BARCLAYS PLC
Form 20-F
March 26, 2004

SECURITIES AND EXCHANGE COMMISSION
FORM 20-F

o Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended December 31, 2003

or

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____________ to ____________________.

Commission file numbers: Barclays PLC 0-13790
Barclays Bank PLC2-71497-01

BARCLAYS PLC BARCLAYS BANK PLC
(Exact names of registrants as specified in their charters)

ENGLAND
(Jurisdictions of incorporation)

54 LOMBARD STREET, LONDON, EC3P 4AH, ENGLAND
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

	Title of each class	Name of each exchange on which registered
Barclays PLC	25p ordinary shares	New York Stock Exchange*
	American Depositary Shares, each representing four 25p ordinary shares	New York Stock Exchange
Barclays Bank PLC	Convertible Capital Notes	New York Stock Exchange**
	American Depositary Note Receipts, representing interests in Convertible Capital Notes	New York Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

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Not for trading, but only in connection with the registration of American Depositary Note Receipts, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuers classes of capital or common stock as of the close of the period covered by the annual report.

Barclays PLC	25p ordinary shares	6,562,731,310
	£1 staff shares	875,000
Barclays Bank PLC	£1 ordinary shares	2,301,860,515

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes __x__ No ______

Indicate by check mark which financial statement item the registrants have elected to follow.

Item 17 ______ Item 18 __x__

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrants have filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ______ No ______

This document comprises the Annual report on Form 20-F for the year ended December 31, 2003 of Barclays PLC and Barclays Bank PLC (the 2003 Form 20-F). Reference is made to the Form 20-F cross reference table on page 192 hereof (the Form 20-F Cross Reference Table). Only (i) the information in this document that is referenced in the Form 20-F Cross Reference Table, and (ii) the Exhibits, shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statements on Form F-3 (File No. 333-85646, 333-12384 and 333-8054) and the Registration Statements on Form S-8 (File No. 333-12818, 333-112797 and 333-112796), which were filed by Barclays Bank PLC, and any other documents, including any documents filed by Barclays PLC or Barclays Bank PLC pursuant to the Securities Act of 1933, as amended, which purport to incorporate by reference the 2003 Form 20-F. Any information herein which is not referenced in the Form 20-F Cross Reference Table, or such Exhibits themselves, shall not be deemed to be so incorporated by reference.

This document contains certain forward-looking statements within the meaning of section 21E of the US Securities Exchange Act of 1934, as amended and section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Group s plans and its current goals and expectations relating to its future financial condition and performance. The Group may also make forward-looking statements in other written materials, including other documents filed with or furnished to the SEC. In addition, the Group s senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements in the Financial Review and Business Description with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management, and competition are forward looking in nature. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate , target , expect , estimate , intend , p goal , believe , or other words of similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group s actual future results may differ materially from those set out in the Group s forward-looking statements. There are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in the Group s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures Barclays may make in documents it files with the SEC.

Directors and Officers

Directors and Officers of Barclays PLC
and Barclays Bank PLC

1 Sir Peter Middleton, GCB, Chairman
Sir Peter Middleton GCB (age 69) was appointed as Chairman at the 1999 Annual General Meeting. Sir Peter joined the Board in 1991 as Deputy Chairman and Chairman of BZW. This followed a long career in HM Treasury where he was Permanent Secretary from 1983 to 1991. He became Chairman of Barclays Capital following the reorganisation of BZW in 1997. In 1998, he relinquished his executive responsibilities as Deputy Chairman and Chairman of Barclays Capital but remained a non-executive Director. He is Deputy Chairman of United Utilities PLC, Chancellor of Sheffield University and Chairman of the Board Nominations and Board Risk Committees.

2 Thomas David Guy Arculus[a]
Thomas David Guy Arculus (age 57) joined the Board in 1997. He is Chairman of Severn Trent plc, Earls Court and Olympia Group Limited and the UK Government s Better Regulation Task Force. He is also a non-executive Director of mmO_2 plc and a delegate of Oxford University Press. His previous positions include Chairman of IPC Group Limited and Group Managing Director of EMAP plc. He is a member of the Board Remuneration and Board Nominations Committees.

3 Sir Richard Broadbent[a]
Sir Richard Broadbent (age 50) joined the Board on 1st September 2003. He had previously been the Executive Chairman of HM Customs and Excise from 2000 to 2003. He was formerly a member of the Group Executive Committee of Schroders plc and a non-executive Director of the Securities Institute.

4 Hilary Mary Cropper, CBE[a]
Hilary Mary Cropper CBE (age 63) joined the Board in 1998. She is Honorary President of Xansa PLC, where she was, until recently, the Chairman. Xansa is a leading supplier of business enabling technology services. Mrs Cropper is also an external adviser to the Home Civil Service Senior Appointments Selection Committee and a member of the Government s National Employment Panel. She is a member of the Board Risk Committee.

5 Professor Dame Sandra June Noble Dawson[a]
Professor Dame Sandra June Noble Dawson (age 57) joined the Board in March 2003. She is currently KPMG Professor of Management Studies at the University of Cambridge, and has been Director of the Judge Institute at Cambridge since 1995, and Master of Sidney Sussex College, Cambridge since 1999. Professor Dawson has held a range of non-executive posts in organisations including Rand Europe (UK), the Society for the Advancement of Management Studies, JP Morgan Fleming Claverhouse Investment Trust, and Riverside Mental Health Trust. She was also a member of the Senior Salaries Review Board. She is a member of the Board Audit Committee.

6 Sir Brian Garton Jenkins, GBE[a]**, Deputy Chairman**
Sir Brian Garton Jenkins GBE (age 68) joined the Board in 2000 as a Deputy Chairman on completion of the acquisition of Woolwich plc. He joined the Woolwich Board as a non-executive Director in 1994 and was appointed Deputy Chairman in 1995. He became Chairman later that year and oversaw the conversion of The Woolwich Building Society to a public limited company in 1997. Sir Brian is a former senior partner of Coopers & Lybrand Chartered Accountants, has served as Lord Mayor of London, President of the Institute of Chartered Accountants in England & Wales and as President of the British Computer Society. He is President of the Charities Aid Foundation

and a member of the Board Audit, Board Remuneration, Board Nominations and Board Risk Committees.

7 Sir Nigel Rudd, DL[(a)]

Sir Nigel Rudd DL (age 57) joined the Board in 1996. Sir Nigel is non-executive Chairman of Pilkington PLC, Pendragon PLC and Boots PLC. He recently retired as Chairman of Kidde PLC. He is Chairman of the Board Remuneration Committee and a member of the Board Nominations Committee.

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8 Stephen George Russell[a]

Stephen George Russell (age 58) joined the Board in 2000 on completion of the acquisition of Woolwich plc. He joined Woolwich plc s Board as a non-executive Director in 1998. He was previously Chief Executive of Boots PLC from 2000 until 2003. He is Chairman of the Board Audit Committee and a member of the Board Risk Committee.

9 Dr Jürgen Zech[a]

Dr Jürgen Zech (age 64) joined the Board as a non-executive Director in July 2002. Dr Zech retired as Chief Executive of Gerling-Konzern, the general insurance arm of Gerling at the end of 2001. He is a non-executive Director of Misys PLC and Partner, Re Limited. He is a member of the Board Audit Committee.

10 Matthew William Barrett[b][c]**, Group Chief Executive**

Matthew William Barrett (age 59) was appointed as Group Chief Executive and joined the Board in 1999 and will succeed Sir Peter Middleton as Chairman on 1st January 2005. He joined Barclays from Bank of Montreal where he was Chairman and Chief Executive Officer. He joined the Bank of Montreal in 1962 and during his career held a variety of senior management positions in different areas within the Bank, including Retail Banking, International Banking and Treasury. He was appointed Chief Operating Officer in 1987, Chief Executive Officer in 1989 and elected Chairman of the Board in 1990. In 1994, he became an Officer of the Order of Canada, the country s highest civilian honour, and in 1995, he was awarded the title of Canada s Outstanding CEO of the Year. He is a non-executive Director of the Molson Companies Limited and the Federal Reserve Bank of New York.

11 John Silvester Varley[b][c]**, Group Deputy Chief Executive**

John Silvester Varley (age 47) was appointed as Group Deputy Chief Executive on 1st January 2004 and will succeed Matthew Barrett as Group Chief Executive on 1st January 2005. He had previously held the position of Group Finance Director since 2000. He joined the Group Executive Committee in September 1996 and was appointed to the Board in 1998. Mr Varley was previously Chief Executive of Retail Financial Services from 1998 to 2000 and was Chairman of the Asset Management Division from 1995.

12 Roger William John Davis[b][c]**, Chief Executive, UK Banking**

Roger William John Davis (age 47) was appointed as Chief Executive of UK Banking on 1st January 2004 and joined the Board on the same date. Mr Davis previous roles for the Group include: Chief Executive of Business Banking; Chairman and Chief Executive of Barclays Capital, Asia Pacific and was a member of the Barclays Capital Executive Committee. He joined the Group Executive Committee in February 2003. Before joining Barclays, he spent 12 years in the British Army and began his City career at Robert Fleming & Co where he was a member of the Board of Jardine Fleming Holdings and Managing Director of Jardine Fleming India.

13 Robert Edward Diamond Jr[c]**, Chief Executive, Wholesale and Institutional**

Robert Edward Diamond Jr (age 52) was appointed to the role on 1st January 2004 and is also Chief Executive, Barclays Capital and Chairman, Barclays Global Investors. He joined Barclays in July 1996 from CSFB where he was Vice-Chairman and Head of Global Fixed Income and Foreign Exchange. He was appointed to the Group Executive Committee in September 1997.

14 Gary Stewart Dibb[c]**, Group Chief Administrative Officer**

Gary Stewart Dibb (age 53) joined Barclays from Bank of Montreal in 2000. He is responsible for Human Resources, Communications, Marketing, Strategy and Planning, Public Policy and Group Property Services as well as the implementation of Value Based Management. He joined the Group Executive Committee in February 2000.

15 Gary Andrew Hoffman[b][c]**, Chief Executive, Barclaycard**

Gary Andrew Hoffman (age 43) was appointed as Chief Executive of Barclaycard in September 2001 and joined the

Board on 1st January 2004. Gary joined the Group in 1983 and has held a variety of management positions, as well as sitting on the Executive Committee of Retail Financial Services and being a member of the Group Operating Committee. He joined the Group Executive Committee in 2001.

Directors and Officers

16 Naguib Kheraj[b][c]**, Group Finance Director**
Naguib Kheraj (age 39) was appointed as Group Finance Director and joined the Board on 1st January 2004. Mr Kheraj had previously held the positions of Chief Executive of Barclays Private Clients, Deputy Chairman of Barclays Global Investors, Global Head of Investment Banking and Global Chief Operating Officer at Barclays Capital. He joined the Group Executive Committee in March 2003. Before joining Barclays, Mr Kheraj held the post of Chief Financial Officer for Europe at Salomon Brothers.

17 Christopher John Lendrum[b][c]**, Vice-Chairman**
Christopher John Lendrum (age 57) was appointed Vice-Chairman of Barclays Bank PLC on 1st January 2004 after 35 years with the Barclays Group. He was appointed to the Board in 1998 and was appointed to the Group Executive Committee in 1996. His range of responsibilities includes overseeing Barclays strategy and policy in the area of corporate social responsibility and accountability for governance and control throughout Africa and the Asia Pacific Region. He is Chairman of Barclays Africa and a Director and Trustee of the Bank s Pension Fund. Mr Lendrum has previously occupied a succession of roles including Chief Executive, Corporate Banking and Executive Vice-President, Barclays Bank of New York.

18 Robert William James Nimmo[c]**, Group Risk Director**
Robert William James Nimmo (age 56) joined Barclays in January 2002. He began his career at Citibank in 1969 and most recently he served as Chief Risk Officer at First Union Corporation. He joined the Group Executive Committee in January 2002.

19 David Lawton Roberts[b][c]**, Chief Executive, Private Clients & International**
David Lawton Roberts (age 41) was appointed as Chief Executive of Private Clients & International on 1st January 2004 and joined the Board on the same date. Mr Roberts joined the Group in 1983 and has held various management positions, including Chief Executive of Personal Financial Services and Chief Executive of Business Banking. He joined the Group Executive Committee in 2001.

20 David Avery Weymouth[c]**, Chief Information Officer**
David Avery Weymouth (age 48) joined Barclays in 1977 and was appointed Chief Information Officer in February 2000. He joined the Group Executive Committee in February 2000. He had previously held other management positions including Managing Director, Service Provision for Retail and Corporate Banking and Chief Operating Officer, Corporate Banking.

Current Group Executive Committee members		Appointed to Group Executive Committee
Matthew Barrett	Group Chief Executive	1999
Roger Davis	Chief Executive, UK Banking	2003
Bob Diamond	Chief Executive, Wholesale & International	1997
Gary Dibb	Chief Administrative Officer	2000
Gary Hoffman	Chief Executive, Barclaycard	2001
Naguib Kheraj	Group Finance Director	2003
Chris Lendrum	Vice-Chairman	1996
Robert Nimmo	Group Risk Director	2002

David Roberts	Chief Executive, Private Clients and International	2001
John Varley	Group Deputy Chief Executive	1996
David Weymouth	Chief Information Officer	2000

Other officers		Appointed to position
Lawrence Dickinson	Group Secretary	2002
Patrick Gonsalves	Joint Secretary, Barclays Bank PLC	2002
Mark Harding	Group General Counsel	2003
Colin Walklin	Director of Group Finance	2002

Directors Report

Directors Report

Profit Attributable
The profit attributable to shareholders for the year amounted to £2,744m, compared with £2,230m in 2002.

Dividends
The final dividends for the year ended 31st December 2003 of 13.45p per ordinary share of 25p each and 10p per staff share of £1 each have been approved by the Directors. The final dividends will be paid on 30th April 2004 in respect of the ordinary shares registered at the close of business on 27th February 2004 and in respect of the staff shares so registered on 31st December 2003. With the interim dividend of 7.05p per ordinary share and of 10p per staff share that were paid on 1st October 2003, the total distribution for 2003 is 20.50p (2002: 18.35p) per ordinary share and 20p (2002: 20p) per staff share. The dividends for the year absorb a total of £1,340m (2002: £1,206m).

Dividend Reinvestment Plan
Ordinary shareholders may have their dividends reinvested in Barclays PLC ordinary shares by participating in the Dividend Reinvestment Plan. The Plan is available to all ordinary shareholders provided that they do not live in, or are subject to the jurisdiction of, any country where their participation in the Plan would require Barclays or The Plan Administrator to take action to comply with local government or regulatory procedures or any similar formalities. Any shareholder wishing to obtain details of the Plan and a mandate form should contact The Plan Administrator to Barclays at The Causeway, Worthing, BN99 6DA. Those wishing to participate for the first time in the Plan should send their completed mandate form to The Plan Administrator so as to be received by 7th April 2004 for it to be applicable to the payment of the final dividend on 30th April 2004. Existing participants should take no action unless they wish to alter their current mandate instructions, in which case they should contact The Plan Administrator.

Share Capital
During the year, Barclays PLC purchased in the market for cancellation 49.4 million of its ordinary shares of 25p at a total cost of £204m as part of its programme of returning excess capital to shareholders. These transactions represented some 0.75% of the issued ordinary share capital at 31st December 2003. As at 11th February 2004, the Company has an unexpired authority to repurchase further shares up to a maximum of 963.1 million ordinary shares of 25p.

The ordinary share capital was increased by 36.6 million ordinary shares during the year as a result of the exercise of options under the SAYE and Executive Share Option Schemes. At 31st December 2003 the issued ordinary share capital totalled 6,563 million shares.

Substantial Shareholdings
As at 11th February 2004, the Company has not been notified of any major interests in its shares as required by sections 198 to 208 of the Companies Act 1985.

Board Membership
The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical and biographical details of the current members are set out on pages 2 to 4. Professor Dame Sandra Dawson and Sir Richard Broadbent were appointed as non-executive Directors on 1st March 2003 and 1st September 2003, respectively. Roger Davis, Gary Hoffman, Naguib Kheraj and David Roberts were appointed as executive Directors with effect from 1st January 2004. John Stewart and Graham Wallace resigned from the Board on 27th February 2003 and 2nd April 2003, respectively. Sir Nigel Mobbs retired from the Board on 24th April 2003.

Retirement and Re-election of Directors

In accordance with its Articles of Association, one-third (rounded down) of the Directors of Barclays PLC are required to retire by rotation at each AGM, together with Directors appointed by the Board since the last AGM. The retiring Directors are eligible to stand for re-election. In addition, under the UK Combined Code of Corporate Governance, every Director should seek re-election by shareholders every three years.

The Directors retiring by rotation at the 2004 AGM and offering themselves for re-election are Sir Peter Middleton, Stephen Russell and Chris Lendrum. Sir Richard Broadbent, Roger Davis, Gary Hoffman, Naguib Kheraj and also David Roberts, who were appointed as Directors since the last AGM, will also be offering themselves for re-election at the 2004 AGM. Sir Brian Jenkins, who was last re-elected by shareholders at the 2001 AGM will also be retiring and seeking re-election in accordance with the UK Combined Code.

Directors Interests

Directors interests in the shares of the Group on 31st December 2003, according to the register maintained under the Companies Act 1985, are shown on page 22. The register is available for inspection during business hours at the Group s Head office and will be available for inspection at the 2004 AGM.

Directors Emoluments and Options

Information on emoluments and share options of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the Listing Rules of the United Kingdom Listing Authority, is given in the Corporate Governance Report by the Board on pages 15 to 22 and in Notes 55 and 56 to the accounts.

Activities

Barclays PLC Group is an international financial services group engaged primarily in banking, investment banking and asset management. The Group operates through branches, offices and subsidiaries in the UK and overseas. The activities of the Group are described on pages 64 to 68 and developments in the Group s business during the year and an indication of likely future developments are analysed in the Risk management section on pages 25 to 59 and the Financial review on pages 70 to 95.

Community Involvement

Community support totalled £32.8m (2002: £32.3m).

Barclays invested £29.4m in support of the community in the UK (2002: £30.0m) and £3.4m was invested in international support (2002: £2.3m). UK community support includes £9.9m of charitable donations (2002: £11.1m).

Barclays is a member of the Percent Club a group of companies that undertook to ensure that donations to the community in 2003 amounted to at least 1% of their UK pre-tax profit.

Political Donations

No political donations were made during the year. At the AGM in 2002 shareholders gave a four-year authority for Barclays Bank PLC and a number of other subsidiaries to make political donations and incur political expenditure up to a maximum aggregate sum of £250,000 per annum as a precautionary measure in light of the wide definitions in The Political Parties, Elections and Referendums Act 2000.

These authorities have not been used and it is not proposed that the Group s long-standing policy of not making contributions to any political party be changed.

