globally but Barclays performed well during these very difficult conditions. If you think back to the beginning of 2009 we had slowing GDP, rapidly rising unemployment, falling house prices and difficulties in the commercial property market. These were just some of the circumstances we saw that made 2009 one of the most difficult years for decades. So I think the industry will be seeing as having had a year of risk during 2009. But for Barclays, I think it was a year of very strong income and very well controlled risk, so our overall performance was very good in the circumstances that we faced.

Our approach to risk is really to have a framework for looking at our asset quality and looking at our risk exposures and understanding how they would perform in a very difficult environment. Stress testing is a very important element of our risk management approach. We want to understand how our portfolios would perform in even the most difficult conditions like those we saw in 2009. And our performance during that time showed that our stress testing approach and our risk management approach paid off.

Asset quality is so important for us because it's the backbone of how we're going to perform during difficult times. If we have strong portfolios, mortgage books which are conservative and well constructed, moderate exposure to commercial property sectors, reasonable exposures to the corporate sector, internationally and domestically, then we know that in times of risk we will avoid the kinds of losses that have been seen in the industry where losses can spike in certain sectors or for certain names. By avoiding those concentrations of risk and by keeping strong asset quality, our performance in 2009 was relatively well controlled in these difficult circumstances.

Another important factor we use in our risk management approach is how to control earnings volatility. We recognise that we have to have a client franchise that delivers income on a steady basis and in a very good balance against our risk profile. So we always seek to balance our risk against our returns and, through establishing a strong earnings platform and avoiding earnings volatility, we're able to deliver that performance.

Our risk performance across our major businesses was strong in 2009 because we were able to balance that downside performance against the strong income that the firm was able to deliver. That client franchise, whether on the retail side, the commercial side or the investment banking side, really paid off and really drove our performance against the risk controls that we were able to establish.

When we look forward to 2010 we see a better environment. GDP should grow moderately across most major economies. We think unemployment will not rise above the recent levels we've seen. We think house prices will stabilise and we think commercial property values may start to improve as well and corporate impairment levels, whilst probably lagging the recovery in other areas, we think will improve a little bit later in the year.

There are two variables that I think will be key and critical for 2010. One is the return of consumer confidence. We think that it is coming back now and that will be key to the recovering economy. The second is obviously going to be the performance of the corporate portfolios. Corporate demand, the willingness of companies to invest, to rehire people and to bring production back on stream will be key to the economy and also, therefore, key to the performance of Barclays in the banking industry.

Overall, therefore, we think risk conditions are moderating and we see a stronger performance in 2010.