

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Members' Report
For the year ended 31 December 2012
REGISTERED NUMBER: OC332284

The Members present their report together with the audited financial statements of the Barclays Covered Bonds Limited Liability Partnership for the year ended 31 December 2012

Principal Activities and Business Review

The principal activities of Barclays Covered Bonds Limited Liability Partnership (the "Partnership") are to provide a guarantee in respect of all interest and principal payable under the terms of covered bonds issued by Barclays Bank Plc ("BB PLC")

The Partnership was formed under a limited liability partnership agreement entered into on the 23rd October 2007 between the following parties

- (1) Congadale Limited
- (2) Barclays Bank PLC

The Partnership does not have any overseas branches

To date the Partnership has borrowed monies from BB PLC to fund the acquisition of an equitable interest in a mortgage loan portfolio held in trust. This mortgage loan portfolio is used as security to provide, in the event of certain trigger events being met, a guarantee to the covered bond note holders for the payment of interest and principal. The partnership has the right to the cash flows from its equitable share in the mortgage pool. Once a triggered event has been met the legal title of the mortgages will transfer to the partnership.

The members have reviewed the Partnership's business and performance and consider it to be satisfactory for the year. The members consider that the Partnership's position at the end of the year is consistent with the size and complexity of the business.

Given the nature of the business, the members are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

Members who were in office throughout the year are as follows

- Barclays Bank PLC (General Partner)
- Congadale Limited

Future outlook

Over the past four years the covered bond market has benefited from banks' growing preference for secured funding. Despite the damage to the covered bond markets in countries such as Greece, Spain, Portugal and Italy, the covered bond market in the United Kingdom is expected to be more resilient despite the prospect that issuance pricing will see higher spreads than in recent years. Mortgages backed covered bonds are expected to face comparable credit performance strains such as weak underlying mortgage lending in addition to an overall frail economic outlook.

Key performance indicators

The Partners are of the opinion that the key performance indicators of the Partnership are the performance of the residential mortgage loans reported within BB PLC against which the covered bonds held are secured. The performance of the covered bonds is dependent on the performance of the residential mortgage loans, the performance of the covered bonds is reported monthly on Bloomberg.

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Members' Report
For the year ended 31 December 2012

Results

During the year ended 31 December 2012 the Partnership made a result of £nil (2011 £nil) As at 31 December 2012, the net assets attributable to the members were £nil (2011 £nil) and the members' capital was £nil (2011 £nil) as disclosed in the Balance Sheet

Political and charitable contributions

The Partnership made no political and charitable contributions during the financial year (2011 nil)

Financial instruments

The Partnership faces financial risk from the financial instruments it has acquired and issued The Partnership's objective is to reduce the Partnership's exposure to all forms of financial risk

The principal risks facing the Partnership include credit risk, liquidity risk and interest rate risk These are described in Note 10 to the financial statements

Employees

There were no employees employed by the Partnership during the year (2011 nil)

Disclosure of information to auditors

The Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditors are unaware, and each member has taken all the steps that ought to have taken by them as members to make themselves aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information

Independent auditors

PricewaterhouseCoopers LLP will continue to hold office in accordance with Section 487 of the Companies Act 2006

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year Under that law the members have prepared the partnership financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law as applied to limited liability partnerships the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Members' Report
For the year ended 31 December 2012

In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership and group will continue in business

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities



Matthew Jon Dobson
Authorised Representative of Barclays Bank Plc
Designated Member

22 July 2013

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
For the year ended 31 December 2012
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS COVERED
BONDS LIMITED LIABILITY PARTNERSHIP

We have audited the financial statements of Covered Bonds Limited Liability Partnership for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of members and auditors

As explained more fully in the Members' Responsibilities Statement on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2012 and of its result and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
For the year ended 31 December 2012
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS COVERED
BONDS LIMITED LIABILITY PARTNERSHIP (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit



Darren Meek
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 July 2013

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Statement of Comprehensive Income
For the year ended 31 December 2012