Directors Report

Employee Involvement
Barclays is committed to ensuring that employees share in the success of the Company and have the opportunity to share their views and provide feedback on issues which are important to them.

Equality
Barclays is committed to giving full and fair consideration to applications for employment from people with disabilities and to continuing the employment of staff who become disabled and arranging any appropriate training to achieve this.

Health and Safety
Barclays is committed to ensuring the health, safety and welfare of its employees and, as far as is reasonably practicable, to providing and maintaining safe working conditions. This commitment goes beyond just fulfilling its statutory legal obligations; the Bank has a wish to be proactive in its management of health and safety in the workplace, and recognises that this will strengthen both its physical and human resources.

It is also recognised that in addition to its employees, Barclays has responsibilities towards all persons on its premises, such as customers, contractors, visitors and members of the public, and will ensure, as far as is reasonably practicable, that they are not exposed to risks to their health and safety.

The Board receives regular reports on health and safety from the Group Human Resources Director.

Creditors Payment Policy
Barclays policy follows the DTI s Better Payment Practice Code, copies of which can be obtained from the Better Payment Practice Group s website at www.payontime.co.uk. The Code states that a company should have a clear, consistent policy, adhered to by the finance and purchasing departments, that payment terms are agreed at the outset and payment procedures explained to suppliers, that bills are settled in accordance with payment terms agreed with suppliers, that complaints are dealt with quickly and that suppliers are advised of disputes. Barclays values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses, promptly. Normal policy is to pay all small business purchases within 30 days.

Creditor payment days are carefully monitored in the Group, using the systems which record the actual purchases and payments. Barclays estimates that for all UK supplies to Barclays Bank PLC, average creditor payment days in 2003 were 25 days (2002: 31 days). Paragraph 12(3) of Schedule 7 to the Companies Act 1985 requires disclosure of trade creditor payment days. Disclosure is required by the Company, rather than the Group. The Group s principal trading subsidiary in the UK is Barclays Bank PLC, the accounts for which are prepared under Schedule 9 of the Companies Act 1985. The components for the trade creditor calculation are not easily identified in Schedule 9. However, by identifying as closely as possible the components required by the Schedule, the trade creditor payment days for Barclays Bank PLC for 2003 were 35 days (2002: 28 days). This is an arithmetical calculation which includes property rentals and payments, and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

The Auditors
PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the 2004 AGM. The Board Audit Committee approves and reviews the appointment of the external auditors, as well as

their relationship with the Group, including monitoring the balance of audit and non-audit fees paid to the auditors. More details on this can be found on page 9 and Note 5 to the accounts.

The Annual General Meeting

The AGM will be held at The Queen Elizabeth II Conference Centre on Thursday 29th April 2004. The Notice of Annual General Meeting is included in the Annual Review and Summary Financial Statement 2003 sent to shareholders with this report.

By order of the Board

Lawrence Dickinson
Group Secretary
11th February 2004

Corporate Governance
Corporate Governance Report

2003 Corporate Governance Report

Chairman s Statement
At Barclays, we are committed to having robust corporate governance practices in place and applying the highest standards of business integrity in all of our activities.

2003 has been another year in which corporate governance has been the focal point of public and regulatory attention. In July we saw the publication in the UK of the revised Combined Code on Corporate Governance, the culmination of the various reviews that took place in 2002 and 2003, including the Higgs and Smith Reports. While Barclays will only be required to report on compliance with the revised Combined Code in respect of the 2004 financial year onwards, we are making every effort to comply with it as quickly as possible.

Our commitment to complying with the revised Code was exemplified by our approach to the communication of our succession plans in October 2003. The Chairman of the Board Remuneration Committee, Sir Nigel Rudd, led the non-executive Directors in seeking my replacement as Chairman. I am pleased we have found the right candidate in Matthew Barrett.

I wrote to all shareholders on 6th November 2003 explaining why the Board came to its decision to appoint Mr Barrett as Chairman. The Board s decision to appoint Mr Barrett followed an extensive and rigorous process involving all the non-executive Directors. The process involved establishing the desirable characteristics for a new Chairman and reviewing external candidates, identified with the help of specialist recruitment consultants, and their availability. Mr Barrett was the Board s unanimous choice. The Board does not regard his appointment as setting a precedent in Barclays for appointing the Group Chief Executive to the position of Chairman.

Mr Barrett s appointment helps ensure stability within the senior leadership team at a time of considerable change when a number of senior managers have been given revised and broader responsibilities. The Board also felt that Mr Barrett was the right person for the job given the need to continue to implement our strategy, which has been shown to be successful and value-creating for shareholders; Barclays financial results in 2003 were very strong. The Board was also conscious that Mr Barrett has only been with Barclays for four years and was keen to ensure we obtained maximum value from his contribution, given the success Barclays has enjoyed under his leadership.

The Board thus considered that this particular combination of considerations at this particular time meant that Mr Barrett s appointment was in the best interests of shareholders.

The letter is reproduced in full below:

Dear Shareholder

Chairman of Barclays PLC
On 9th October 2003, Barclays announced a number of changes to the Board and to senior management. The announcement said: Sir Peter Middleton, Chairman of the Board of Barclays PLC, will serve until 31st December 2004, at which time Matthew W. Barrett will succeed him. Mr Barrett will be succeeded by John Varley as Group Chief Executive.

The Combined Code on Corporate Governance

The new Combined Code on Corporate Governance will apply for reporting years beginning on or after 1st November 2003. The Code will require an explanation in cases where an individual who previously was a Chief Executive Officer of a company is appointed Chairman of the Board. In Barclays case, this will be included in the Report and Accounts for 2003. However, I am writing to you today on behalf of the Board to provide an early explanation of our decision.

Background

Mr Barrett has been Group Chief Executive of Barclays PLC for four years having joined the Group in October 1999. During this time the strategy that has been put in place has produced strong results. Barclays is in the top quartile of its peers worldwide in terms of total shareholder return. It has performed significantly better than the average of FTSE 100 companies. In terms of market capitalisation, it is now a top ten bank globally. It has developed a powerful, cohesive management style and a strong control culture. Senior leaders have developed to the point where the Board had a wide choice of internal candidates to succeed Mr Barrett as Group Chief Executive.

The announcements of the new Chairman and Group Chief Executive were made well in advance so that the Group could ensure a smooth transition to both roles and implement the new organisation structure which was announced at the same time.

Process

The Board has conducted a thorough selection process. In the case of the Chairman, both external and internal candidates were considered. The Nominations Committee was, for this purpose, chaired by Sir Nigel Rudd. However, all the non-executive Directors, and eventually the whole Board, were involved.

Criteria

It is the obligation of the Board to appoint as Chairman the individual who, in its opinion, is best qualified to serve shareholders. The Board established a number of desirable characteristics to guide its search for a new Chairman. These included:

(a) Strong commitment to the creation of shareholder value and high standards of corporate governance.
(b) Experience of large multinational businesses.
(c) Ability to command the respect of Board members, shareholders, employees and other key stakeholders.
(d) Understanding of the role of Chairman, including an ability to bring a wider view to bear and work harmoniously with the new Group Chief Executive.
(e) Knowledge of the global financial services industry.

It is the Board s intention that the responsibilities of the Chairman and Group Chief Executive will be agreed and set out in writing as they are currently for myself and Mr Barrett. They will be consistent with both the existing roles and the best practice guidelines on the role of the Chairman attached to the new Combined Code.

Reasons for the Board s Decision

Mr Barrett emerged as the Board s unanimous choice, ahead of all other candidates, for the following reasons:

(a) Mr Barrett is an experienced international businessman. Prior to his service with Barclays, he served 37 years with the Bank of Montreal. He was Chief Executive Officer there for ten years. He has also served as a non-executive Director on the Boards of multinational companies, serving at various times as Chairman of Audit, Finance, Remuneration and Corporate Governance Committees.
(b) Mr Barrett s knowledge of the financial services industry is deep and broad. He brings a wide experience and perspective yet, when he retires as Group Chief Executive, he will have spent a relatively short part of his career with Barclays. The Board feels that there is much to be gained for the Group from his continued presence, as Chairman. There is no reason to believe that his objectivity will be affected as it might have been had his whole career been with Barclays.

(c) Mr Barrett is totally committed to shareholder value and is an inspirational leader for Barclays employees. Barclays results during his period of office speak for themselves.
(d) Mr Barrett was Chairman of the Bank of Montreal for nine years and therefore has long experience of managing a Board of a major institution. He fully understands UK corporate governance and the different roles played by Chairman and Chief Executive.
(e) The Board is confident that Mr Barrett will continue to have a productive and excellent relationship with John Varley, the new Group Chief Executive and other members of the Group executive. In particular, the Board feels that the new management team will continue to develop the business, bringing benefits to shareholders, customers, staff and the communities in which Barclays operates.

Senior Independent Director
The Board intends to appoint a Senior Independent non-executive Director in line with the new Combined Code during 2004.

Terms and Conditions
Mr Barrett s terms and conditions, including his remuneration, will be settled nearer to the time of his appointment and will be appropriate to the role of Chairman.

Consultation
We have kept major shareholders informed of the Barclays Board s developing thinking on succession issues, in line with the recommendations contained in the new Combined Code but I wanted to write to shareholders personally to explain how we have arrived at this important decision.

In conclusion, the Board is not complacent on Corporate Governance. As you will see in the following pages, the Board and its Committees have made continued strides to show Barclays as an exemplary organisation in the field of corporate governance. The Group will continue to play an active role in the ongoing debate on the development of corporate governance best practice, promoting greater openness and transparency rather than prescriptive regulation.

Sir Peter Middleton
Chairman

Board Structure
The Board consists of the Chairman, who has no executive responsibilities, eight non-executive Directors (all of whom are considered to be independent by the Board) and seven executive Directors, including the Group Chief Executive. Their biographical details are set out on pages 2 to 4. The roles and responsibilities of our Chairman and Group Chief Executive have been approved by the whole Board, and their roles are separate, well documented and understood. A summary of the relevant role is attached to each executive Director s service contract. All service contracts are available for inspection during office hours, on request, addressed to the Group Secretary.

Under the leadership of the Group Chief Executive, executive management is responsible to the Board for the implementation of the strategy and policies approved by the Board, making and implementing operational decisions and running the Group s businesses. Non-executive Directors, based on their breadth of knowledge and experience, challenge, monitor and approve the strategy and policies recommended by the executive.

In the 2002 Annual Report, we disclosed how we had adopted a formal system of annually evaluating the Board. During 2003, we have expanded the assessment process by requiring the Board Audit Committee to complete a similar questionnaire tailored to that Committee s function. A tailored questionnaire has been or will be sent to all of the other principal Board Committees during 2004 and then on an annual basis. The results of these assessments will be reported back to the Board, making recommendations for change. It is the responsibility of the Chairman to lead the non-executives in assessing the performance of the Group Chief Executive. The Board Remuneration Committee evaluates the performance of the Chairman. The Chairman also meets annually with each of the non-executives to discuss their performance as Directors during the year.

The Board meets regularly and has a formal schedule of matters reserved to it. All Directors have access to the services of the Group Secretary and his team. Independent professional advice is also available to all Directors at the Company s expense upon request.

Meetings of the Board are structured to allow and encourage open discussion and frank debate to ensure that non-executive Directors provide effective challenge to the executive. The Chairman meets privately with the non-executives prior to each Board meeting to brief non-executive Directors and to address any concerns they may have. In 2004, there will also be a meeting of the non-executive Directors without the Chairman being present, to meet the requirements of the revised Combined Code.

On appointment, non-executive Directors receive a comprehensive induction, including site visits and meetings with senior management, across the businesses and the Group Functions, to help them to build up quickly a detailed understanding of the Group. Where appropriate, additional training and updates on particular issues are arranged by the Group Secretary.

At each AGM, one-third of the Directors (rounded down) retire and offer themselves for re-election. In practice, this means that every Director stands for re-election at least once every three years. Any Directors appointed by the Board since the last AGM, or Directors who reach the age of 70, must also stand for re-election at the next AGM.

Our Directors diligently support the work of the Board and its Committees. During the year, eleven Board meetings were held which included a two-day meeting on the Group s European operations and a full day spent reviewing the Group s strategy. The attendance of individual Directors at Board meetings during 2003 is shown in the table below:

	Meetings Attended
Sir Peter Middleton	11/11
Matthew Barrett	11/11
David Arculus	10/11
Sir Richard Broadbent (appointed on 1st September 2003)	5/5
Hilary Cropper	7/11
Professor Dame Sandra Dawson (appointed on 1st March 2003)	10/11
Sir Brian Jenkins	11/11
Chris Lendrum	10/11
Sir Nigel Mobbs (retired on 24th April 2003)	2/2
Sir Nigel Rudd	11/11
Stephen Russell	11/11
John Stewart (resigned on 27th February 2003)	1/1
John Varley	11/11
Graham Wallace (resigned on 2nd April 2003)	1/2
Dr Jürgen Zech	8/11

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Combined Code Statement of Compliance
As a Company listed on the official list of the London Stock Exchange, Barclays is required to state how it has applied the principles in the United Kingdom Listing Authority s Combined Code on Corporate Governance or, where these have not been applied, to provide an explanation accordingly.

For the year ended 31st December 2003, Barclays complied with the existing Combined Code save for the formal appointment of a Senior Independent Director. As set out in our letter to shareholders on 6th November 2003, making such an appointment is a priority for the Board during 2004. However, the Group has in Sir Brian Jenkins a Deputy Chairman and independent non-executive Director who is available as a point of contact for shareholders if required.

The Board annually reviews the independence of its non-executive Directors, taking into account developing best practice and regulation. For 2003, the Board has determined that all the non-executive Directors are independent under the existing Combined Code and after taking into account all the independence factors outlined in the revised Combined Code. There is a strategic alliance between Barclaycard and Xansa, of which Hilary Cropper was, until recently, Chairman. Mrs Cropper has not, and will not, participate in discussions relating to this alliance at Barclays Board meetings. Mrs Cropper also refrained from discussing and voting on the alliance at meetings of the Xansa Board. Mrs Cropper is no longer a Director of Xansa although she is now Honorary President. Having considered the matter carefully, the Board has concluded that Hilary Cropper remains independent for these purposes under the existing and the revised Combined Codes and demonstrates her independence at every Board meeting.

Although the standards in the revised Combined Code will only apply to the Group from the 2004 financial year, Barclays has used its best endeavours to comply with it so far as possible. The Board s view is that the Group already complies with the principles set out in the revised Code. However, work will be done in the coming year to ensure compliance with the specific provisions, principally the appointment of a senior independent non-executive Director and a non-executive Director with recent and relevant financial experience to serve on the Board Audit Committee.

Board Committees
Specific responsibilities have been delegated to Board committees. All Board Committees have access to independent expert advice at the Group s expense and, as explained above, are or will be subject to an annual self-assessment, the results of which are or will be reported to the Board. The terms of reference for the principal Board committees are also available on request from the Group Secretary. The four principal Board committees are:

Board Audit Committee
Chairman s Statement
The Board Audit Committee has continued to play an important role in reviewing the Group s controls and financial reporting systems. Its role is becoming increasingly complex and high profile given the focus on the work of audit committees over the last two years. Barclays is fully committed to ensuring its Board Audit Committee fulfils its new duties and responsibilities effectively.

The Committee is made up entirely of independent non-executive Directors. While the Committee has collectively the skills and experience required to fully discharge its duties, and has access to independent expert advice at the Group s expense, the Board has determined that no

single member is a financial expert , as defined by the US Sarbanes-Oxley Act 2002, or fully meets the requirements of the revised Combined Code in respect of recent and relevant financial experience . The appointment to the Board and to the Board Audit Committee of an individual who meets both tests is a priority for the Board in 2004. However, Sir Brian Jenkins, a member of the Committee, is a chartered accountant and an ex-senior partner of Coopers & Lybrand.

Members of the Committee during 2003, together with a record of their attendance at Committee meetings, are set out below:

	Meetings Attended
Stephen Russell, Chairman	5/5
Sir Brian Jenkins	5/5
Dr Jürgen Zech (appointed on 11th February 2003)	3/4
Professor Dame Sandra Dawson (appointed on 1st August 2003)	1/2
Sir Nigel Mobbs (until 24th April 2003)	2/2

During 2003, the Committee has met five times, with the Group s senior management, the internal audit team and the external auditors, PricewaterhouseCoopers LLP. In preparing for each of these meetings I also held discussions with each of them to ensure that the meetings of the Committee were as effective as possible. The Committee also met privately with the external and internal auditors after each Committee meeting and at other times, where appropriate.

The Committee is responsible for approving and reviewing the appointment and retirement of the external auditors, as well as overseeing their relationship with the Group. This includes conducting an annual review of the independence and effectiveness of the external auditors and the recommendation to the Board as to the level of fees to be paid to the external auditors.

During the course of the year, the Committee reviewed and approved a comprehensive and robust policy to regulate the Group s use of the external auditors for non-audit services. The policy sets out in detail what services may or may not be provided to the Group by the external auditors. The Committee must approve individual assignments which are not pre-approved or which exceed a certain value and sets aside time at each Committee meeting to discuss the external auditors independence, the level of non-audit fees being paid to them and the types of services being provided by them, including a summary of all assignments preapproved since the last meeting. In addition, the Committee has approved a Code of Ethics applicable to the Group Chief Executive and the Group s senior financial officers.

The responsibility for ensuring that management maintain an effective system of internal control and for reviewing its effectiveness rests with the Board. The Group Chief Executive and the Group Executive Committee is responsible for the management of risk and the Group Governance and Control Committee is responsible for monitoring the Group s assurance process and the risk governance framework to ensure that it is complete and effective. The Board Audit Committee reviews the effectiveness of risk management standards and reviews reports on control issues of Group level significance.

The Committee has a pivotal role in reviewing the Group s annual and interim financial statements, including the effectiveness of the Group s disclosure controls and procedures and systems of internal control. The remit of the Committee also extends to reviewing the work undertaken by the internal audit team and reports produced by senior management on control issues, reporting its findings to the Board as appropriate.

Corporate Governance
Corporate Governance Report

The Committee reviews arrangements established by management for compliance with the requirements of the Group s regulators and receives reports on the effectiveness of the Group s whistleblowing arrangements as well as reports on specific instances of whistleblowing. This year, the Committee has also reviewed a report on the implementation of International Financial Reporting Standards.

The Committee strives to ensure that it keeps abreast of all material developments in regulation and best practice affecting the work within its remit. The Committee has in place procedures to ensure that it receives regular briefings on such issues as well as training, where appropriate.

