Barclays announces the restructuring of $12.3bn of credit market assets

London, 16 September

Good afternoon, this is Chris Lucas.

Thank you for joining us at short notice.

I'm joined by Robert le Blanc, Group Risk Director; Rich Ricci, Chief Operating Officer of Investment Banking and Investment Management and Stephen Jones, Head of Investor Relations.

We've announced this morning a restructuring of $12.3 billion of credit market assets, through their sale to Protium Finance LP.

As I will describe in a minute we are providing the financing to Protium.

This is part of our on going process to manage and reduce our credit market exposures.

As you know we announced in our interim results in August that we had reduced these exposures by 30 per cent in the first half of 2009.

Today's transaction represents a further step in managing that risk.

The assets included are summarised on the slide posted on our website and include:

US RMBS with a carrying value of $2.3bn;

Whole loans of $1.8bn and assets wrapped with monoline guarantees of $8.2bn.

This transaction does not result in a different credit risk profile at commencement of transaction.

However we believe that the transaction will achieve a more stable and predictable risk-adjusted return profile for these assets over time.

It creates a structure where the assets can be managed with a long term view of their cashflows

and mitigates the potential impact of short term market movements and monoline downgrades.

We expect the transaction will enhance shareholder value in three ways by:

firstly, restructuring our exposure to the risk in the assets, mitigating the potential impact of short term movements in market values and monoline downgrades;

secondly, delivering more stable risk-adjusted returns from these assets, given their multi-year duration and their cash flow characteristics; and

thirdly, securing long term access to an experienced team specialising in managing credit market assets.

The assets are being sold at their current carrying value, which is broadly similar to the carrying value at the 30th June.

As the assets are being transferred at current book value there will not be a gain or a loss recorded as a result of the transaction and it is not expected to reduce Risk Weighted Assets,

though we anticipate that over time the enhanced predictability of cashflows will free up capacity to undertake more business with customers and clients.

Protium will be funded through $450 million of new funding from third party investors and by a $12.6 billion ten year term loan from Barclays on commercial terms.

The combined financing is equivalent to the value of the assets sold plus $800 million which will be used to provide working capital to Protium to sell assets to and buy assets from third parties.

The loan is subject to a market rate of return and will be repaid from cash generated from the underlying assets.

It is secured by a charge over the assets of Protium.

To maintain the transparency of our disclosures we plan to provide on going details of the performance of the loan based on a look through to the cash flows which support it and the fair value of the underlying assets.

The loan will be classified within loans and receivables and stated at cost less impairment.

Protium is run by former Barclays Capital employees Stephen King and Michael Keeley, who have left Barclays Capital to run Protium as the transaction completed.

Protium has been established to purchase credit market assets from third parties at today's prices and manage those assets over time to benefit from their long term cash flows, as well as managing the assets purchased from Barclays in the transaction announced today.

Neither Barclays nor any of its employees are investors in Protium.

The independence from Barclays will allow this specialist team, who we believe have the best skills to manage these assets, to win mandates from other financial institutions.

So in summary

We believe we are enhancing shareholders interests by;

restructuring a considerable tranche of our credit market exposures, mitigating the potential impact of short term market movements and monoline downgrades

and creating a structure where we are able to achieve more stable and predictable risk-adjusted returns for shareholders over time

We’re happy now to take questions, thank you.