		2012	2011
	Notes	£000	£000
Continuing operations			
Administrative expenses		(202)	(127)
Interest Income	4	300,484	149,323
Interest Expense	4	<u>(300,282)</u>	<u>(149,196)</u>
Operating profit /loss		-	-
Profit before tax	5	<u>-</u>	<u>-</u>
Tax		<u>-</u>	<u>-</u>
Profit after tax		<u>-</u>	<u>-</u>

There were no other items of comprehensive income

The accompanying notes on pages 10 to 20 form an integral part of the financial statements

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Balance Sheet
For the year ended 31 December 2012

	Notes	2012 £000	2011 £000
ASSETS			
Non-current assets			
Deemed Loan	7	16,034,520	10,455,165
Total non-current assets		<u>16,034,520</u>	<u>10,455,165</u>
Current assets			
Other receivables	8	14,657	8,838
Cash and cash equivalents		<u>41,578</u>	<u>-</u>
Total current assets		<u>56,235</u>	<u>8,838</u>
Total assets		<u>16,090,755</u>	<u>10,464,003</u>
LIABILITIES			
Current liabilities			
Intercompany borrowings	9	(41,578)	-
Other payables	9	(14,657)	(8,838)
Total current liabilities		<u>(56,235)</u>	<u>(8,838)</u>
Net current assets		<u>-</u>	<u>-</u>
Non-current liabilities			
Intercompany borrowings	9	(16,034,520)	(10,455,165)
Total non-current liabilities		<u>(16,034,520)</u>	<u>(10,455,165)</u>
Net assets		<u>-</u>	<u>-</u>
Represented by			
Members' capital		-	-
Retained earnings and other reserves		-	-
Total equity		<u>-</u>	<u>-</u>

The accompanying notes on pages 10 to 20 form an integral part of the financial statements

The financial statements were approved by the members on 22 July 2013 and were signed on its behalf by



Matthew Jon Dobson
 Authorised Representative of Barclays Bank Plc
 Designated Member

22 July 2013

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Cash Flow Statement
For the year ended 31 December 2012

Registered Number OC332284

	2012 £000	2011 £000
Result before tax	-	-
(Increase)/decrease in other receivables	(5,819)	175,081
Increase/(decrease) in other payables	5,819	(175,081)
Increase in deemed loan	(5,579,355)	(4,965,132)
Interest receivable from related parties	(300,484)	(149,323)
Interest payable to related parties	300,282	149,196
Net cash used in operating activities	<u>(5,579,557)</u>	<u>(4,965,259)</u>
Interest received on deemed loan	294,666	324,404
Net cash from investing activities	<u>294,666</u>	<u>324,404</u>
Increase in borrowings	5,620,933	4,965,132
Interest paid on borrowings	(294,464)	(324,277)
Net cash from financing activities	<u>5,326,469</u>	<u>4,640,855</u>
Net movement in cash and cash equivalents	41,578	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	<u>41,578</u>	<u>-</u>
Cash and cash equivalents comprise		
Cash and balances with banks	<u>41,578</u>	<u>-</u>

The accompanying notes on pages 10 to 20 form an integral part of the financial statements

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP

Notes to the Financial Statements

For the year ended 31 December 2012

1 Reporting entity

Barclays Covered Bonds Limited Liability Partnership ("the Partnership") is established in Great Britain as a limited liability partnership under the Limited Liability Partnership Act 2000

The entity is domiciled in the United Kingdom. The address of the registered office of the Company is 1 Churchill Place, London, E14 5HP, England

2 Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International IFRS, adopted for use in the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and Limited Liability Partnerships Act 2000

3 Summary of significant accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, Recognition and Measurement', as set out in the relevant accounting policies. The functional and presentational currency is pounds sterling, the currency of the country in which the Partnership is incorporated and undertakes its business.

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 those areas involving a higher degree of judgement or complexity where relevant, or areas where assumptions are significant to the financial statements.

In accordance with IFRS, the interest receivable and payable on each individual swap included within the income statement and balance sheet has been included on a net basis. However, in the 2011 financial statements the swaps were included on a gross basis. Therefore, comparative figures for 2011 have been restated to ensure consistency in presentation with no impact on result for either period as both income statements net to zero.

a) Interest

Interest income or expense is recognised on all interest bearing financial assets and on interest bearing financial liabilities, using the effective interest method.