Stephen Russell
Board Audit Committee Chairman

Board Remuneration Committee
The members of the Committee during 2003, together with a record of their attendance at Committee meetings, are set out below:

	Meetings Attended
Sir Nigel Rudd, Chairman	5/5
David Arculus	5/5
Sir Brian Jenkins	5/5
Graham Wallace (until 2nd April 2003)	1/1
Sir Nigel Mobbs (until 24th April 2003)	2/2

The Board Remuneration Committee meets at least four times a year to consider matters relating to executive remuneration including policy for executive Directors and senior executives remuneration, including bonus payments. The Committee also meets to approve changes to employee benefits schemes and long-term incentive schemes. Further details of the work of the Committee are set out in Barclays Report on Remuneration on pages 11 to 22.

Board Nominations Committee
The members of the Committee during 2003, together with a record of their attendance at Committee meetings, are set out below:

	Meetings Attended
Sir Peter Middleton, Chairman	1/1
David Arculus	1/1
Sir Brian Jenkins	1/1
Sir Nigel Rudd	1/1
Graham Wallace (until 2nd April 2003)	0/0
Sir Nigel Mobbs (until 24th April 2003)	0/0

Secretary: Lawrence Dickinson

The Board Nominations Committee meets formally at least once a year to consider matters relating to the composition of the Board, the appointment of new Directors (making recommendations to the Board as appropriate) and succession planning for senior management positions. The Committee is chaired by the Chairman of the Board, except when the Committee is considering the succession of the Chairman, in which case the Committee is chaired by Sir Nigel Rudd. During the course of the year, Sir Nigel led the search for Sir Peter Middleton s successor. Due to the importance that the Board placed on the succession, the decision was made to invite all non-executive Directors to additional meetings which considered the Chairman s and Group Chief Executive s succession rather than just the Committee members set out above. In addition to the meetings described above, the non-executive Directors met prior to Board meetings and throughout the year to review both the Chair and the Group Chief Executive succession arrangements. New non-executive Director appointments were also considered at these meetings with support provided by external search consultants.

Board Risk Committee

The members of the Committee during 2003, together with a record of their attendance at Committee meetings, are set out below:

	Meetings Attended
Sir Peter Middleton, Chairman	4/4
Sir Brian Jenkins	4/4
Stephen Russell	4/4
Hilary Cropper (appointed on 11th February 2003)	3/4
John Varley (until 5th February 2004)	3/4

The Board Risk Committee meets at least four times a year to approve and, together with the Group Governance and Control Committee, review on an annual basis the Group s Governance Principles. These principles flow from the Group s belief that best practice governance, controls and compliance are essential for maximising shareholder value, the Group s governing objective. The Committee also approves Standards for the Group s risk control framework, including appropriate risk identification and measurement processes and efficient control mechanisms, delegating authority to the Director of Group Risk to approve minor revisions to the Standards in between meetings of the Committee.

As well as agreeing the overall risk appetite and risk profile for the Group, the Committee receives and reviews reports that assess the nature and extent of risks facing the Group, including Executive Management s assessments of:

- the likelihood of the risks concerned materialising, and
- the completeness of the Group s system of internal controls to manage those risks.

The Committee is also responsible for approving certain policy statements required by the Financial Services Authority. An overview of the Group s risk management and control framework can be found on page 25.

Relations with Shareholders

Barclays has a proactive approach to its institutional and private shareholders, totalling around 877,000. In the UK, senior executives hold meetings with our key institutional shareholders to discuss strategy, financial performance and investment activities. Throughout Europe and in the US, we arrange road shows about the Group for key investors. In addition, the Chairman meets regularly with investor bodies and investors to discuss the Group s approach to corporate governance issues.

The Group aims to provide a first class service to private shareholders to help them in the effective and efficient management of their shareholding in Barclays. Last year we described the introduction of Barclays e-view, the service that enables shareholders to receive shareholder documents electronically. It also gives shareholders immediate access to information relating to their personal shareholding and dividend history. Following the change of Share Registrar in November 2003 to Lloyds TSB Registrars, e-view is now a more comprehensive service and participants can now change their details and dividend mandates online. In addition, dividend tax vouchers are now available online for e-view members.

Our policy is to make constructive use of the AGM. All Directors and, in particular, the chairmen of the Board Audit and Board Remuneration committees and those Directors standing for re-election, are encouraged to attend the AGM and to be available to answer shareholders   questions. Normally, all resolutions are voted on a poll to ensure that the views of all shareholders are reflected proportionately.

Barclays Report on Remuneration

Statement from the Chairman of the Board Remuneration Committee (the Committee)
The primary purpose of the Committee is to determine the Group s policy on the remuneration of executive Directors and their specific remuneration packages. The Committee is made up exclusively of non-executive Directors.

This report describes the current components of the remuneration policy and details the remuneration for each person who served as a Director during 2003.

Barclays emphasis on reward for performance, and alignment with shareholders interests, is illustrated by the following points:

Executive Directors bonuses for 2003 reflect strong corporate performance for the year. Group profit before tax and Group economic profit[1] are 20% and 15% higher than in 2002. The Committee compares Barclays total shareholder return with a peer group of eleven other major banks, and also against the FTSE 100 Index. Barclays total shareholder return (TSR) for 2003 was 37%, which was higher than both the average for the peer group and the FTSE 100 Index. 2003 was also the end of a four-year performance cycle, a period during which the primary goal was to deliver top quartile TSR relative to peers. Barclays met this goal, being ranked third of twelve major banks with a TSR of 31%, which was almost double the 16% average of the peer group.

The main performance condition for executive Directors in the Incentive Share Option Plan is TSR relative to a peer group of eleven other major banks. This performance condition is very challenging. The maximum number of shares under option vests only if Barclays is ranked first in this peer group. The 2000 grant under the ISOP vested in 2003. Although Barclays was ranked third of the twelve banks and therefore in the top quartile, this performance was sufficient only for 50% of the maximum number of shares under the TSR condition to vest. The other 50% lapsed.

As shown in the table on page 22, the executive Directors each have a personal interest in Barclays shares, through shares they own, and shares and options held in employee share plans on their behalf. A significant percentage of annual bonus was delivered in Barclays shares and payment of the shares element was deferred for at least three years.

The Committee unanimously recommend that you vote in favour of this report at the AGM.

Sir Nigel Rudd
Board Remuneration Committee Chairman

Notes

1 Economic profit (EP) is defined as profit after tax and minority interests plus certain gains (and losses) reported within the statement of total recognised gains and losses where they arise from the Group s business activities and are in respect of transactions with third parties, less a charge for the cost of average shareholders funds (which includes purchased goodwill).

2 Towers Perrin and Mercer have given their written consent to the inclusion of references to their names in the form and context in which they appear.

Board Remuneration Committee Members

The Committee comprised the following independent non-executive Directors:

Sir Nigel Rudd, Chairman
David Arculus
Sir Brian Jenkins
Sir Nigel Mobbs[(a)]
Graham Wallace[(b)]

Notes

(a) Sir Nigel Mobbs retired from the Board on 24th April 2003.

(b) Graham Wallace resigned from the Board on 2nd April 2003.

The Committee members are independent of management and free from any business or other relationship which could materially affect the exercise of their independent judgement.

The constitution and operation of the Committee comply with the Best Practice Provisions on Directors Remuneration in the Combined Code adopted by the UK Listing Authority.

Advisers to the Committee

The Committee has access to executive remuneration consultants to ensure that it receives the best independent advice. The selection of advisers is entirely at the discretion of the Committee Chairman. Advisers are appointed by the Committee for specific pieces of work, as necessary, and are required to disclose any potential conflict of interest to the Committee.

Towers Perrin and Mercer[2] advised the Committee on latest developments in market compensation. Both companies have advised the Company on other human resource related issues including advice in such areas as employee reward, pensions and employee communication. In addition, Towers Perrin gave actuarial and other advice to the Barclays UK life assurance companies.

The Chairman of the Board, Group Chief Executive and Group Human Resources Director also advise the Committee, but are not permitted to participate in discussions or decisions relating to their own remuneration. The Group Human Resources Director is responsible for personnel within Barclays, is not a Board Director, and is not appointed by the Committee.

Our Remuneration Policy

We are committed to using reward to support a performance-oriented culture. Executive Directors can expect outstanding reward if performance is outstanding. This philosophy applies to reward policies and practices for all employees in the Group. The Committee considers reward levels across the Group when determining remuneration for executive Directors.

The remuneration policy is:

- to align the interests of executive Directors with those of the shareholders to create value;

to recognise excellent performance of the Group, business and individual;
to encourage the right behaviours to achieve excellent performance;
that reward is to be commercially competitive; and
that reward is to be transparent, well communicated and easily understood.

Corporate Governance
Barclays Report on Remuneration

Barclays reward programmes are designed to support and facilitate generation of TSR. The graph below shows the TSR for the FTSE 100 Index and Barclays since 31st December 1998. The FTSE 100 is the index of the hundred largest UK quoted companies by market capitalisation. It is a widely recognised performance comparison for large UK companies. It shows that, by the end of 2003, a hypothetical £100 invested in Barclays on 31st December 1998 would have generated a total return of £82, compared with a loss of £13 if invested in the FTSE 100 Index. Barclays therefore significantly outperformed the FTSE 100 for this period.

Total Shareholder Return

Note
The Directors Remuneration Report Regulations require that the graph shows TSR for the five years ending with the relevant financial year.

The Reward Package for Executive Directors
The reward package for the executive Directors and other senior executives comprises:

- base salary;
- annual bonus including the Executive Share Award Scheme (ESAS);
- the Incentive Share Option Plan (ISOP); and
- pension and other benefits.

The Committee reviews the elements of the reward package relative to the practice of other comparable organisations.

The sections that follow explain how each of the elements of remuneration listed above is structured. Each part of the package is important and has a specific role in achieving the aims of the remuneration policy. The combined potential earnings from bonus and ISOP outweigh the other elements, and are subject to performance conditions, thereby placing a large proportion of total reward at risk. The component parts for each Director are detailed in tables accompanying this Report.

Base Salary
This is a fixed cash sum, payable monthly. The Committee reviews salaries each year as part of the total reward package, recognising market levels and individual contribution.

Annual Bonus Including Executive Share Award Scheme (ESAS)
The annual bonus for executive Directors is linked to Group economic profit performance and individual performance. Cash bonuses for executive Directors who were on the Board during 2003 were 174% of base salary at 31st December 2003 for the Group Chief Executive, and between 90% and 103% of base salary for the other executive Directors. Up to 75% of any bonus award is normally paid as cash and the balance as a mandatory award of shares under ESAS (see page 18 for details), which must be held for at least three years.

Incentive Share Option Plan (ISOP)
The ISOP is designed to provide the opportunity for individuals to receive rewards for creating sustained shareholder value growth. Participants are granted options over Barclays PLC ordinary shares, which are normally exercisable after three years at the market price at the time of grant. The number of shares over which options can be exercised

depends upon Barclays performance against specific targets. In establishing the performance targets, the Committee has sought to encourage excellent business performance. The two measures of performance used for the 2003 grant were EP growth and relative TSR. These are both good measures of the value created for shareholders. EP is used as a key internal value creation metric.

The Committee agrees a level of ISOP award for each executive Director taking account of market practice for comparable positions and performance. For the 2003 ISOP grant, a proportion of the award for executive Directors was subject to the EP measure and a proportion to the TSR measure.

1. Growth in Economic Profit
This measure encourages both profitable growth and the efficient use of capital.

If cumulative EP is above the target range at the end of the three-year performance period, options over double the number of target award shares will become exercisable. If cumulative EP is below the target range at the end of the three-year performance period, options over half of the target award shares will become exercisable. Where EP is below the three-year cumulative EP for the previous three years, the options lapse. This is described, for the 2003 awards, in the following table.

EP ranges for 2003 grant of ISOP for performance period 2003 to 2005[(a)]

Performance Achieved	Number of shares under option that become exercisable
Above the Target range (i.e. the 3-year cumulative EP for the performance period is above £5,200m)	2 x Target Award
In the Target range (i.e. the 3-year cumulative EP for the performance period is between £3,900m and £5,200m)	1 x Target Award
Below the Target range (i.e. the 3-year cumulative EP for the performance period is below £3,900m)	0.5 x Target Award
EP growth is not positive (i.e. the 3-year cumulative EP for the performance period is not more than the cumulative EP for the previous 3-year period)	Zero

Note

(a) EP for 2003, the first year of the 3-year performance period was £1,420m.

For the 2000 grant of ISOP, which vested during 2003, the outcome of the EP performance condition was above target, which provided a vesting of 2 x target award.

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2. Total Shareholder Return
A proportion of the shares under option are subject to a separate performance condition based on TSR measured against a financial services peer group approved by the Committee. This peer group comprises eleven other UK and international financial institutions that have been chosen to reflect Barclays business mix. For the performance period 2003 to 2005, the 2003 peer group is Abbey, ABN Amro, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HBOS, HSBC, Lloyds TSB, Royal Bank of Scotland and Standard Chartered.

If Barclays is ranked first, second or third in the peer group, then the options will become exercisable over quadruple, triple or double the target award shares, respectively. If Barclays is ranked fourth, fifth or sixth in the peer group, the options will become exercisable over the target award shares. However, if Barclays is ranked below sixth after three years, there will be a re-test on the fourth anniversary, over the full four-year period. If Barclays is not ranked sixth or higher after four years, the options will lapse.

The method for measuring relative performance is shown in the table that follows, together with the multiple of target award.

Performance achieved in the TSR ranking scale out of 12 financial institutions including Barclays	Number of shares under option that become exercisable[(a)]
1st place	4 x Target Award
2nd place	3 x Target Award
3rd place	2 x Target Award
4th 6th place	1 x Target Award
7th 12th place	Zero

Note

(a) Under the TSR condition, the ability to exercise is also subject to the condition that EP for the three-year performance period is greater than the previous performance period.

For the 2000 grant of ISOP which vested during 2003, Barclays relative TSR performance ranking was third, which provided a vesting of 2 x target award. Therefore, 50% of the options granted, that would have vested had Barclays been ranked first, lapsed.

Options must normally be held for three years before they can be exercised and lapse ten years after grant if not exercised.

Sharesave
All eligible employees including executive Directors have the opportunity to participate in Barclays Sharesave Scheme. Sharesave is an Inland Revenue approved all-employee share plan. The Inland Revenue does not permit performance conditions to be attached to the exercise of options. Under the plan, participants are granted options over Barclays PLC ordinary shares. Each participant may save up to £250 per month to purchase Barclays shares at a discount. For the 2003 grant, the discount was 20% of the market value at the time the option was granted.

Share Incentive Plan
The Share Incentive Plan was introduced in January 2002. It is an Inland Revenue approved all-employee share plan. The plan is open to all eligible UK employees including executive Directors. Under the plan, participants are able to purchase up to £125 worth of Barclays PLC ordinary shares each month, which, if kept in trust for five years, can be withdrawn from the plan tax-free. Any shares in the plan will earn dividends in the form of additional shares, which must normally be held by the trustee for three years before being eligible for release.

Pensions

A pension is payable on retirement at contractual retirement date (normally 60), and is calculated either by reference to an executive Director s length of service and pensionable salary or to a money purchase arrangement, depending upon date of hire. Matthew Barrett is not a member of the Group s main pension schemes. A notional fund is accruing on his behalf outside the pension scheme (see page 16 for further details).

Service Contracts

The Group has service contracts with its Chairman, executive Directors and senior executives[1]. The effective dates of the contracts for the Chairman and executive Directors who served during 2003 are shown in the table below. Non-executive Directors do not have service contracts. The service contracts do not have a fixed term but provide for a notice period from the Group of one year and normally for retirement at age 60[2]. The Committee s policy is that executive Directors contracts should allow for termination with contractual notice from the Company, except in circumstances of gross misconduct when notice is not given. The Committee s approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations and share scheme rules.

	Effective date of contract	Notice period	Normal retirement date	Potential compensation for loss of office
Sir Peter Middleton[3]	1st May 1999	1 year	n/a	1 year s contractual remuneration
MW Barrett	1st Jan 2002	1 year	19th Sep 2009	"
CJ Lendrum	15th Jun 1992	1 year	14th Jan 2007	"
JS Varley	1st Jan 2004	1 year	31st Mar 2016	"

In the Barclays report on remuneration for 2002, we reported that, exceptionally, Mr Barrett s contract provided for a pre-determined payment of twice annual remuneration if his contract was terminated following a change of control of Barclays. This provision will be voluntarily removed from Mr Barrett s contract with effect from 15th March 2004.

1 Details of executive Directors standing for re-election at the 2004 AGM are set out on page 5.

2 Mr Barrett s contract provides for normal retirement at age 65.

3 Sir Peter Middleton s service contract does not provide for a retirement date.

Corporate Governance
Barclays Report on Remuneration

Non-executive Directors
The Board determines the fees of non-executive Directors. The Board s policy is that fees should reflect individual responsibilities and membership of Board Committees.

Barclays encourages its non-executive Directors to build up a holding in the Company s shares. £20,000 of their basic Director s fee is used to buy shares in the Company for each non-executive Director. These shares, together with reinvested dividends, are retained on behalf of the non-executive Directors until they retire from the Board. They are included in the table of Directors interests in ordinary shares of Barclays PLC on page 22. Non-executive Directors do not receive awards in share schemes for employees.

For each non-executive Director, the effective date of their letter of appointment, notice period and the Group s liability in the event of early termination are shown in the table below:

	Effective date of letter of appointment	Notice period	Group liability in the event of early termination
TDG Arculus	1st Feb 1997	6 months	6 months' fees
Sir Richard Broadbent	1st Sep 2003	"	"
HM Cropper	1st Jun 1998	"	"
Professor Dame Sandra Dawson	1st Mar 2003	"	"
Sir Brian Jenkins	25th Oct 2000	"	"
Sir Nigel Rudd	1st Feb 1996	"	"
SG Russell	25th Oct 2000	"	"
Dr Jürgen Zech	30th Jul 2002	"	"

Each appointment is for an initial six-year term, renewable for one term of three years thereafter.

Details of non-executive Directors standing for re-election at the 2004 AGM are set out on page 5.

The performance of each non-executive Director is reviewed annually by the Chairman, and at the end of the initial term.

Forward Looking Statement
The Committee will keep the existing remuneration arrangements, as detailed in this Report, under review during 2004 and ensure that Barclays reward programmes remain competitive and provide appropriate incentive for performance. As usual, there will be individual reviews of base salary, annual bonus (including ESAS) and ISOP awards. As we informed shareholders in 2000, Barclays will review the ISOP after five years to consider whether it still meets the Group s business needs.

