Figure 1: Three Modes of Leveraging up

Mode 2: Increased leverage resulting from fall in asset value Mode 1: Increased leverage resulting Mode 3: Increase borrowing to fund from equity buyback asset growth Α L A Α L L Α A L Equity Equity Equity Equity Equity Assets Equity Assets Assets Assets Assets Debt Debt Assets Debt Debt Debt Debt

Figure 1: Two year changes in assets, equity, debt and risk-weighted assets of Barclays (Source: Bankscope)