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 effect 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.

b) Current and deferred tax

The Partnership itself is not a taxable entity. Each member will be responsible for their own taxation liability according to their own circumstances.

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

3 Summary of significant accounting policies (continued)

c) Financial assets and liabilities

The Partnership recognises financial instruments from the contract date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Partnership has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired

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. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are stated at amortised cost using the effective interest method. 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.

Under IFRS, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction. The Directors of the Company have concluded that the Barclays PLC has retained substantially all the risk and rewards of the pool of mortgage loans and as a consequence, the Company does not recognise the mortgage loans on its statement of financial position but rather a deemed loan due from Barclays PLC.

Impairment losses are recognised in the income statement.

Impairment of financial assets

The Partnership assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets, including trade receivables, is impaired. The factors that the Partnership takes into account include significant financial difficulties of the debtor or the issuer, a breach of contract or default in payments, the granting by the Partnership of a concession to the debtor because of a deterioration in its financial condition, the probability that the debtor will enter into bankruptcy or other financial reorganisation, or, in the disappearance of an active market for a security because of the issuer's financial difficulties.

The Partnership also considers observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, arising from adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on assets in the portfolio.

The Partnership first assesses whether objective evidence of impairment exists individually for individually significant financial assets and then collectively assesses remaining financial assets that are not individually significant. In addition, portfolios of financial assets with similar credit risk characteristics are also collectively assessed.

Impairment allowances are calculated, based on the difference between the carrying amount of the asset and its estimated recoverable amount, calculated by reference to the expected cash flows discounted at the original effective interest rate for the asset.

Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities are derecognised when extinguished.

d) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand, demand deposits and cash equivalents. 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.

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

3 Summary of significant accounting policies (continued)

e) Financial guarantee

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. Fair Value on initial recognition is presumed to be equal to premium unless there is evidence to the contrary

Any increase or decrease in the liability relating to guarantees is taken to the income statement. Any liability remaining is recognised in the income statement when the guarantee is discharged, cancelled or expires

f) Future accounting developments

The IASB had issued the following accounting standards, which are effective from 1 January 2013, subject to endorsement by the EU, unless otherwise indicated

- IFRS 10 Consolidated Financial Statements will require the ultimate holding company to apply different criteria to determine the entities that are included in the ultimate holding company's consolidated financial statements. The implementation of IFRS 10 will result in the ultimate holding company consolidating some entities that were previously not consolidated and deconsolidating some entities that were previously consolidated. The directors have considered the revised definition of control under IFRS 10 and are of the opinion that there will be no impact on the entity as the Company will still remain to be controlled by Barclays Bank PLC under the new standard and continue to be consolidated into that company's accounts when the standard becomes effective
- IFRS 13 – Fair Value Measurement – This provides comprehensive guidance on how to calculate the fair value of financial and non-financial assets and liabilities. It is not expected to have a material impact on the Company financial statements
- IAS 32 and IFRS 7 Amendments – Offsetting Financial Assets and Financial Liabilities – the circumstances in which netting is permitted have been clarified and disclosures on offsetting have been considerably expanded. The amendments on offsetting are effective from January 2014 and those disclosures from 1 January 2013. It is not expected to have a material impact on the Company financial statements

In 2009, the ISAB issued IFRS 9, Financial Instruments and subsequent additions and amendments that will form part of the eventual standard which will replace IAS 39 Financial Instruments Recognition and Measurement. It will lead to significant changes in the accounting for financial instruments. The key changes issued and proposed relate to

- Financial assets. Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading and certain debt instruments, which may be held at fair value through other comprehensive income,
- Financial liabilities. Gains and losses arising from changes in own credit on non-derivative financial liabilities designated at fair value through profit or loss will be excluded from the Income Statement and instead taken to other comprehensive income,
- Impairment. Credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit and loss will be reflected in impairment allowances, and
- Hedge accounting. Hedge accounting will be more closely aligned with financial risk management

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

3 Summary of significant accounting policies (continued)

Adoption is not mandatory until periods beginning on or after 1 January 2015. The standard has not been endorsed by the EU. At this stage, it is not possible to determine the potential financial impacts of adoption on the Company.