2003 Annual Remuneration[a]

	Salary and fees £000	Compen-sation for loss of office £000	Benefits[b] £000	Annual cash bonus £000	2003 Total £000	2002 Total £000	Executive Share Award Scheme ESAS[c] 2003 £000	Executive Share Award Scheme ESAS[c] 2002 £000
Chairman								
Sir Peter Middleton[d]	**550**		**16**		**566**	528		
Executive Directors								
MW Barrett	**1,100**		**69**	**1,919**	**3,088**	1,697	**831**	223
CJ Lendrum	**419**		**10**	**439**	**868**	560		65
JS Varley	**471**		**9**	**425**	**905**	668	**184**	86
Former Director								
JM Stewart[e]	**278**	**257**	**6**		**541**	1,602		
Non-executive Directors[f]								
TDG Arculus	**58**				**58**	52		
Sir Richard Broadbent[g]	**17**				**17**			
HM Cropper	**57**				**57**	52		
Professor Dame Sandra Dawson[h]	**44**				**44**			
Sir Brian Jenkins	**144**				**144**	100		
Sir Nigel Rudd	**62**				**62**	57		
SG Russell	**77**				**77**	58		
Dr Jürgen Zech	**57**				**57**	21		
Former Directors								
Sir Nigel Mobbs[i]	**26**				**26**	79		
Graham Wallace[j]	**19**				**19**	52		

Notes

(a) Emoluments include amounts, if any, payable by subsidiary undertakings and by other companies where services are undertaken at the Group s request.

(b)

The Chairman and executive Directors receive benefits in kind, which may include life cover, the use of a company owned vehicle, or cash equivalent, and medical insurance, on similar terms to other senior executives.

(c) The amounts shown for ESAS 2003 represent payments which are expected to be made by the trustee to fund the provisional allocation of shares in 2004, including a maximum potential 30% bonus share element, which is added to the award in two parts: 20% after 3 years, 10% after 5 years.

(d) Sir Peter Middleton received pension payments through the Barclays Bank UK Retirement Fund for 2003 of £73,000 (2002: £72,000). Details of the payments are not included in the table above since this is a pension in payment relating to his Barclays service prior to becoming Chairman.

(e) John Stewart ceased to be a Director with effect from 27th February 2003. After ceasing to be a Director, he remained an employee of Barclays until 7th August 2003. In accordance with his contract of employment, on 7th August he received a payment of base salary for the balance of his 12-month notice period ending 26th February 2004. All other benefits, including pension accrual ceased on 7th August 2003.

(f) Fees to non-executive Directors include an amount of not less than £20,000 which, after tax, is used to buy Barclays PLC ordinary shares for each non-executive Director. Further details are provided on page 14.

(g) Sir Richard Broadbent was appointed as a non-executive Director on 1st September 2003.

(h) Professor Dame Sandra Dawson was appointed as a non-executive Director on 1st March 2003.

(i) Sir Nigel Mobbs retired from the Board on 24th April 2003.

(j) Graham Wallace resigned from the Board on 2nd April 2003.

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Executive Directors annual pension accrued assuming retirement at contractual age[e][f]

	Age at 31st December 2003	Years of service	Accrued pension at 31st December 2002 £000	**Pension accrued during 2003 (including increase for inflation) £000**[(a)]	**Accrued pension at 31st December 2003 £000**	Transfer value of accrued pension at 31st December 2002 £000	**Transfer value of accrued pension at 31st December 2003 £000**	**Increase in transfer value during the year £000**	**Other contributions made in 2003 £000**
Executive									
MW Barrett[(b)]	59	4							**990**
CJ Lendrum[(c)]	56	34	238	**19**	**257**	3,415	**4,069**	**654**	
JS Varley[(c)]	47	21	167	**14**	**181**	1,693	**2,177**	**484**	
Former Director									
JM Stewart(d)	54	26	245	**9**	**254**	3,218	**3,845**	**627**	

Notes

(a) Pension accrued during the year represents the increase in accrued pension (including inflation at the prescribed rate of 2.8%) which occurred during the entire year. All pensions are reviewed annually, with a guaranteed increase in line with retail price inflation, up to a maximum of 5%.

(b) Matthew Barrett is not a member of the Group s main pension schemes. A notional fund is accruing on his behalf outside the pension scheme. In the event of Mr Barrett s death before retirement, a capital sum of up to four times salary would be payable.

(c) The Group has a closed non-contributory pension scheme, which provides that, in the case of death before retirement, a capital sum of up to four times salary is payable together with a spouse s pension of approximately 50% of the member s prospective pension at retirement. For death in retirement, a spouse s pension of approximately 50% of the member s pre-commutation pension is payable. If a member, granted a deferred pension, dies before their pension becomes payable, their widow/widower will immediately be paid a pension of 50% of their deferred pension. In all circumstances, children s allowances are payable, usually up to the age of 18. Enhanced benefits are payable if a member is unable to continue to work as a result of serious ill health. Chris Lendrum and John Varley are members of the closed non-contributory pension scheme and are entitled to enhanced benefits that will give them two-thirds of their pensionable salary at age 60.

(d) John Stewart ceased to be a Director with effect from 27th February 2003. After ceasing to be a Director, he remained an employee of Barclays until 7th August 2003. He was entitled to a pension of two-thirds of pensionable salary if he served to age 60. He retired early on 7th August 2003 and his accrued pension benefit, detailed in the table above, based on actual service, became a pension in payment from 8th August 2003. The pension in payment is reviewed annually in line with retail price inflation, subject to a minimum of 3% and a maximum of 5%.

(e) The accrued pension amounts at the end of the year for Mr Lendrum and Mr Varley are the values if the Director left service on that date.

(f) The transfer values have been calculated in a manner consistent with Retirement Benefit Schemes Transfer Values (GNII) published by the Institute of Actuaries and the Faculty of Actuaries.

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Current executive Directors: illustration of change in value of shares owned beneficially, or held under option or award under employee share plans during the year[(a)]

	Number at 31st December 2003								
	Shares owned beneficially(b)	**Executive Share Award Scheme**	**Executive Share Option Scheme**	**Incentive Share Option Plan(c)**	**Sharesave**	**Total**	Notional value based on share price of £3.85(d) £000	Notional value based on share price of £4.98(e) £000	Change in notional value £000
Executive									
MW Barrett	**277,656**	**245,949**	**766,628**	**2,852,000**	**2,479**	**4,144,712**	2,016	3,585	1,569
CJ Lendrum	**224,456**	**100,532**		**576,000**	**2,714**	**903,702**	1,323	2,062	739
JS Varley	**303,735**	**139,838**		**600,000**	**4,096**	**1,047,669**	1,778	2,678	900

Notes

(a) The register of Directors interests, which shows full details of Directors current share awards and options, is available for public inspection at the Group s Head office in London.

(b) The number shown includes shares held under the Profit Sharing Scheme and the Share Incentive Plan.

(c) The number of shares shown represent the target award shares under option, or the actual number of shares under option if the award has vested.

(d) The value is based on the share price as at 31st December 2002. The notional value of shares under option under the Incentive Share Option Plan (ISOP), Executive Share Option Scheme (ESOS) and Sharesave have been set at zero where the market price at 31st December 2002 is lower than the exercise price per share.

(e) The value is based on the share price as at 31st December 2003. The notional value of shares under option under ISOP, ESOS and Sharesave have been set at zero where the market price at 31st December 2003 is lower than the exercise price per share.

Market price per share at 31st December 2003 was 498p. The highest and lowest market prices per share during the year were 527p and 311p respectively.

Under the Executive Share Award Scheme (ESAS), ISOP and ESOS, nothing was paid by these participants on the grant of options.

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Executive Directors: shares provisionally allocated and shares under option under Executive Share Award Scheme (ESAS)[a]

	Number at 1st January 2003	During 2003: Awarded in respect of the results for 2002	During 2003: Released[b]	Market price at release date £	Number at 31st December 2003	Nil cost option granted at 3rd anniversary[c]	Date from which exercisable	Latest expiry date	Awarded in 2004 in respect of the results for 2003[d]
Executive									
MW Barrett	**185,724**	**60,225**			**245,949**	66,932	21/2/03	20/2/05	169,327
CJ Lendrum	**91,164**	**17,520**	**8,152**	**3.80**	**100,532**	37,060	26/2/02	20/2/05	
JS Varley	**195,704**	**23,214**	**79,080**	**3.80**	**139,838**	62,304	26/2/02	20/2/05	37,493
Former Director									
JM Stewart[e]	**25,940**				**25,940**				

Notes

(a) The size of any award under ESAS is subject to the same Group and individual performance criteria as the annual bonus. Awards under ESAS are granted in the form of provisional allocations over Barclays PLC ordinary shares, which do not give rise to any entitlement to these shares. Normally, the trustees will permit the executive to call for the shares from the end of the third year from grant of an award by granting a right to acquire shares (a nil cost option) exercisable for two years. As this nil cost option is part of the structure of an ESAS award described above, which is a deferred share award scheme, it would not be appropriate to attach a performance condition to the exercise of options. If the right is not exercised, the trustees may at the end of the fifth year release all of the shares, including bonus shares equal to 30% of the basic award. If the right is exercised, an executive may lose the opportunity of receiving one-third of the bonus shares. The number of shares shown in the table includes the bonus shares.

(b) The trustees may release additional shares to participants which represent accumulated net dividends in respect of shares under award. During 2003, the trustees released the following accumulated dividend shares 1,456 to Chris Lendrum and 14,121 to John Varley. These are not awarded as part of the original award and consequently are not included in the Released column.

(c)

The shares under option shown in this column are already included in the numbers shown at 1st January 2003 and relate to provisional allocations made in 1999 and 2000 except that the figures do not include accumulated dividend shares under option as follows: 4,779 shares for Matthew Barrett, 2,636 shares for Chris Lendrum and 4,426 shares for John Varley. Under ESAS, a participant pays £1 to exercise an option, irrespective of the number of shares involved. No options were either exercised or lapsed during the year.

(d) The awards in respect of 2003 were made in February 2004. The shares awarded represent shares purchased by the trustees after 16th February 2004 at £4.91 in respect of a recommendation by the Company for an award, including a maximum potential 30% bonus shares, of £831,395 to Matthew Barrett and £184,092 to John Varley.

(e) John Stewart ceased to be a Director with effect from 27th February 2003.

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Executive Directors: shares under option under Incentive Share Option Plan (ISOP)[(a)(b)(f)]

	Number held as at 1st January 2003		During the year[(c)] Granted		During the year[(c)] Lapsed		Number held as at 31st December 2003					
	Target Award Shares 000	**Maximum number over which potentially exercisable 000**	**Target Award Shares 000**	**Maximum number over which potentially exercisable 000**	**Target Award Shares 000**	**Maximum number over which potentially exercisable 000**	**Target Award Shares 000**	**Maximum number over which potentially exercisable 000**	Shares due to vest in 2004[(d)]	Exercise price per share £	Date from which exercisable	Expiry date
MW Barrett												
2002												
EP	40	80					40	80		5.20	20/03/05	19/03/12
TSR	1,960	7,840					1,960	7,840		5.20	20/03/05	19/03/12
2001												
EP	40	80					40	80	20	5.34	12/03/04	11/03/11
TSR	300	1,200					300	1,200	300	5.34	12/03/04	11/03/11
2000												
EP	40	80						80		3.90	18/05/03	17/05/10
TSR	216	864				432		432		3.90	18/05/03	17/05/10
CJ Lendrum												
2003												
EP			**40**	**80**			**40**	**80**		**3.26**	**14/3/06**	**13/3/13**
TSR			**80**	**320**			**80**	**320**		**3.26**	**14/3/06**	**13/3/13**
2002												
EP	40	80					40	80		5.20	20/03/05	19/03/12
TSR	80	320					80	320		5.20	20/03/05	19/03/12
2001												
EP	40	80					40	80	20	5.34	12/03/04	11/03/11
TSR	80	320					80	320	80	5.34	12/03/04	11/03/11
2000												
EP	40	80						80		3.90	18/05/03	17/05/10
TSR	68	272				136		136		3.90	18/05/03	17/05/10
JS Varley												
2003												
EP			**40**	**80**			**40**	**80**		**3.26**	**14/3/06**	**13/3/13**
TSR			**80**	**320**			**80**	**320**		**3.26**	**14/3/06**	**13/3/13**

2002									
EP	40	80		40	80		5.20	20/03/05	19/03/12
TSR	80	320		80	320		5.20	20/03/05	19/03/12
2001									
EP	40	80		40	80	20	5.34	12/03/04	11/03/11
TSR	80	320		80	320	80	5.34	12/03/04	11/03/11
2000									
EP	40	80			80		3.90	18/05/03	17/05/10
TSR	80	320	160		160		3.90	18/05/03	17/05/10

Former Director									
JM Stewart[(e)]									
2002									
EP	40	80		40	80		5.20	20/03/05	19/03/12
TSR	80	320		80	320		5.20	20/03/05	19/03/12
2001									
EP	40	80		40	80	20	5.34	12/03/04	11/03/11
TSR	80	320		80	320	80	5.34	12/03/04	11/03/11

Notes

(a) The Register of Directors interests, which shows full details of Directors current share awards and options, is available for inspection at the Group s Head office in London.

(b) For details of the performance targets which must be satisfied for options to become exercisable and the extent to which options will become exercisable see pages 12 and 13.

(c) As there were no options exercised during the year, the table does not show the market price on the exercise date.

(d) The 2001 grant is due to vest on 12th March 2004. The number of shares due to vest represents the number over which an option may be exercised after the third anniversary from grant, as determined by the Committee in respect of the performance conditions attached to the options originally set at the time of the grant of the option. The shares under option that are not due to vest will lapse. The result of the economic profit performance against the target has resulted in half the Target Award vesting. The result of the relative TSR performance target against the comparator group of companies placed Barclays in 4th position for the 2001 to 2003 performance period with a vesting multiplier of one times the Target Award.

(e) John Stewart ceased to be a Director with effect from 27th February 2003.

(f) Market price per share at 31st December 2003 was 498p. The highest and lowest market prices per share during the year were 527p and 311p respectively.

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Executive Directors: shares under option under Sharesave[(a)(b)]

		During 2003		Information as at 31st December 2003					
	Number held at 1st January 2003	**Granted**	**Exercised**	**Number at 31st December 2003**	Exercise price per share £	Weighted average exercise price £	Market price on date of exercise £	Date from which exercisable	Latest expiry date
Executive									
MW Barrett	**3,064**	**2,479**	**3,064**	**2,479**	3.16	3.73	4.97	01/11/06	30/04/07
CJ Lendrum	**6,626**		**3,912**	**2,714**	1.99	3.50	4.97	01/11/05	30/04/06
JS Varley	**4,096**			**4,096**		4.11		01/11/06	30/04/07
Former Director									
JM Stewart[(c)]	**5,588**		**5,588**		3.08		4.38		

Notes

(a) The Register of Directors interests, which shows full details of Directors current share awards and options, is available for inspection at the Group s Head office in London.

(b) Please see page 13 for details of the Sharesave scheme. No options lapsed during the year.

(c) John Stewart was previously awarded an option over Woolwich plc shares. This option was rolled over into an option over Barclays PLC shares in accordance with the scheme of arrangement for the acquisition of Woolwich plc. These figures represent options held under the Woolwich plc Sharesave Scheme. Mr Stewart ceased to be a Director with effect from 27th February 2003.

Directors: closed Group incentive schemes (Executive Share Option Scheme (ESOS) and Woolwich Executive Share Option Plan (ESOP))

In addition, executive Directors continue to have interests under the ESOS and Woolwich plc 1998 ESOP schemes (as indicated in the table below). No further awards will be made under these schemes. Under the ESOS, options granted (at market value) to executives were exercisable only if the growth in earnings per share of the Company over a three-year period was, at least, equal to the percentage increase in the UK Retail Prices Index plus 6%, over the same period. The performance target for the 1999 ESOS grant was met.

Under the ESOP, options originally granted over Woolwich plc shares at market value were exercised in 2001 or exchanged, in accordance with the proposals made under the Offer to acquire the Woolwich, for options over Barclays PLC shares. Under the rules of ESOP, the performance conditions attached to the exercise of options were disapplied on acquisition of Woolwich plc by Barclays.

Directors: awards under closed Group incentive schemes[(a)]

	Number at 1st January 2003	**During the year[(b)] Exercised**	**During the year[(b)] Lapsed**	**Number at 31st December 2003[(c)]**	Exercise price per share £	Market price on exercise date £	Weighted average exercise price	Date from which exercisable	Latest expiry date
Executive									
MW Barrett[(d)]									
ESOS	**766,628**			**766,628**			4.43	04/10/02	03/10/09
Former Director									
JM Stewart[(e)]									
Woolwich ESOP[(f)]	**396,516**			**396,516**			3.65	14/12/02	06/02/04

Notes

(a) The register of Directors interests, which shows full details of Directors current share awards and options, is available for public inspection at the Group s Head office in London.

(b) No options were granted under these plans.

(c) Or on cessation of employment if earlier.

(d) The independent trustee of the Barclays Group (PSP and ESOS) employees benefit trust granted Matthew Barrett a share award in 1999 comprising an option on similar terms to options granted under ESOS. For convenience these are described as granted under ESOS in the above table.

(e) John Stewart ceased to be a Director with effect from 27th February 2003. After ceasing to be a Director, he remained an employee of Barclays until 7th August 2003.

(f) Under The Woolwich ESOP, John Stewart held an option over Woolwich plc shares. This was rolled over into a new option over Barclays PLC shares under the terms of The Woolwich ESOP in accordance with proposals offered to all Woolwich employees participating in The Woolwich ESOP following the acquisition of Woolwich plc.

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Directors: interests in ordinary shares of Barclays PLC[(a)]

	At 1st January 2003[(b)]		**At 31st December 2003**	
	Beneficial	Non-beneficial	**Beneficial**	**Non-beneficial**
Chairman				
Sir Peter Middleton	163,748	6,000	**163,748**	**6,000**
Executive				
MW Barrett	263,384		**277,656**	
CJ Lendrum[(c)]	202,860		**224,456**	
JS Varley[(c)]	247,448		**303,735**	
Non-executive				
TDG Arculus	11,391		**14,289**	
Sir Richard Broadbent[(d)]			**2,000**	
HM Cropper	9,703		**12,886**	
Professor Dame Sandra Dawson[(e)]			**2,808**	
Sir Brian Jenkins	3,576	105,200	**5,138**	**105,200**
Sir Nigel Rudd	8,604		**11,427**	
SG Russell	7,125		**10,609**	
Dr Jürgen Zech	2,500		**5,195**	

Notes

(a) Beneficial interests in the table above represent shares held by Directors who were on the Board as at 31st December 2003, either directly or through a nominee, their spouse and children under 18. They include any interests held through the 1991 UK Profit Sharing Schemes (PSS) and the Share Incentive Plan, but do not include any awards under ESAS, ISOP, PSP, ESOS, Sharesave schemes or under the Woolwich Sharesave or the Woolwich plc 2000 Sharesave Scheme (together The Woolwich Sharesave scheme), or the ESOP. At 31st December 2003, Sir Peter Middleton and the executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 82,797,943 Barclays PLC ordinary shares (1st January 2003: 70,656,045) held by the trustees of the Barclays Group Employees Benefit Trusts. At 11th February 2004, a total of 82,797,943 shares were held by the trustees.