4 Interest Income and Expense

Interest income/costs comprise the following

	2012	2011
	£000	£000
Interest income		
Interest receivable from related parties	300,484	149,323
Total interest income	<u>300,484</u>	<u>149,323</u>
Interest expense		
Interest payable to related parties	(300,282)	(149,196)
Total interest expense	<u>(300,282)</u>	<u>(149,196)</u>

5 Profit before tax

Audit fees payable of £12,000 (2011 £4,200) to the Partnership's Auditors for the audit of the Partnership accounts were borne by another undertaking in the Barclays PLC group for 2012. No recharge was made to the Partnership.

6 Employees and key management

There were no employees employed by the Partnership during the year (2011 nil).

7 Deemed loan

	2012	2011
	Non-current	Non-current
	£000	£000
Due from related parties	16,034,520	10,455,165
Total Deemed loan	<u>16,034,520</u>	<u>10,455,165</u>

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

8 Other receivables

An analysis of other receivables is as follows

	2012	2011
	Current	Current
	£000	£000
Interest receivable due from related parties	14,657	8,838
Total other receivables	14,657	8,838

The Members consider that the carrying value of the Partnership's other receivables approximates to their fair value

9 Other payables

An analysis of other payables is as follows

	2012			2011		
	Interest Current £000	Loan Current £000	Loan Non-current £000	Interest Current £000	Loan Current £000	Loan Non-current £000
Payables due to related parties	14,657	41,578	16,034,520	8,838	-	10,455,165
TOTAL OTHER PAYABLES	14,657	41,578	16,034,520	8,838	-	10,455,165

The current loan above relates to the additional reserve held by Barclays Bank PLC on behalf of the Partnership during 2012

10 Financial risks

The Partnership's activities expose it to a variety of financial risks. These are credit risk, liquidity risk and interest rate risk.

The Barclays Covered Bond LLP Management Committee monitors the Partnership's financial risks and have responsibility for ensuring effective risk management and control.

(a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Partnership's customers or market counterparties fail to fulfil their contractual obligations to the Partnership.

The credit exposures of the Partnership are considered neither past due nor impaired. All financial assets are held with Barclays Bank PLC and are of investment grade.

During 2012, Barclays Bank PLC's credit rating was downgraded which resulted in further collateral being held in reserve on behalf of the Partnership.

There were no other significant concentrations of credit risk.

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

10 Financial risks (continued)

Maximum exposure to credit risk

The Partnership's maximum exposure to credit risk is reflected by the amounts disclosed in the balance sheet. The following table shows the maximum exposure to credit risk at 31 December 2012 and 2011

2012	Total exposure £000
Other receivables	14,657
Cash and cash equivalents held with related party	41,578
Deemed loan	16,034,520
Total maximum exposure	16,090,755
2011	Total exposure £000
Other receivables	8,838
Deemed loan	10,455,165
Total maximum exposure	10,464,003

Financial assets subject to credit risk

For the purposes of the Company's disclosures regarding credit quality, financial assets subject to credit risk are the deemed loan, cash and cash equivalents and other receivables

	2012 £000	2011 £000
Other receivables	14,657	8,838
Cash and cash equivalents	41,578	-
Deemed loan	16,034,520	10,455,165
Total	16,090,755	10,464,003

The only cash flows available to the Company arise from the cash flows arising from its equitable share in the mortgage pool. As a consequence, the credit quality of the mortgage loans primarily demonstrates the capacity of the Company to service its payments

Financial assets neither past due nor impaired

Financial assets neither past due nor impaired can be further analysed according to the rating systems used by the Company and Originator when assessing customers and counterparties

For the purposes of the Company's disclosures regarding credit quality, financial assets subject to credit risk have been analysed as follows