(b) Or date appointed to the Board if later.

(c) Between 31st December 2003 and 11th February 2004, John Varley and Chris Lendrum each purchased 48 ordinary shares through the Share Incentive Plan.

(d) Appointed with effect from 1st September 2003.

(e) Appointed with effect from 1st March 2003.

Accountability and Audit

Going Concern
The Directors confirm they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

Internal Control
The Directors have responsibility for ensuring that management maintain an effective system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Throughout the year ended 31st December 2003, and to date, the Group has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance Internal Control: Guidance for Directors on the Combined Code issued by the Institute of Chartered Accountants in England and Wales. The Board regularly reviews these processes through the Board Committees.

The Directors review the effectiveness of the system of internal control annually. An internal control compliance certification process is conducted throughout the Group in support of this review. The effectiveness of controls is periodically reviewed within the business areas. Quarterly risk reports are made to the Board covering all risks of Group significance including credit risk, market risk, operational risk, and legal and compliance risk. Regular reports are made to the Board Audit Committee by management, Group Internal Audit and the compliance and legal functions covering particularly financial controls, compliance and operational controls. Reports covering risk measurement standards and risk appetite are made to the Board Risk Committee.

The key document for the Group s internal control processes is the record of Group Governance practices which describes the Group s governance and control framework and details Group policies and processes. The record of Group Governance practices is reviewed and approved on behalf of the Group Chief Executive by the Group Governance and Control Committee. Further details of risk management procedures are given in the Risk management section on pages 25 to 59.

The system of internal financial and operational controls is also subject to regulatory oversight in the United Kingdom and overseas. Further information on supervision by the financial services regulators is provided under Supervision and regulation on pages 96 to 97.

Statement of Directors Responsibilities for Accounts
The following statement, which should be read in conjunction with the Auditors report set out on page 100, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that, in preparing the accounts on pages 101 to 190 and 195 to 202, and the additional information contained on pages 11 to 22, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent

judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Signed on behalf of the Board

Sir Peter Middleton
11th February 2004

Disclosure Controls and Procedures
The Group Chief Executive, Matthew Barrett, and the Group Finance Director, Naguib Kheraj, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group s disclosure controls and procedures as at 31st December 2003, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed under the US Securities Exchange Act of 1934 is recorded, summarised and reported within specified time periods. As of the date of the evaluation, the Group Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to their evaluation.

Presentation of Information

Presentation of Information

Barclays PLC is a public limited company registered in England and Wales under company number 48839. The Company, originally named Barclay & Company Limited, was incorporated in England and Wales on 20th July 1896 under the Companies Acts 1862 to 1890 as a company limited by shares. The company name was changed to Barclays Bank Limited on 17th February 1917 and it was re-registered in 1982 as a public limited company under Companies Acts 1948 to 1980. On 1st January 1985, the company changed its name to Barclays PLC.

Barclays Bank PLC is a public limited company registered in England and Wales under company number 1026167. The Bank was incorporated on 7th August 1925 under the Colonial Bank Act 1925 and on 4th October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1st January 1985 the Bank was re-registered as a public limited company and its name was changed from Barclays Bank International Limited to Barclays Bank PLC.

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. The Annual Report for Barclays PLC also contains the consolidated accounts of, and other information relating to, Barclays Bank PLC. The Annual Report includes information required on Form 20-F. Form 20-F will contain as exhibits certificates pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, signed by the Group Chief Executive and Group Finance Director, with respect to both Barclays PLC and Barclays Bank PLC. Except where otherwise indicated, the information given is identical with respect to both Barclays PLC and Barclays Bank PLC.

The accounts of Barclays Bank PLC included in this document do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Barclays Bank PLC, which contain an unqualified audit report and do not contain any statement under Section 237(2) or (3) of that Act, will be delivered to the Registrar of Companies in accordance with Section 242 of that Act and are published as a separate document.

The term Barclays PLC Group means Barclays PLC together with its subsidiary undertakings and the term Barclays Bank PLC Group means Barclays Bank PLC together with its subsidiary undertakings. Barclays and Group are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term Company refers to Barclays PLC and the term Bank refers to Barclays Bank PLC. Woolwich plc is used, as the context requires, to refer to Woolwich plc and its subsidiary undertakings. In this report, the abbreviations £m and £bn represent millions and thousands of millions of pounds sterling respectively; the abbreviations $m and $bn represent millions and thousands of millions of US dollars respectively and m and bn represent millions and thousands of millions of euros respectively.

Statutory Accounts

The consolidated accounts of Barclays PLC and its subsidiary undertakings are set out on pages 107 to 112 along with the accounts of Barclays PLC itself on page 113. The consolidated accounts of Barclays Bank PLC and its subsidiary undertakings are set out on pages 195 to 200. The accounting policies on pages 101 to 106 and the Notes commencing on page 114 apply equally to both sets of accounts unless otherwise stated.

Risk Management

Risk Management and Control Overview

Barclays aims to employ superior risk practices to optimise financial performance and value. Our approach to risk management and control continued to evolve in 2003 to reflect best practice. The Group takes risks that are commensurate with the associated returns and within its overall risk appetite.

Risk governance framework

Barclays risk governance framework is based on the following:

- Risk appetite is approved by the Board.
- Internal controls focus on risks that could prevent the Group from creating outstanding shareholder value.
- Risk management systems provide management with assurance that risks are being managed appropriately and that the internal controls are adequate.
- Responsibility for internal controls is clearly defined and documented.
- Staff training supports the risk culture and ensures that risks are regularly monitored and that corrective action can be taken in a timely manner.
- The Group s risk profile is reviewed on a regular basis.
- The Board systematically monitors the effectiveness of the risk management processes and systems of internal control at least annually.

During 2003, initiatives were pursued to build on the establishment of the Board Governance Standards (Standards) in 2002. The Standards are high-level articulations of the Board s risk control requirements, covering what are considered to be the principal risks to the achievement of the Group s objectives. Risk reporting to the Board Risk Committee is aligned to the Standards.

The risk governance framework is being aligned with the internationally accepted standard Internal Control Integrated Framework published by the Committee of Sponsoring Organisations of the Treadway Commission.

Barclays operates in a highly regulated industry and is engaged in responding to significant changes in the regulatory environment, for example, from the implementation of Basel II, International Financial Reporting Standards and the US Sarbanes-Oxley Act. These changes, which directly affect risk management, necessitate considerable resources to amend or re-design our systems and reporting processes. Under Basel II, Barclays aims to achieve advanced status in all risk categories.

Responsibilities for Risk Management and Control
The responsibilities for risk management and control within the overall governance framework rest with:

the Board, which ensures that management maintains an effective system of internal control and reviews its effectiveness;
the Group Risk Director, under delegation from the Group Chief Executive, who has responsibility for the adequacy of risk management and control;
business leaders, who are responsible for the identification and management of the risks in their businesses;
business risk Directors and their teams in the businesses, who are responsible for assisting business leaders in the identification and management of their business risk profiles;
Group Risk Type Heads and their teams in the Group Centre, who are responsible for the risk control oversight of credit risk, market risk, operational and business risk, and regulatory compliance risk;
other Function Heads in the Group centre, who are responsible for the risk control oversight of risks within their functional responsibilities;
Group Internal Audit which is responsible for the independent review of the control environment.

Committee Oversight

The execution of these responsibilities is guided and monitored by:

the Group s management committees. The main risk and governance committees and their principal risk management and control responsibilities are shown in the risk governance structure chart on page 26. The committees roles are reviewed and refreshed regularly;
business and regional Governance and Control Committees. These committees report to the Group Governance and Control Committee. Together, they are responsible for ensuring that business risk governance and control frameworks have been established in each business, consistent with the Group s risk governance and control framework. They also review and assess the completeness and effectiveness of, and compliance with, internal controls within each business.

Risk Management
Risk Management and Control Overview

Group Risk Governance Structure

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Risk Management

Risk management in the businesses is the responsibility of business management, who are advised and supported by Business Risk Directors who also have a functional reporting line to the Group Risk Director.

The key role of Business Risk Directors and their teams is to assist the businesses to maximise value by:

- performing high quality risk analyses;
- ensuring that risks are properly controlled, consistent with agreed risk appetite;
- evaluating economic trade-offs between risk and return;
- designing cost-effective ways of mitigating and transferring risks;
- generating alternative risk strategies; and
- ensuring that Group level policies are properly implemented in their business line.

Specialist risk teams led by Group Risk Type Heads and other risk specialists report to the Group Risk Director.

Their role is to:

- create and maintain the Group s risk management and control framework;
- measure aggregate risk by type;
- set high level policies and controls within the overall risk governance framework;
- perform research, development and quality assurance;
- provide analytical support to businesses;
- provide comprehensive reports to all levels of management and the Board to enable them to make effective risk management decisions; and
- operate risk limit setting systems and, in the case of certain risks such as credit, provide independent input to material risk acceptance decisions.

Risk Measurement and Economic Capital

The Group assesses internal capital requirements by using its own risk-based methodologies. These are used in performance assessment and for risk management decision making. The Group computes and assigns this economic capital to all operating units. This enables the Group to apply a common, consistent metric to ensure that returns throughout the Group are commensurate with the associated risks. Economic capital is assigned primarily within the six risk categories summarised below:

Credit Risk The Group estimates the losses expected from its credit portfolio and sets aside appropriate provisions. Capital is required in the event that losses substantially exceed the expected level. The amount is estimated by statistical analysis of the historical loan loss volatility in the various product categories.

Within wholesale and retail businesses, capital allocation is differentiated by segment and customer grade. Off-balance sheet exposures are converted to loan equivalent amounts based on their probability of being drawn, before applying capital factors. See page 29 for further information on credit risk measurement.

Market Risk The required economic capital is primarily based on Daily Value at Risk (DVaR) measurements. Where risks are not measured using DVaR, the capital requirement is based on stress test analysis. Market risk measurement is further discussed on page 48.

Business and Operational Risk A combined economic capital allocation for operational risk and business risk is derived through an equation including variables such as cost base, historic profit volatility and comparable external benchmarks. These risks are discussed on page 58.

Insurance Risk Economic capital is estimated through benchmark analysis of the free asset ratio of similarly rated insurance companies.

Fixed Assets Economic capital is also estimated through benchmark analysis of relevant companies.

Private Equity Economic capital is allocated using an equation based on the amount of equity investment and comparable benchmark capitalisation.

Barclays estimates the correlation between risk types and calculates a diversification benefit which results in a reduction in allocated economic capital for the Group.

The total economic capital required by the Group, as determined by its internal risk assessment models and after considering the Group s estimated diversification benefits, is compared with available common shareholders funds to evaluate overall capital utilisation.

Average economic capital by business and risk type are shown in the following charts and shown by business in the table on page 28.

Average economic capital allocation by business during 2003

Average economic capital allocation by risk type during 2003

Average economic capital by business

	Average economic capital	
	2003	2002
	£m	£m
Personal Financial Services	**2,400**	2,100
Barclays Private Clients		
ongoing	**700**	550
closed life assurance activities	**200**	300
Barclaycard	**1,800**	1,500
Business Banking	**2,850**	2,750
Barclays Africa	**200**	200
Barclays Capital	**2,100**	2,050
Barclays Global Investors	**150**	200
Other operations[(a)]	**500**	550
Average economic capital	**10,900**	10,200
Average historical goodwill	**5,100**	4,700
Capital held at Group centre[(b)]	**1,100**	900
Total average shareholders funds	**17,100**	15,800

Notes

(a) Includes Transition Businesses (see page 68).
(b) The capital held at Group centre represents the variance between average economic capital by business and average shareholders funds.

Personal Financial Services economic capital allocation has increased by £300m to £2,400m largely due to continued improvements in methodologies for quantification of credit risk for long maturity assets, previously carried at the Group centre.

Barclays Private Clients economic capital allocation has increased by £150m to £700m due to the acquisitions of Banco Zaragozano and Charles Schwab Europe. The closed life assurance activities economic capital allocation has reduced by £100m to £200m due to the continued run-off of the portfolio and a series of hedges implemented to reduce exposure to equity markets.

Barclaycard economic capital allocation has increased by £300m to £1,800m due to continued growth in the loan book, including the acquisition of Clydesdale Financial Services.

Goodwill has increased with the acquisition of Charles Schwab Europe, Clydesdale Financial Services, Banco Zaragozano and Gerrard.

The Group regularly reviews and updates its economic capital allocation methodologies. A number of enhancements developed during 2003 will be incorporated in 2004.

Risk Management
Credit Risk Management

Credit Risk Management

Credit risk arises because the Group s customers, clients or counterparties may not be able or willing to fulfil their contractual obligations under loan agreements or other credit facilities.

The taking of credit risk is central to our business. At the year end, Barclays had £291,820m (2002: £263,648m) of loans and advances and also other credit risks. The annual credit risk expense of £1,347m (2002: £1,484m) exceeds the risk-taking cost associated with all other risk types combined. Therefore considerable resources, expertise and controls are devoted to managing credit risk.

Credit Risk Control
The central objective of credit risk management at Barclays is to create shareholder value by ensuring that the net income generated by each exposure individually and in aggregate is commensurate with the risk taken. At Barclays, this is primarily achieved through People and Systems:

People with the skill and experience needed for this task working within the Group Risk Governance Framework.

Systems, including advanced analytics, to measure, monitor and analyse the risk and inform management judgement.

People: Credit Risk Management Responsibility
Barclays recognises that the taking of credit risk involves judgement, skill and knowledge.

The Group s approach to managing credit risk is consistent with the Governance framework described previously but varies in execution according to the specific nature of the risk in each of the businesses.

In retail businesses, such as Barclaycard and Personal Financial Services, where there are large numbers of customers, a systems driven environment prevails. Credit decisions are made with the aid of statistically based scoring systems. Account management is likewise automated. Both application scoring for new accounts and behavioural scoring for existing relationships are used. These systems measure risk using statistical methodologies derived from the wealth of information and experience Barclays has gained through its relationships with over 14 million customers.

Small business credit risk is managed like consumer accounts using scoring systems. Mid-range business credits are approved and reviewed according to a hierarchy of discretions, under which limits are set according to the skills, experience and seniority of the credit managers and sanctioning teams. They are assisted by analytical models credit grading tools that help to assess the quality of the borrower.

Large value wholesale credits are similarly handled by experienced front-line risk management staff also equipped with analytical tools who work alongside relationship management teams. Decisions must be referred to the Group Credit Committee if the intended exposures exceed specified limits. Besides loans, the credit risks include those arising from money market, foreign exchange, derivative, securities dealing and other products.

In each business, specialist teams deal with impaired credits.

As mentioned in the preceding section, the risk management teams are accountable to the Business Risk Directors in each business who, in turn, report to the head of their business and also to the Group Risk Director.

In addition, Group Credit Risk, led by the Group Credit Risk Director, provides Group-wide direction of credit risk-taking. Group Credit Risk manages resolution of all significant credit policy issues and runs the Group Credit Committee which approves major credit decisions. The Group Credit Risk Director reports to the Group Financial Risk Director, a new role introduced in 2003, who reports to the Group Risk Director. The Group Financial Risk Director has responsibility for both credit and market risk.

Regular reports are provided to the Group Risk Oversight Committee to enable it to discharge its responsibilities.

Systems: Credit Risk Measurement and Analysis

Data and analytical tools are integral to risk management. Barclays has been in the forefront of the development and use of advanced credit risk systems. These systems assist the bank in managing credit risk, both in front-line credit decisions on new commitments and in managing the portfolio of existing exposures. They enable the application of consistent risk measurements across all credit exposures, retail and wholesale. The key building blocks, described below, are the probability of customer default (expressed through an internal risk rating), severity, and exposure in the event of default.

Internal risk ratings

Internal risk ratings are used to assess the credit quality of borrowers. Each internal rating corresponds to a probability of default, which is the statistical probability of a customer defaulting within a 12-month period. This internal rating is derived from different sources depending upon the borrower, e.g. internal model or credit rating agency. The table below shows Barclays internal ratings and the associated expected probabilities of default.

Where internal models are used, they are based upon up-to-date account, market and financial information. The models are reviewed regularly to monitor their robustness relative to actual performance and revised as necessary to optimise their effectiveness.

Barclays credit ratings

Barclays Internal Rating	Probability of Default		
	Minimum	Maximum	Mid Point
1.2	0.02%	0.04%	0.025%
1.5	0.05%	0.09%	0.075%
1.8	0.10%	0.14%	0.125%
2.1	0.15%	0.19%	0.175%
2.5	0.20%	0.24%	0.225%

2.8	0.25%	0.29%	0.275%
3	0.30%	0.59%	0.450%
4	0.60%	1.19%	0.900%
5	1.20%	2.49%	1.850%
6	2.50%	4.99%	3.750%
7	5.00%	9.99%	7.500%
8	10.00%+		15.000%

Risk Management
Credit Risk Management

Severity

Severity is the estimated amount of loss expected if a loan defaults, calculated as a percentage of the exposure at the date of default. It recognises that the loss is usually substantially less than the exposure. The value depends on the collateral, if any, seniority or subordination of the exposure, work-out expenses relative to the loan value and other considerations. The outcome is heavily dependent on economic conditions that determine, for example, whether businesses can be refinanced or the prices that can be realised for assets in the event that they are sold.

Exposure

Exposure in the event of default represents the expected level of usage of the credit facility when default occurs. For example, at default the customer may not have drawn the loan up to the approved limit or may already have repaid some of it. For derivative instruments, exposure in the event of default is the estimated cost of replacing contracts with a positive value if counterparties fail to perform their obligations.

The Group monitors its credit risk on an ongoing basis by applying these measurements across the portfolio both wholesale and retail. It does this by combining the information into a measure called Risk Tendency.

Risk Tendency

Risk Tendency is based on the results of a set of model-based calculations, the models having been created using historical data. The models estimate the expected loss arising from loan defaults over the forthcoming 12 months from the current performing loan portfolio, taking into account its current composition, size and risk characteristics. The actual credit provisions can vary significantly around this value, due to changes in the economic environment or the business conditions in specific sectors or countries during the year and from unpredictable or unexpected events. This applies especially in wholesale portfolios where the default of a small number of large exposures can have a significant impact on the outcome.

In addition to enhancing the understanding of the average credit quality of the portfolio, Risk Tendency is one of the measures used by the Group to inform a wider range of decisions, such as establishing the desired aggregate exposure levels to individual sectors and determining pricing policy.

The models used in the Risk Tendency calculation reflect the diversity of the portfolio. They are being improved constantly as the Group collects more data and deploys more sophisticated techniques. The Group believes that each change will have a minor impact on the total result but should lead to better estimates over time.

As shown in the table below, Risk Tendency was £1,390m based upon the composition of the lending portfolio as at 31st December 2003 (31st December 2002: £1,375m). It fell in Personal Financial Services by 8% as a result of enhanced risk and fraud management strategies. Barclaycard Risk Tendency increased by 21%, commensurate with growth in the portfolio and the impact of the acquisition of Clydesdale Financial Services. Risk Tendency increased in Barclays Private Clients by 44% following the acquisition of Banco Zaragozano. It fell in Barclays Capital by 38% following the recovery in wholesale credit markets and improvement in the quality and reduction in the size of the loan portfolio. Risk tendency also increased in Transition Businesses after assets were transferred into this portfolio (see page 68).

Risk Tendency by Business Cluster

	2003	2002
	£m	£m
Personal Financial Services	**340**	370
Barclays Private Clients	**65**	45
Barclaycard	**525**	435
Business Banking	**280**	280
Barclays Africa	**30**	30
Barclays Capital	**130**	210
Transition Businesses	**20**	5
Total	**1,390**	1,375

Non-performing loans, against which specific provisions are held, are excluded from this calculation. Adjustments to these provisions in the light of emerging information about the borrowers financial strength can collectively have a substantial influence on the annual credit expense that is not captured in Risk Tendency.

Credit Risk Portfolio Management

Barclays uses mechanisms such as credit derivatives, securitisations and asset sales to reduce the uncertainty of returns from the credit portfolio. The benefits are reflected in reduced credit risk provisions and/or reduced volatility of earnings and consequently an improved return on economic capital. More information on credit risk portfolio management appears on page 38.

Risk Management
Analysis of Loans and Advances

Analysis of Loans and Advances

Throughout the remainder of the risk management section, a regional presentation of data will be found with disclosures by the United Kingdom, other European Union countries, the United States and the rest of the world. In all cases, unless otherwise indicated, the information refers to the location of the office where the loan was booked.

Loans and advances grew over the year, increasing by £28.2bn (10.7%) to £291.8bn at 31st December 2003.

The management of retail credit risk is different from wholesale credit risk. In retail, where there are millions of loans and advances, both initial and ongoing account maintenance decisions are driven by efficient, smart systems which have been developed using the Group s considerable accumulated experience. In contrast, wholesale loans are more complex and are individually considered, although analytical tools still have a major role.

Outcomes also differ. Typically credit losses in retail portfolios are more stable (though not necessarily lower) than those in wholesale portfolios where the default of an individual large loan can have a significant impact. The table below shows the Group s retail and wholesale loan exposures.

Loans and advances

	2003	2002
	£m	£m
Retail businesses		
Banks	**1,495**	1,748
Customers	**100,774**	90,625
Total retail businesses	**102,269**	92,373
Wholesale businesses		
Banks	**60,445**	56,508
Customers	**129,106**	114,767
Total wholesale businesses	**189,551**	171,275
Total	**291,820**	263,648

The analysis above is based on the business unit in which the loans are booked. Those businesses that deal primarily with personal customers, such as Personal Financial Services and Barclaycard, are included under retail businesses, even though they have some wholesale customers. Similarly, businesses that deal primarily with corporate, institutional and sovereign clients are included in wholesale businesses, even though they may have some personal customers.

In subsequent pages, considerable detail on loans and advances is provided. A principal segmentation is between exposures to banks and to customers as introduced in the next table.

Loans and advances by banking and trading books

	2003		
	Customers £m	**Banks £m**	**Total £m**
Banking book	**170,919**	**17,270**	**188,189**
Trading book	**58,961**	**44,670**	**103,631**
Total	**229,880**	**61,940**	**291,820**

	2002		
	Customers £m	Banks £m	Total £m
Banking book	160,216	15,451	175,667
Trading book	45,176	42,805	87,981
Total	205,392	58,256	263,648

The amounts shown in the tables above are before deduction of provisions and interest in suspense. The banking book comprises loans and advances which are intended to be held to maturity or until repayment by the customer. In contrast the loans and advances on the trading book are held for sale.

Risk Management
Analysis of Loans and Advances

Loans and Advances to Banks

Credit exposures to banks for the most part arise in the course of providing services to customers or trading in capital markets for profit. They may be reciprocal in nature.

The majority of loans and advances to banks are placings, amounting to £56.5bn at 31st December 2003 (2002: £48.1bn), and include reverse repo transactions. Also included are loans to banks and building societies, interbank settlement accounts and federal funds sold. Loans and advances to banks increased by 6% to £61.9bn at 31st December 2003 (2002: £58.3bn).

The amounts shown in the tables below are before deductions of provisions and interest in suspense.

Maturity analysis of loans and advances to banks

At 31st December 2003	**On demand £m**	**Not more than three months £m**	**Over three months but not more than one year £m**	**Over one year but not more than five years £m**	**Over five years £m**	**Total £m**
Banking business:						
United Kingdom	**629**	**4,299**	**586**	**5,127**	**3,674**	**14,315**
Other European Union	**116**	**1,525**	**28**	**12**	**21**	**1,702**
United States	**23**	**57**	**10**	**20**		**110**
Rest of the World	**295**	**605**	**192**	**48**	**3**	**1,143**
Total banking business	**1,063**	**6,486**	**816**	**5,207**	**3,698**	**17,270**
Total trading business	**830**	**39,660**	**4,180**			**44,670**
Total	**1,893**	**46,146**	**4,996**	**5,207**	**3,698**	**61,940**

			Over three	Over one		

At 31st December 2002	On demand £m	Not more than three months £m	months but not more than one year £m	year but not more than five years £m	Over five years £m	Total £m
Banking business:						
United Kingdom	423	2,742	648	7,518	179	11,510
Other European Union	222	1,689	84	31	128	2,154
United States	14	110	118	14		256
Rest of the World	262	890	376	3		1,531
Total banking business	921	5,431	1,226	7,566	307	15,451
Total trading business	1,052	38,693	3,060			42,805
Total	1,973	44,124	4,286	7,566	307	58,256

Interest rate sensitivity of loans and advances to banks[1]

	2003			2002		
At 31st December	**Fixed rate £m**	**Variable rate £m**	**Total £m**	Fixed rate £m	Variable rate £m	Total £m
Banking business:						
United Kingdom	**7,221**	**7,094**	**14,315**	6,493	5,017	11,510
Other European Union	**1,523**	**179**	**1,702**	1,830	324	2,154
United States	**17**	**93**	**110**	30	226	256
Rest of the World	**781**	**362**	**1,143**	1,212	319	1,531
Total banking business	**9,542**	**7,728**	**17,270**	9,565	5,886	15,451
Total trading business	**25,607**	**19,063**	**44,670**	24,929	17,876	42,805
Total	**35,149**	**26,791**	**61,940**	34,494	23,762	58,256

[1] Where a loan is earning a fixed rate on the reporting date, it is included as a fixed rate loan, regardless of the term for which the rate is fixed.

Loans and Advances to Customers

Geographical analysis of the banking book
Loans and advances to customers on the banking book amounted to £171bn at the financial year end. A geographical analysis of these exposures, based on the location of the office recording the transaction, is shown in the chart below.

Geographic analysis of loans and advances to customers on the banking book*

Industry analysis
A critical element of risk management is to ensure adequate diversification of credit exposures. Barclays tracks its global exposure by industry as shown in the following chart, paying particular attention to industries that might be volatile or pose higher risk. This is important, because industries are often synchronised globally, as has been apparent over recent years. For example, when oil prices rise or fall, customers sensitive to such changes will be affected regardless of their location. Industry classifications have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent s predominant business may be in a different industry. Loans to customers domiciled outside the country where the office recording the transaction is located are shown in the chart below under Overseas customers and not by industry.

Global loans and advances to customers by industry banking book only (% of total)

The chart shows that Barclays largest sectoral exposures are to home loans, other personal loans and business and other services. These categories overwhelmingly comprise small loans, have lower volatility of credit risk outcomes, and are intrinsically highly diversified.

During 2003, the sectors that were of special interest in 2002 energy, utilities and telecommunications all improved. Nevertheless, some of the companies within these sectors still have weak balance sheets and continue to be stressed. The tourism, travel and airline sub-sectors were also of concern in 2003, in part due to global terrorist threats, SARS and the war in the Middle East, in part due to competition and discounting within these sectors. In the property sector, commercial office space was in excess supply in London and the South East of the United Kingdom.

Commentators anticipated higher credit losses in the mortgage market due to an expected decline in house prices. This followed several years of rapid price rises and with higher interest rates in prospect. Although there was a modest interest rate rise, house prices increased further and mortgage defaults fell from an already very low level. There was also interest in other retail credits unsecured loans and credit cards in the wake of comments on the record levels of consumer indebtedness relative to incomes by the Bank of England, the FSA and others. However, due to the still low interest rates, consumers debt servicing costs remained well below previous peaks and there was no material impact on Barclays 2003 provision charges.

Maturity analysis
The analysis by contractual maturity shown in the chart below and the table on page 36, indicates that 40% of loans to customers have a maturity of more than five years, the majority of which are mortgages.

Maturity analysis of loans and advances to customers*

Risk Management
Analysis of Loans and Advances

Interest rate sensitivity of loans and advances to customers

	2003			2002		
At 31st December	**Fixed rate £m**	**Variable rate £m**	**Total £m**	Fixed rate £m	Variable rate £m	Total £m
Banking business:						
United Kingdom	**35,998**	**107,811**	**143,809**	41,332	94,568	135,900
Other European Union	**4,159**	**14,868**	**19,027**	2,876	9,703	12,579
United States	**1**	**3,572**	**3,573**	314	5,824	6,138
Rest of the World	**2,738**	**1,772**	**4,510**	4,351	1,248	5,599
Total banking business	**42,896**	**128,023**	**170,919**	48,873	111,343	160,216
Total trading business	**26,587**	**32,374**	**58,961**	20,204	24,972	45,176
Total	**69,483**	**160,397**	**229,880**	69,077	136,315	205,392

Geographic and industry analysis
These tables have been prepared on the basis described on page 33.

Loans and advances to customers booked in offices in the UK banking business

At 31st December	**2003 £m**	2002 £m	2001 £m	2000 £m	1999 £m
Financial institutions	**7,721**	6,158	5,616	4,215	4,118
Agriculture, forestry and fishing	**1,766**	1,747	1,626	1,689	1,693
Manufacturing	**5,967**	6,435	6,766	7,573	6,954
Construction	**1,883**	1,825	1,779	1,666	1,331
Property	**6,341**	5,695	5,600	5,130	3,689
Energy and water	**1,286**	1,290	1,153	1,120	613
Wholesale and retail distribution and leisure	**8,886**	7,858	7,571	7,531	6,455
Transport	**2,579**	2,366	1,894	1,353	1,270
Communications	**476**	694	368	180	345
Business and other services	**12,030**	11,693	10,581	9,894	8,415
Home loans	**61,905**	58,436	50,945	47,235	18,316
Other personal	**21,905**	21,357	19,678	18,200	15,673
Overseas customers	**5,477**	6,201	6,472	5,024	4,711

	138,222	131,755	120,049	110,810	73,583
Finance lease receivables	**5,587**	4,145	4,205	4,504	5,094
Total	**143,809**	135,900	124,254	115,314	78,677

The largest increase in loans and advances in the UK occurred in home loans where balances grew by 6% to £61.9bn. Loans to financial institutions, wholesale, retail and leisure, and property all increased by more than 10% as did finance leases.

Loans and advances to customers booked in offices in other European Union countries banking business

At 31st December	**2003 £m**	2002 £m	2001 £m	2000 £m	1999 £m
Financial institutions	**1,205**	371	500	436	178
Agriculture, forestry and fishing	**147**	165	240	303	223
Manufacturing	**1,275**	1,422	1,317	1,420	1,322
Construction	**609**	314	298	261	193
Property	**346**	137	241	182	144
Energy and water	**409**	367	282	372	145
Wholesale and retail distribution and leisure	**426**	215	283	140	207
Transport	**566**	252	318	172	119
Communications	**40**	173	185	83	37
Business and other services	**1,251**	1,648	1,679	1,284	918
Home loans	**10,334**	6,243	3,871	4,436	1,029
Other personal	**1,769**	721	661	582	505
Overseas customers	**438**	384	685	381	462
	18,815	12,412	10,560	10,052	5,482
Finance lease receivables	**212**	167	148	151	494
Total	**19,027**	12,579	10,708	10,203	5,976

The growth in the European Union especially in home loans reflects the acquisition of Banco Zaragozano and the growth of Openplan in Spain.

Loans and advances to customers in offices in the United States banking business

At 31st December	**2003 £m**	2002 £m	2001 £m	2000 £m	1999 £m
Financial institutions	**919**	1,036	1,053	616	320
Agriculture, forestry and fishing	**1**	3			1
Manufacturing	**341**	842	1,553	1,123	727
Construction	**2**	31	24		
Property	**1**	15	21	30	69
Energy and water	**1,511**	2,229	1,567	1,440	1,168
Wholesale and retail distribution and leisure	**77**	141	160	214	138
Transport	**468**	1,248	931	580	356
Communications		46	66	88	166
Business and other services	**220**	441	901	2,174	1,000
Home loans				1	1
Other personal			267	6	58
Overseas customers		62	23	56	
	3,540	6,094	6,566	6,328	4,004
Finance lease receivables	**33**	44	48	48	44
Total	**3,573**	6,138	6,614	6,376	4,048

Loans and advances to customers booked in offices in the rest of the world banking business

At 31st December	**2003 £m**	2002 £m	2001 £m	2000 £m	1999 £m
Loans and advances	**4,465**	5,566	7,384	8,920	8,316
Finance lease receivables	**45**	33	32	30	28
Total	**4,510**	5,599	7,416	8,950	8,344

Total loans and advances to customers

At 31st December	**2003 £m**	2002 £m	2001 £m	2000 £m	1999 £m
Banking business	**170,919**	160,216	148,992	140,843	97,045
Trading business	**58,961**	45,176	34,240	23,198	21,562

Total	**229,880**	205,392	183,232	164,041	118,607

Of the loans and advances to customers, reverse repos were £50.0bn (2002: £42.5bn).

Risk Management
Analysis of Loans and Advances

Maturity analysis of loans and advances to customers

At 31st December 2003	**On demand(a) £m**	**Not more than three months £m**	**Over three months but not more than one year £m**	**Over one year but not more than five years £m**	**Over five years £m**	**Total £m**
Banking business:						
United Kingdom						
Corporate lending[b]	**6,108**	**9,298**	**4,596**	**17,138**	**11,796**	**48,936**
Other lending from United Kingdom offices	**2,869**	**6,940**	**6,359**	**12,345**	**66,360**	**94,873**
Total United Kingdom	**8,977**	**16,238**	**10,955**	**29,483**	**78,156**	**143,809**
Other European Union	**597**	**2,497**	**2,591**	**2,507**	**10,835**	**19,027**
United States		**276**	**253**	**1,745**	**1,299**	**3,573**
Rest of the World	**601**	**2,151**	**495**	**764**	**499**	**4,510**
Total banking business	**10,175**	**21,162**	**14,294**	**34,499**	**90,789**	**170,919**
Total trading business	**2,004**	**54,996**	**1,615**	**335**	**11**	**58,961**
Total	**12,179**	**76,158**	**15,909**	**34,834**	**90,800**	**229,880**

At 31st December 2002	On demand(a) £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
Banking business:						
United Kingdom						
Corporate lending[b]	8,340	7,047	5,604	14,251	10,519	45,761

Other lending from United Kingdom offices	2,416	6,693	6,135	10,919	63,976	90,139
Total United Kingdom	10,756	13,740	11,739	25,170	74,495	135,900
Other European Union	856	1,976	2,187	2,945	4,615	12,579
United States		768	1,227	2,451	1,692	6,138
Rest of the World	439	2,859	1,370	605	326	5,599
Total banking business	12,051	19,343	16,523	31,171	81,128	160,216
Total trading business	2,409	41,247	1,392	91	37	45,176
Total	14,460	60,590	17,915	31,262	81,165	205,392

Notes

(a) Overdrafts are included in the on demand category.

(b) In the UK, finance lease receivables are included in Other Lending although some leases are to corporate customers.

Risk Management
Loans and Advances in Non-local Currencies and to Countries Receiving IMF Support

Loans and advances to borrowers in currencies other than the local currency of the borrower
The worldwide operations of the Group involve significant exposures in non-local currencies.

The US Securities and Exchange Commission requires that Barclays report those exposures denominated in currencies other than the borrower s local currency. These outstandings exclude finance provided within the Group, and are based on the country of domicile of the borrower or guarantor of ultimate risk. They comprise loans and advances to customers and banks (including placings), finance lease receivables, interest bearing investments, acceptances, other monetary assets and on-balance sheet amounts arising from off-balance sheet financial instruments.

At 31st December 2003, the countries where these outstandings exceeded 1% of total Group assets were the United States and Germany and amounted to £17,237m. At 31st December 2002 and 31st December 2001, the countries where these outstandings exceeded 1% of total Group assets were the US, Germany and France and amounted to £32,105m and £20,715m respectively. Further detail is provided in the table below.

Loans and advances to borrowers in currencies other than the local currency of the borrower for countries where this exceeds
1% of total Group assets

	As % of assets	Total £m	Banks and other financial institutions £m	Governments and official institutions £m	Commercial industrial and other private sectors £m
At 31st December 2003					
United States	**2.7**	**12,110**	**4,679**		**7,431**
Germany	**1.2**	**5,127**	**4,662**	**7**	**458**
At 31st December 2002					
United States	4.2	17,140	9,672	1	7,467
Germany	2.5	10,094	9,841	7	246
France	1.2	4,871	4,484	24	363
At 31st December 2001					
United States	2.3	8,294	4,878		3,416
Germany	2.3	8,218	8,031	1	186
France	1.2	4,203	3,088	22	1,093

Loans and advances to borrowers in currencies other than the local currency of the borrower for countries where this is between
0.75% and 1% of total Group assets

At 31st December 2003, Barclays had cross-currency loans to borrowers in France of between 0.75% and 1% of total Group assets, amounting to £3,570m. At 31st December 2002, there were cross-currency loans to borrowers in the Netherlands and Ireland of between 0.75% and 1% of total Group assets, amounting to £7,552m. At 31st December 2001, cross-currency loans to borrowers in Japan and Netherlands fell in the range between 0.75% and 1% of total Group assets and totalled £5,774m.

Countries receiving IMF support

Barclays exposure to countries receiving substantial IMF support amounted to £0.5bn in total at 2003 year end (2002: £0.5bn, 2001: £1.3bn). The largest exposure was to Turkey (£0.3bn).

Other Credit Risks

In addition to loans and advances, Barclays is exposed to other credit risks summarised in the table below. The credit risks shown here are managed in a similar way to those in Loans and Advances, and are subject to the same or similar approval and governance processes.