	2012 £000	2011 £000
Neither past due nor impaired	15,922,027	10,352,782
Past due but not individually impaired	168,728	111,221
Past due and individually impaired	-	-
Total	16,090,755	10,464,003

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

10 Financial risks (continued)

The credit quality of financial assets subject to credit risk that were neither past due nor impaired based on credit ratings is as follows

Barclays Retail Grade	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% +

Strong – there is very high likelihood of the asset being recovered in full

Satisfactory – there no cause for concern to the Company as there is a high likelihood that the asset will be recovered in full

Weak/Substandard – there is concern over the obligor's ability to make payments when due. However these have not yet converted to actual delinquency and the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest

The credit quality of the deemed loan is dependent on the credit quality of the underlying mortgage assets. The classification into satisfactory and weak are such because they have a higher probability of default as outlined in the table above

	2012			
	Strong £000	Satisfactory £000	Weak £000	Total £000
Other receivables	14,657	-	-	14,657
Cash and cash equivalents	41,578	-	-	41,578
Deemed loan	15,234,447	566,950	64,395	15,865,792
Total	15,290,682	566,950	64,395	15,922,027

	2011			
	Strong £000	Satisfactory £000	Weak £000	Total £000
Other receivables	8,838	-	-	8,838
Cash and cash equivalents	-	-	-	-
Loan note tranches	9,872,744	442,748	28,452	10,343,944
Total	9,881,582	442,748	28,452	10,352,782

At 31 December 2012 the mortgage pool amounts to £25,845,755,852 of assets. In the event of default Barclays Covered Bonds LLP would gain title over the complete mortgage pool. The over-collateralisation would be sufficient to cover the current identified impairment.

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

10 Financial risks (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Partnership's cash and committed facilities may be insufficient to meet its payment obligations as they fall due

The Partnership is reimbursed for all third party expenses by BBPLC (as member) and therefore incurs no significant liquidity risk. The loans and borrowings offset

Contractual maturity of financial assets and financial liabilities

At 31 December 2012	On demand £000	Not more than 3 months £000	Over 3 months but not more than 6 months £000	Over 6 months but not more than 1 year £000	Over 1 year but not more than 3 years £000	Over 3 years but not more than 5 years £000	Over 5 years but not more than 10 years £000	Over 10 years £000	Total £000
Deemed loan	-	-	-	-	7 357 283	2 904,000	4,810,153	963,084	16,034,520
Other receivables	-	14,657	-	-	-	-	-	-	14,657
Cash and cash equivalents	41 578	-	-	-	-	-	-	-	41,578
Total financial assets	41 578	14 657	-	-	7 357 283	2 904 000	4,810,153	963 084	16 090 755
Intercompany borrowings	41,578	-	-	-	7 357,283	2,904,000	4,810,153	963 084	16 076 098
Other payables	-	14,657	-	-	-	-	-	-	14,657
Total financial liabilities	41 578	14 657	-	-	7 357 283	2,904,000	4,810,153	963,084	16 090 755

At 31 December 2011	On demand £000	Not more than 3 months £000	Over 3 months but not more than 6 months £000	Over 6 months but not more than 1 year £000	Over 1 year but not more than 3 years £000	Over 3 years but not more than 5 years £000	Over 5 years but not more than 10 years £000	Over 10 years £000	Total £000
Deemed loan	-	-	-	-	2 373 015	3 308 913	2 676 000	2 097 237	10,455,165
Other receivables	-	8 838	-	-	-	-	-	-	8,838
Total financial assets	-	8,838	-	-	2 373 015	3,308,913	2,676,000	2,097 237	10,464 003
Intercompany borrowings	-	-	-	-	2 373,015	3,308,913	2,676,000	2 097 237	10,455 165
Other payables	-	8,838	-	-	-	-	-	-	8 838
Total financial liabilities	-	8,838	-	-	2 373 015	3,308 913	2,676,000	2,097 237	10,464,003

BARCLAYS COVERED BONDS LIMITED LIABILITY PARTNERSHIP
Notes to the Financial Statements
For the year ended 31 December 2012

10 Financial risks (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Partnership with regards to 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.