Off balance sheet and other credit exposures
as at 31st December

		2003	2002
		£m	£m
Off balance sheet exposures			
Contingent liabilities		**33,694**	26,546
Commitments to lend		**114,847**	101,378
On balance sheet exposure			
Balances arising from off-balance sheet financial instruments (OTC derivatives)		**15,812**	13,454
London Metal Exchange warrants and other trading positions		**1,290**	829
Debt securities	held for trading	**59,812**	53,961
	non-trading	**37,581**	40,268

The nature of the credit risks in these exposures differs considerably. Losses resulting from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than credit charges, even though the fall in value causing the loss may be attributable to a credit deterioration.

Further details on contingent liabilities are shown in Note 44 to the Accounts (page 140). They include guarantees, assets pledged as collateral, acceptances and endorsements. These reflect contracts entered into on behalf of customers who undertake to compensate the bank for payments made on their behalf. The credit risk exists in that the customers may not meet their commitments when they arise.

Commitments to lend (see also Note 44 on page 140) are contractual undertakings to lend to customers during a specified period or at a future date or they may be ongoing facilities subject to periodic review. These facilities are available to be used by customers, usually at their discretion, and may therefore become loans.

Balances arising from off balance sheet financial instruments represent the positive mark to market or otherwise assessed fair values of derivatives. See Note 45 (page 141), for a comprehensive disclosure of derivatives. The management of the market risk inherent in derivatives is described on page 53 along with a description of derivatives used. The credit risk in these instruments exists in that the counterparty may be unable to settle when settlement is due in Barclays favour. Most derivatives are with highly rated counterparties.

Debt securities are shown in Note 17 (page 124), and London Metals Exchange exposures are disclosed in Note 23 (page 128).

Credit Risk Portfolio Management and the Use of Credit Derivatives

Barclays actively manages its credit exposures through the use of credit derivatives, the sale of loan assets and securitisation.

Credit derivatives are traded for profit and used for managing non-trading credit exposures. The extent of these activities is illustrated in the table below:

Notional principal amounts of credit derivatives
at 31st December

	2003	2002
	£m	£m
Credit derivatives held or issued for trading purposes	**43,256**	10,665
Credit derivatives held for the purpose of managing non-trading exposures	**4,194**	7,736
Total	**47,450**	18,401

See Note 45 (page 141), for further details of the credit derivative positions.

During 2003, Barclays also sold loan assets. When non-performing loans for which provisions were held were sold, the net proceeds were applied to the relevant exposures and related provisions. These sales are distinct from Barclays substantial loan trading business.

Barclays securitised £3.3bn of loan assets comprising credit card and other receivables. Most of the credit risk associated with these assets was retained.

Risk Management
Potential Credit Risk Lendings

Potential Credit Risk Lendings

Potential credit risk lendings (PCRLs) comprise non-performing loans (NPLs) and potential problem loans (PPLs). NPLs are loans where the customers have failed to meet their commitments, either in part or in whole. PPLs are loans which are current as to payment of principal and interest, but where there exists serious doubt as to the ability of the borrowers to comply with repayment terms in the near future.

UK non-performing loans decreased by 1% (£26m) to £3,311m (2002: £3,337m). Other European Union non-performing loans increased by 34% (£58m) from £173m to £231m, reflecting growth in the portfolio, including acquisitions. US non-performing loans decreased by 49% (£361m) to £383m as the exposures in this category were written off, restructured, upgraded, sold or otherwise worked out at a faster rate than new non-performing loans arose. In the Rest of the World non-performing loans decreased by 15%, to £230m.

The table that follows presents an analysis of non-performing loans consistent with both UK and US practice and US Securities and Exchange Commission guidelines. In conformance with UK practice, accruing loans where interest is being suspended (with or without provisions) and other accruing loans where specific provisions have been raised are shown separately from non-accrual loans. Normal US banking practice would be to place such loans on non-accrual status as reflected in the sub-total in the table below.

The amounts are stated before deduction of the value of security held, the specific provisions carried or interest suspended, all of which might reduce the impact of an eventual default, should it occur.

Non-performing loans

Potential problem loans

Non-performing loans summary

	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Non-accrual loans	**2,261**	2,542	1,923	1,539	1,251
Accruing loans where interest is being suspended with or without provisions	**646**	611	561	496	436
Other accruing loans against which no provisions have been made	**669**	677	734	623	553
Sub total	**3,576**	3,830	3,218	2,658	2,240

Accruing loans 90 days or more overdue, against which no provisions have been made	**575**	690	648	713	361
Reduced rate loans	**4**	6	5	6	8
Total non-performing loans	**4,155**	4,526	3,871	3,377	2,609

A geographical analysis of this table appears on the next page.

Risk Management
Potential Credit Risk Lendings

Non-performing loans

	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Non-accrual loans:					
United Kingdom	**1,572**	1,557	1,292	1,223	1,007
Other European Union	**143**	108	90	96	122
United States	**383**	744	306	119	47
Rest of the World	**163**	133	235	101	75
Total	**2,261**	2,542	1,923	1,539	1,251
Accruing loans where interest is being suspended with or without provisions:					
United Kingdom	**559**	480	386	351	326
Other European Union	**46**	35	30	36	19
United States					
Rest of the World	**41**	96	145	109	91
Total	**646**	611	561	496	436
Other accruing loans against which provisions have been made:					
United Kingdom	**610**	609	660	474	423
Other European Union	**33**	27	20	71	42
United States			11	2	38
Rest of the World	**26**	41	43	76	50
Total	**669**	677	734	623	553
Sub totals:					
United Kingdom	**2,741**	2,646	2,338	2,048	1,756
Other European Union	**222**	170	140	203	183
United States	**383**	744	317	121	85
Rest of the World	**230**	270	423	286	216

Total	**3,576**	3,830	3,218	2,658	2,240
Accruing loans 90 days overdue, against which no provisions have been made:					
United Kingdom	**566**	687	621	695	343
Other European Union	**9**	3		1	
United States					
Rest of the World			27	17	18
Total	**575**	690	648	713	361
Reduced rate loans:					
United Kingdom	**4**	4	4	6	6
Other European Union					
United States					
Rest of the World		2	1		2
Total	**4**	6	5	6	8
Total non-performing loans:					
United Kingdom	**3,311**	3,337	2,963	2,749	2,105
Other European Union	**231**	173	140	204	183
United States	**383**	744	317	121	85
Rest of the World	**230**	272	451	303	236
Total	**4,155**	4,526	3,871	3,377	2,609

Potential problem loans

	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
United Kingdom	**1,139**	994	968	728	648
Other European Union	**23**		2	2	23
United States	**259**	241	369	313	5
Rest of the World	**56**	69	63	64	35
Total	**1,477**	1,304	1,402	1,107	711

Interest forgone on non-performing loans

The total interest income that would have been recognised under the original contractual terms of the non-performing loans in 2003 was £312m (2002: £275m) of which £247m (2002: £209m) related to loans recorded in the UK and £65m (2002: £66m) related to foreign loans. Interest income of approximately £47m (2002: £22m) from such loans was included in profit, of which £39m (2002: £21m) related to domestic lending and the remainder to foreign lending. The balance was not received or was suspended.

Ratios of provisions to non-performing loans and potential credit risk lendings appear in the next section on page 47, following the discussion of provisions.

Provisions for Bad and Doubtful Debts

Barclays policy is to provide for credit losses when it considers that recovery is doubtful. Risk managers continuously review the quality of the exposures and make provisions where necessary, based on their knowledge of the customer or counterparty, and developments in the industry and country of operation.

Provisioning approach

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, loan migration (i.e. deterioration in credit quality), structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements.

Total provisions are comprised of two components, specific provisions and general provisions.

Specific provisions are raised when the Group considers that the creditworthiness of a borrower has deteriorated such that recovery of the whole or part of an outstanding advance is in serious doubt.

Within the retail businesses, where the portfolio comprises large numbers of homogeneous assets, statistical techniques are used to raise specific provisions for each product portfolio, based on delinquency data and historical recovery rates. These provisions are updated monthly;

Small business accounts with loans up to about £300,000 are similarly treated on a product portfolio basis using statistical methods;

For the larger business and wholesale accounts, specific provisioning is done on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example the business prospects of the customer, the realisable value of collateral, the Group s position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These provisions are formally reviewed quarterly and revised as new information becomes available in the course of each work-out.

General provisions reflect losses that, although not specifically identified, are known from experience to be present in the lending portfolio at the balance sheet date. These provisions are adjusted at least half yearly by an appropriate charge or release.

General provisions are also created with respect to the recoverability of assets arising from off-balance sheet exposures and country transfer risk, all prepared in a manner consistent with the general provisioning methodology.

Write-off occurs immediately when, and to the extent that, the whole or part of a debt is considered irrecoverable.

See also page 92 (Critical Accounting estimates) and page 103 (Accounting policies: loans and advances) for a description of relevant terms and policies.

Provisions charge over ten years

Provisions charge over ten years as a percentage of the banking book

The provisions charge fell 9% (£137m) to £1,347m (2002: £1,484m). Provisions excluding the impact of Transition Businesses, mainly Argentina in 2002, fell 3% (£36m) to £1,324m (2002: £1,360m).

Business Banking provisions increased broadly in line with portfolio growth. Provisions fell in Barclays Capital reflecting the ongoing improvement in the loan book and the continued recovery in the large corporate credit environment.

Provisions fell in Personal Financial Services with an improvement in the quality of the loan portfolio and improved risk management. The reduction occurred in the unsecured lending portfolio. Provisions charges for mortgages remained at a very low rate. Barclaycard provisions increased in line with continued portfolio growth.

Further details appear in the analysis of results by business starting on page 78.

Risk Management
Provisions for Bad and Doubtful Debts

Analysis of the provisions charges for bad and doubtful debts

	Year ended 31st December				
	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Net specific provisions charge/(release)					
United Kingdom	**1,132**	1,041	964	688	568
Other European Union	**37**	14	20	12	1
United States[a]	**84**	385	136	17	34
Rest of the World	**67**	46	45	60	32
Total net specific provisions charge	**1,320**	1,486	1,165	777	635
General provisions charge/(release)	**27**	(2)	(16)	40	(14)
Total	**1,347**	1,484	1,149	817	621

Note

(a) The US charge includes provisions raised against South American Corporate Banking exposures booked in the US.

Bad debt provisions charge ratios (Loan loss ratios)

The Group s provisions charge ratio improved significantly from 0.85% to 0.73% of average banking loans and advances in 2002 and 2003 respectively.

	Year ended 31st December				
	2003	2002	2001	2000	1999
	%	%	%	%	%
Provisions charge as a percentage of average banking loans and advances for the year:					
Specific provisions	**0.71**	0.85	0.74	0.64	0.60
General provisions	**0.02**		(0.01)	0.03	(0.02)
	0.73	0.85	0.73	0.67	0.58
Amounts written off (net of recoveries)	**0.74**	0.64	0.53	0.47	0.52

Provisions charge as a percentage of average loans and advances for the year (including trading business):					
Specific provisions	**0.46**	0.58	0.52	0.44	0.43
General provisions	**0.01**			0.02	(0.01)
Total	**0.47**	0.58	0.52	0.46	0.42
Amounts written off (net of recoveries)	**0.48**	0.43	0.37	0.32	0.38

Provisions charge analysis

Provision balances

Provisioning decisions result in changes to the provisioning balances, the cumulative effects of which are shown below.

Analysis of provision balances for bad and doubtful debts

	As at 31st December				
	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Specific provisions					
United Kingdom	**1,856**	1,790	1,605	1,343	1,083
Other European Union	**97**	84	89	112	131
United States[(a)]	**121**	257	89	20	23
Rest of the World	**159**	130	188	118	74
Total specific provisions	**2,233**	2,261	1,971	1,593	1,311
General provisions	**795**	737	745	760	672
Total provisions	**3,028**	2,998	2,716	2,353	1,983
Average loans and advances for the year (excluding trading business)	**184,765**	174,764	157,904	122,333	106,488
(including trading business)	**285,963**	256,789	223,221	176,938	147,139

Note

(a) The US charge includes provisions raised against South American Corporate Banking exposures booked in the US.

Risk Management
Provisions for Bad and Doubtful Debts

Provisions balance ratios

	As at 31st December				
	2003	2002	2001	2000	1999
	%	%	%	%	%
Excluding trading business					
Provisions balance at end of year as a percentage of loans and advances at end of year:					
Specific provisions	**1.19**	1.29	1.22	1.06	1.19
General provisions	**0.42**	0.42	0.46	0.51	0.61
	1.61	1.71	1.68	1.57	1.80
Including trading business					
Provisions balance at end of year as a percentage of loans and advances at end of year:					
Specific provisions	**0.77**	0.86	0.85	0.79	0.83
General provisions	**0.27**	0.28	0.32	0.38	0.42
	1.04	1.14	1.17	1.17	1.25

Treatment of interest on debts that have specific provisions
If the collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the profit and loss account. Although interest continues to be charged to the customer s account, the amount suspended is netted against the relevant loan. Loans on which interest is suspended are not reclassified as accruing interest until interest and principal payments are up-to-date and future payments are reasonably assured. If the collection of interest is considered remote, interest is no longer applied.

Treatment of collateral assets acquired in exchange for advances
Assets acquired in exchange for advances in order to achieve an orderly realisation continue to be reported as advances. The assets acquired are recorded at the carrying value of the original advance as at the date of the exchange and any impairment is accounted for as a specific provision.

Movements in provisions for bad and doubtful debts

	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Provisions balance at beginning of year	**2,998**	2,716	2,353	1,983	1,943
Acquisitions and disposals	**62**	(11)	46	119	(10)
Exchange and other adjustments	**(18)**	(77)	(1)	4	(13)
Amounts written off	**(1,474)**	(1,220)	(973)	(683)	(651)
Recoveries	**113**	106	142	113	93
Provisions charged against profit	**1,347**	1,484	1,149	817	621
Provisions balance at end of year	**3,028**	2,998	2,716	2,353	1,983

A geographical analysis of the values in this summary table follows in the next three tables.

Amounts written off

	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
United Kingdom	**(1,175)**	(950)	(814)	(595)	(546)
Other European Union	**(54)**	(31)	(36)	(45)	(44)
United States	**(215)**	(215)	(94)	(26)	(40)
Rest of the World	**(30)**	(24)	(29)	(17)	(21)
Total amounts written off	**(1,474)**	(1,220)	(973)	(683)	(651)

Recoveries

	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
United Kingdom	**(95)**	(88)	(106)	(100)	(85)
Other European Union	**(7)**	(7)	(5)	(6)	(4)
United States	**(10)**	(9)	(27)	(4)	(4)
Rest of the World	**(1)**	(2)	(4)	(3)	
Total recoveries	**(113)**	(106)	(142)	(113)	(93)

Provisions charged against profit

	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
New and increased specific provisions:					
United Kingdom	**1,373**	1,210	1,157	843	768
Other European Union	**57**	33	35	35	27
United States	**118**	404	173	27	45
Rest of the World	**80**	72	75	76	47
	1,628	1,719	1,440	981	887
Releases of specific provisions:					
United Kingdom	**(146)**	(81)	(87)	(55)	(115)
Other European Union	**(13)**	(12)	(10)	(17)	(22)
United States	**(24)**	(10)	(10)	(6)	(7)
Rest of the World	**(12)**	(24)	(26)	(13)	(15)

	(195)	(127)	(133)	(91)	(159)
Recoveries	**(113)**	(106)	(142)	(113)	(93)
Net specific provisions charge	**1,320**	1,486	1,165	777	635
General provision charge/(release)[(a)]	**27**	(2)	(16)	40	(14)
Net charge to profit	**1,347**	1,484	1,149	817	621

Note

(a) An analysis of the movement in general provisions is shown in Note 16 to the accounts.

Total provisions for bad and doubtful debts at end of year comprise:

	As at 31st December				
	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Specific provisions					
United Kingdom	**1,856**	1,790	1,605	1,343	1,083
Other European Union	**97**	84	89	112	131
United States	**121**	257	89	20	23
Rest of the World	**159**	130	188	118	74
Total specific provisions	**2,233**	2,261	1,971	1,593	1,311
General provisions	**795**	737	745	760	672
	3,028	2,998	2,716	2,353	1,983

Risk Management
Provisions for Bad and Doubtful Debts

Specific provisions charges and balances for bad and doubtful debts by industry

	Net specific provision charged for the year					Specific provisions balance as at 31st December				
	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m	**2003 £m**	2002 £m	2001 £m	2000 £m	1999 £m
United Kingdom:										
Banks and other financial institutions	**13**	1	(2)	7	10	**12**	1	5	7	9
Agriculture, forestry and fishing	**(3)**	(1)	6	6	4	**5**	7	13	11	7
Manufacturing	**79**	80	62	8	4	**58**	98	49	43	48
Construction	**(23)**	41	12	7	4	**7**	35	6	8	7
Property	**(3)**	8	3	1	(5)	**3**	9	8	8	8
Energy and water	**13**	22	1	8		**27**	28	10	8	2
Wholesale and retail distribution and leisure	**38**	37	44	21	34	**52**	54	60	42	42
Transport	**100**	7	6	2	4	**103**	7	6	4	4
Communications	**1**	16	1			**15**	15	1	1	1
Business and other services	**76**	62	75	27	14	**121**	92	77	40	34
Home loans	**9**	4	8	10	5	**55**	53	60	61	39
Other personal	**757**	748	782	577	504	**1,359**	1,343	1,252	1,041	830
Overseas customers	**66**	13	(34)	6	(22)	**24**	39	52	58	41
Finance lease receivables	**9**	3		8	12	**15**	9	6	11	11
	1,132	1,041	964	688	568	**1,856**	1,790	1,605	1,343	1,083
Foreign	**188**	445	201	89	67	**377**	471	366	250	228
	1,320	1,486	1,165	777	635	**2,233**	2,261	1,971	1,593	1,311

Analysis of amounts written off and recovered by industry

	Amounts written off for the year					Recoveries of amounts previously written off				
	2003	2002	2001	2000	1999	**2003**	2002	2001	2000	1999

	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
United Kingdom:										
Banks and other financial institutions	**14**	2	3	13	14	**12**		3	4	2
Agriculture, forestry and fishing		4	7	6	6	**1**	2	2	2	3
Manufacturing	**126**	72	65	30	20	**8**	22	11	16	12
Construction	**19**	15	16	8	12	**14**	3	2	2	3
Property	**5**	10	5	5	9	**1**	2	1	3	7
Energy and water	**15**	4	1	2			1			
Wholesale and retail distribution and leisure	**45**	53	35	34	35	**5**	11	9	12	17
Transport	**5**	7	4	3	4	**1**	1		1	1
Communications	**1**	2			1					
Business and other services	**58**	65	57	33	43	**11**	13	9	11	12
Home loans	**11**	11	14	15	3	**3**	1	4	3	2
Other personal	**790**	692	599	435	363	**38**	31	29	28	24
Overseas customers	**82**	9	2	7	31			35	17	1
Finance lease receivables	**4**	4	6	4	5	**1**	1	1	1	1
	1,175	950	814	595	546	**95**	88	106	100	85
Foreign	**299**	270	159	88	105	**18**	18	36	13	8
	1,474	1,220	973	683	651	**113**	106	142	113	93

These tables have been prepared on the basis described on page 33.