At 31 December 2012	On demand £000	Within one year £000	Over one year but less than five years £000	Over five years £000	Total £000
Intercompany borrowings	41,578	-	10,261,283	5,773,237	16,076,098
Other payables	-	14,657	-	-	14,657
Total financial liabilities	41,578	14,657	10,261,283	5,773,237	16,090,755

At 31 December 2011	On demand £000	Within one year £000	Over one year but less than five years £000	Over five years £000	Total £000
Intercompany borrowings	-	-	5,681,928	4,773,237	10,455,165
Other payables	-	8,838	-	-	8,838
Total financial liabilities	-	8,838	5,681,928	4,773,237	10,464,003

(c) Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Partnership's interest bearing financial assets and liabilities.

Of the Partnership's borrowings £nil are at fixed rate.

There is no net exposure to Interest rate risk within the Partnership as all interest rates for assets and liabilities offset after hedging.

11 Contingencies and commitments

Contingent liabilities

The principal activities of the Partnership are to provide a guarantee in respect of all interest and principal payable under the terms of covered bonds issued by BB PLC. The guarantee is triggered, inter alia, following an event of default in the covered bonds programme by BB PLC and the service on the Partnership of a notice to pay. Under IAS 39 this qualifies as a financial guarantee.

To the extent that BB PLC did default, the Partnership will gain access to a pool of ring fenced mortgage assets and their respective cash flows and use these assets to service the payments due to the covered bond holders. The assets entitled to be received are contractually linked to servicing the covered bonds. Recourse against the Partnership is limited to these assets. A loss event is considered to be remote and therefore the financial guarantee had a value of zero as of 31 December 2012.

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12 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 operation decisions, or one other party controls both

The definition of related parties includes members, subsidiary, associated and joint venture companies, as well as the Partnership's key management which includes its Directors

There were no transactions with key management personnel in the year

Particulars of transactions with the members, and the balances outstanding at the year end, are disclosed in the tables below

	For year ended 31 December 2012 Members	For year ended 31 December 2011 Members
	£000	£000
Transactions		
Interest payable to Barclays Bank PLC	(300,282)	(149,196)
Interest earned from Barclays Bank PLC	300,484	149,323
Administrative and other expense recharges from Barclays Bank PLC	(202)	(127)
Total	<u>-</u>	<u>-</u>
Balances outstanding 31 December	2012	2011
	£000	£000
Deemed loan, other receivables and cash held with Barclays Bank PLC	16,090,755	10,464,003
Other payables with Barclays Bank PLC	<u>(16,090,755)</u>	<u>(10,464,003)</u>
Total	<u>-</u>	<u>-</u>

The deemed loan represents the notes on issuance secured against a portion of the Barclays Bank PLC mortgage portfolio. The interest attracted by each transaction is determined on origination along with the maturity date where the invested principal is returned to the investor in full, unless stated otherwise

The entity received financial and administration support from Barclays Bank PLC, for which no recharges are made to the entity

13 Subsequent events

The economic benefit of the mortgage reserve balances are transferred to the Partnership by way of a credit linked note called Mortgage Reserve Credit Linked Note (MRCLN) where the MRCLN outstanding balance would mirror the mortgage reserve balances in the asset pool. In January 2013, the MRCLN was fully repaid and redeemed by Barclays Bank PLC as Seller. This was replaced by setting up a Mortgage Reserve Originator Trust which will hold the same mortgage reserve balances on trust for the benefit of the Partnership. The ongoing cash flows and economics will remain the same. The MRCLN restructuring was purely legal in nature

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14 Ultimate holding company

The Partnership was formed under a limited liability partnership agreement entered into by Barclays Bank PLC (General Partner) and Congadale Ltd. The parent undertaking of the smallest group that presents consolidated financial statements in which the Partnership is consolidated is Barclays Bank PLC. The ultimate parent company and the parent company of the largest group that presents consolidated financial statements in which the Partnership is consolidated is Barclays PLC. Both companies are incorporated in the United Kingdom and registered in England. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from the Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.