Coverage ratios

The coverage of non-performing loans by the Group s stock of provisions and interest in suspense increased from 68.0% at 31st December 2002 to 74.1% at 31st December 2003. Over the same period, coverage of potential credit risk lendings increased from 52.8% to 54.6%.

Provisions coverage of non-performing loans

Provisions coverage of potential credit risk lendings (NPLs and PPLs)

Total provisions coverage of non-performing loans

	2003	2002	2001	2000	1999
	%	%	%	%	%
United Kingdom	**77.6**	74.2	74.9	72.9	81.1
Other European Union	**71.4**	61.8	78.6	72.1	94.5
United States	**39.2**	43.7	61.8	81.0	74.1
Rest of the World	**83.9**	61.8	59.2	64.7	50.4
Total coverage of non-performing loans	**74.1**	68.0	72.1	72.4	79.1

Total provisions coverage of potential credit risk lendings (NPLs and PPLs)

	2003	2002	2001	2000	1999
	%	%	%	%	%
United Kingdom	**57.7**	57.2	56.4	57.7	62.0
Other European Union	**65.0**	61.8	77.5	71.4	84.0
United States	**23.4**	33.0	28.6	22.6	70.0
Rest of the World	**67.5**	49.3	51.9	53.4	43.9
Total coverage of potential credit risk lending	**54.6**	52.8	52.9	54.5	62.1

The general provision is allocated according to the characteristics of the loans in each geographic area.

Another useful way of assessing provision balances is to recognise that specific provisions are created to cover non-performing loans, whereas general provisions relate to as yet unidentified losses on performing loans. The following table provides an analysis of provision balances on this basis.

Ratios of general and specific provision balances

	2003	2002	2001	2000	1999

	%	%	%	%	%
Specific provisions coverage of non-performing loans	**53.7**	50.0	50.9	47.2	50.2
General provisions coverage of performing loans (excluding trading book)	**0.43**	0.43	0.47	0.52	0.62
General provisions coverage of performing loans (including trading book)	**0.28**	0.28	0.33	0.38	0.43

The ratio of general provisions to performing loans declined in 2000 and 2001 following the acquisition of Woolwich plc, a portfolio consisting predominantly of secured residential mortgage loans needing comparatively low general provisions. Performing loans comprise gross loans and advances less non-performing loans. All non-performing loans are on the banking book.

Market Risk Management

Market risk is the risk that the Group s earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices, and commodity prices.

Market risk management and control responsibilities
The market risk management policies of the Group are determined by the Group Risk Oversight Committee, which also recommends overall market risk appetite, via the Group Executive Committee, to the Board Risk Committee. The Group s policy is that the market risks associated with the Group s business activities are clearly identified, assessed and controlled within agreed limits and that the market risks arising from trading activities are concentrated in Barclays Capital.

The Group Market Risk Director is responsible for the content, effectiveness and efficiency of the Group s market risk control framework, and is assisted by risk management departments in the Group s businesses and a central market risk management team. The Group Market Risk Director reports to the Group Financial Risk Director who reports to the Group Risk Director.

The Group Risk Oversight Committee allocates a total Daily Value at Risk (DVaR) limit for the Group and delegates the day-to-day control and monitoring of market risk to the Group Market Risk Director, who sets limits for each business area. To assist this process, a market risk report is produced daily which summarises the Group s market risk exposures against agreed limits. Data for this report is supplied by the business areas. This daily report is sent to the Group Risk Director, the Group Financial Risk Director, the Group Market Risk Director, the Group Finance Director and the appropriate Business Risk Directors.

A more detailed market risk report is presented each month by the Group Market Risk Director to the Group Risk Oversight Committee. This report brings to the attention of all Committee members current Group market risk exposures and issues along with relevant background information.

Each business area of the Group is accountable for identifying, measuring and managing all market risks associated with its activities. In managing market risk, businesses must consider asset liquidity risk and funding liquidity risk where these issues are relevant.

Market risk measurement
Barclays uses DVaR as the primary mechanism for controlling market risk. DVaR is an estimate, with a confidence level of 98%, of the potential loss which might arise if the current positions were to be held unchanged for one business day. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

Where DVaR does not adequately measure the risk, alternative methods are used such as Annual Earnings at Risk. Annual Earnings at Risk measures the sensitivity of annual earnings to shocks in market rates at the 99th percentile for change over a one-year period. This shock is consistent with the standardised interest rate shock recommended by the Basel II framework for assessing banking book interest rate risk.

To facilitate the identification, measurement, control and reporting of market risk, Barclays has categorised market risk into three broad categories as described below:

(i) Trading market risk
Trading includes transactions where Barclays Capital acts as principal with clients or with the market. A detailed review of this risk is provided below.

(ii) Asset and liability management
The Group encounters risks in managing its assets and liabilities. A detailed review of these risks is covered in the Treasury Asset and Liability Management section on pages 54 to 57.

(iii) Other market risks
In some instances, the Group incurs market risks that do not fit into the above categories. The principal risks of this type are asset management structural market risk and defined benefit pension scheme risk. These are covered below.

Trading Market Risk

As mentioned above, the Group s policy is to concentrate trading activities in Barclays Capital. Trading includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, Barclays manages client and market activities together. In Barclays Capital, trading risk occurs in both the trading book and the banking book as defined for regulatory purposes.

In anticipation of future customer demand, the Group maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital market and treasury instruments, including a broad range of cash, securities and derivatives. Trading positions and any offsetting hedges are established as appropriate to accommodate customer or Group requirements. Barclays Capital takes principal positions in the interest rate, credit spread, foreign exchange, equity and commodity markets based on expectations of customer demand or a change in market conditions.

Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, credit derivatives, options and combinations of these instruments. For a description of the nature of derivative instruments, see page 53.

Risk control

In Barclays Capital, the Head of Market Risk is responsible for the market risk governance and control framework. Day-to-day responsibility for managing exposure to market risk lies with the senior management of Barclays Capital, supported by the Global Market Risk Management Unit that operates independently of the trading areas. Daily DVaR utilisation reports are produced across the main business areas and the five main risk factor categories, namely interest rate, credit spread, foreign exchange, equity and commodity risk.

Any DVaR excess at the business level, risk factor level or total level, along with the relevant background information and proposed way forward, is reported to the senior management of Barclays Capital and the Group Market Risk Director. The Group Market Risk Director presents these DVaR excesses to the Group Risk Oversight Committee.

As DVaR does not provide a direct indication of the potential size of losses that could arise in extreme conditions, Barclays Capital uses a number of complementary techniques for controlling market risk. These include revenue loss triggers and stress tests. The latter are based on both historical and hypothetical extreme movements of market prices and are reviewed as part of the detailed market risk presentation at the fortnightly Traded Products Risk Review meetings. The attendees at this meeting include senior managers from Barclays Capital and Group Central Functions.

If the potential loss indicated by a stress test exceeds an agreed trigger level, then the positions captured by the stress test are reviewed and discussed by Barclays Capital Market Risk and the respective Business Head(s). The minutes of the discussion, including the merits of the position and the appropriate course of action, are then sent to the Group Market Risk Director.

Risk measurement

Barclays Capital calculates DVaR using the historical simulation method with a historical sample of two years. As stated above, the calculation assumes a one-day holding period and is performed to the 98% level of confidence.

The DVaR methodology allows the interest rate risk (due to changes in the government interest rates) to be measured separately from credit spread risk (due to changes in credit spreads). The credit spread is the premium for holding a non-government investment, and is the difference between the total interest rate and the appropriate government interest rate, for the same maturity.

In total, the DVaR methodology maps interest rate risk into eight categories. These are government, interest rate swaps and six credit grades for non-government exposures. This categorisation allows the measurement process to discriminate between the market risk of holding bonds with different credit qualities, for example AAA grade securities as against non-investment grade securities. In particular, it shows the effectiveness of hedging strategies such as shorting government bonds or swaps against non-government bond portfolios.

The DVaR numbers shown in the table below are all based on the above methodology.

Analysis of market risk exposures

Barclays Capital s market risk exposure increased in 2003. The credit businesses incurred additional credit spread risk, primarily due to growing client business in corporate bonds and credit derivatives.

The daily average, maximum and minimum values of DVaR were estimated as below.

Barclays Capital DVaR: Summary table for 2003 and 2002

	Twelve months to 31st December 2003			Twelve months to 31st December 2002		
	Average £m	**High(a) £m**	**Low(a) £m**	Average £m	High(a) £m	Low(a) £m
Interest rate risk	**21.0**	**34.1**	**13.6**	21.7	34.5	10.0
Credit spread risk	**16.2**	**29.2**	**8.9**	9.4	12.5	6.0
Foreign exchange risk	**2.3**	**5.0**	**1.0**	2.9	4.4	1.9
Equities risk	**2.6**	**4.9**	**1.5**	3.6	5.4	2.1
Commodities risk	**4.4**	**7.0**	**2.2**	1.8	3.3	0.8
Diversification effect	**(20.6)**	**n/a**	**n/a**	(16.2)	n/a	n/a
Total DVaR(b)	**25.9**	**38.6**	**17.6**	23.2	35.7	13.4

Notes

(a) The high (and low) DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) DVaR reported as a whole. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and is therefore omitted from the above table.

(b) The year-end total DVaR for 2003 was £37.2m (2002: £25.8m).

Risk Management
Market Risk Management

Total DVaR Daily exposures in 2002 and 2003

Trading revenue
The histograms below show the distribution of market risk daily trading revenue for Barclays Capital in 2003 and 2002. Market risk daily trading revenue includes all primary income (net fees and commissions) and secondary income (net interest income and dealing profits). The average daily revenue in 2003 was £10.0m (2002: £8.7m) and there were 244 positive revenue days out of 254 (2002: 238 positive revenue days out of 252).

Barclays Capital Trading Revenue 2003 (£m)

Barclays Capital Trading Revenue 2002 (£m)

Regulatory DVaR and back-testing
Barclays Capital s DVaR model, along with the market risk management and control infrastructure, has been approved by the FSA under the internal model approach for calculating regulatory capital for general market risk. For regulatory DVaR, the methodology maps interest rate risk into one category (interest rate swaps), rather than the eight categories described above. Model recognition was first given in 1999.

Barclays recognises the importance of assessing the effectiveness of its DVaR model. The main approach employed is the technique known as back-testing, which counts the number of days when trading related losses are bigger than the estimated DVaR figure. The regulatory standard for back-testing is to measure DVaR assuming a one-day holding period with a 99% level of confidence. For Barclays Capital s regulatory trading book, there were no instances in 2003 of a daily trading revenue loss exceeding the corresponding back-testing DVaR. In 2002, there were two instances.

Other Market Risks

Asset management structural market risk
Asset management structural market risk is the risk that fee and commission income is affected by a change in equity market levels. It affects Barclays Private Clients assets under management, Barclays Life and Barclays Global Investors. This risk is measured and managed using Annual Earnings at Risk (AEaR) where the potential reduction in income is measured over a year. For more detail on AEaR, see market risk measurement on page 48. In 2003, Barclays Private Clients placed a series of hedges which reduced the market risk for 2003 and 2004.

Defined benefit pension scheme risk
Barclays maintains a number of defined benefit pension schemes for past and current employees. The ability of the pension fund to meet the projected pension payments is maintained through investments. Market risk arises because the market value of the pension fund assets might decline or their investment returns might reduce or because the present value of the pension liabilities might increase. In these circumstances, Barclays might be required or might choose to make extra contributions to the pension fund.

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Risk Management
Disclosures about Certain Trading Activities including Non-exchange Traded Contracts

The US Securities and Exchange Commission requires disclosures relating to certain trading activities, particularly energy trading and commodity trading through non-exchange traded contracts.

The Group delivers a fully integrated service to clients for base metals, precious metals, energy products (covering US natural gas, oil and oil-related products) and European power and gas through Barclays Capital. The base and precious metals business enters into outright metal purchase and sales transactions as well as the associated over the counter (OTC) and exchange traded derivatives. The energy business deals in commodity derivative contracts but does not maintain any physical exposures. Structured products are also developed and offered in respect of energy, base and precious metal and power and gas commodities. The European power and gas business trades both physical forwards and derivative contracts.

The Group s commodity business continues to expand, as market conditions allow, both through the addition of new products and markets in European power and gas, and the continuing growth in the existing metals and energy trading volumes.

The Group s principal commodity related derivative contracts are swaps, options, forwards and futures, which are similar in nature to such non-commodity related contracts. Commodity derivatives contracts include commodity specification and delivery location as well as forward date and notional values.

The fair values of commodity physical and derivative positions are determined through a combination of recognised market observable prices, exchange prices and established inter-commodity relationships. In common with all derivatives, the fair value of OTC commodity derivative contracts is either determined using a quoted market price or by using valuation models. Where a valuation model is used, the fair value is determined based on the expected cash flows under the terms of each specific contract, discounted back to present value. The expected cash flows for each contract are either determined using market parameters such as commodity price curves, commodity volatilities, interest rate yield curves and foreign exchange rates, or derived from historical or other market prices.

Fair values generated by models are independently validated with reference to market price quotes, or price sharing with other institutions. However, where no observable market parameter is available then instrument fair value will include a provision for the uncertainty in that parameter based on sale price or subsequent traded levels.

Discounting of expected cash flows back to present value is achieved by constructing discount curves from the market price of observable interest rate products, such as deposits, interest rate futures and swaps. In addition, the Group maintains fair value adjustments reflecting the cost of credit risk (where this is not embedded in the fair value), future administration costs associated with ongoing operational support of products, the cost of exiting illiquid or significant positions, as well as the cost of trading out of a position (all positions are marked to mid-market and hence the bid/offer cost would be incurred).

The tables on page 52 analyse the overall fair value of the commodity derivative contracts by movement over time and source of fair value. Additionally, the positive fair value, adjusted for the impact of netting, of such contracts is analysed by counterparty credit risk rating.

Risk Management
Disclosures about Certain Trading Activities including Non-exchange Traded Contracts

The following tables analyse the overall fair value of the commodity derivative contracts by movement over time and source of fair value. As at 31st December 2003 this reflects a gross positive fair value of £1,982m (31st December 2002: £701m) and a gross negative fair value of (£2,088m) (31st December 2002:(£661m)). Realised and unrealised profits related to physical commodity and commodity derivative activities are included within dealing profits. Physical commodity positions are held at fair value and reported within other assets in Note 23 on page 128.

Movement in fair value of commodity derivative positions

	Total 2003 £m	Total 2002 £m
Fair value of contracts outstanding at the beginning of the year	**40**	(45)
Contracts realised or otherwise settled during the year	**(8)**	25
Fair value of new contracts entered into during the year	**(101)**	50
Other changes in fair value	**(37)**	10
Fair values of contracts outstanding at the end of the year	**(106)**	40

Source of commodity derivative fair values

	Fair value of contracts at 31st December 2003				
	Maturity less than one year £m	**Maturity one to three years £m**	**Maturity four to five years £m**	**Maturity over five years £m**	**Total fair value £m**
Prices actively quoted	**(103)**	**44**	**13**	**(74)**	**(120)**
Prices provided by other external sources	**(1)**				**(1)**
Prices based on models and other valuation methods	**(11)**	**3**	**2**	**21**	**15**
Total	**(115)**	**47**	**15**	**(53)**	**(106)**

The following table analyses the positive fair value, adjusted for the impact of netting, arising on commodity derivative contracts. As at 31st December 2003, this reflects a gross positive fair value of £1,982m (31st December 2002: £701m) adjusted for the Group s ability to net amounts due to the same counterparties (31st December 2003: £864m, 31st December 2002: £351m).

Analysis of net positive commodity derivative fair value by counterparty credit risk rating

	Total value 2003 £m	Total value 2002 £m
A- to AAA	**792**	147
BBB- to BBB+	**280**	133
BB+ and below	**46**	70
Total	**1,118**	350

At 31st December 2003, 70% of the commodities credit exposure was to counterparties with cross asset class netting agreements, that is, netting agreements allowing exposure on commodities products to be reduced by amounts owed to the same counterparties in other asset classes. Additionally, collateral agreements are held with a majority of these same counterparties that allow collateral to be called against commodity exposures.

Risk Management
Derivatives

The use of derivatives and their sale to customers as risk management products is an integral part of the Group s trading activities. These instruments are also used to manage the Group s own exposure to fluctuations in interest and exchange rates as part of its asset and liability management activities.

Barclays Capital manages the trading derivatives book as part of the market risk book. This includes foreign exchange, interest rate, equity, commodity and credit derivatives. The policies regarding market risk management are outlined in the market risk management section on pages 48 to 50.

The policies for derivatives that are used to manage the Group s own exposure to interest and exchange rate fluctuations are outlined in the treasury asset and liability management section on pages 54 to 57.

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group s net interest income, dealing profits, commissions received and other assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

The Group participates both in exchange traded and OTC derivatives markets.

Exchange traded derivatives
The Group buys and sells financial instruments that are traded or cleared on an exchange, including interest rate swaps, futures and options on futures. Holders of exchange traded instruments provide margin daily with cash or other security at the exchange, to which the holders look for ultimate settlement.

Over the counter traded derivatives (OTC)
The Group also buys and sells financial instruments that are traded over the counter, rather than on a recognised exchange.

These instruments range from commoditised transactions in derivative markets, to trades where the specific terms are tailored to the requirements of the Group s customers. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give the Group protection in situations where a counterparty is in default, including the ability to net outstanding balances where the rules of offset are legally enforceable. For further explanation of the Group s policies on netting, see Accounting policies on pages 101 to 106.

Foreign exchange derivatives
The Group s principal exchange rate related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

Interest rate derivatives
The Group s principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features.

An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. A basis swap is a form of interest rate swap, in which both parties exchange interest payments based on floating rates, where the floating rates are based upon different underlying reference indices. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

Equity derivatives
The Group s principal equity related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. No principal amounts are exchanged. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date.

Credit derivatives
The Group s principal credit derivative related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection.

A credit default swap is a contract where the protection seller receives premium or interest related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets and downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer in return receives a predetermined amount.

A description of how credit derivatives are used within the Group is provided on pages 38 and 95.

A description of the impact of derivatives under US GAAP is set out on page 182.

Commodity derivatives
The Group s principal commodity related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are base metals, precious metals, energy products (covering US natural gas, oil and oil-related products) and European power and gas.

A description of commodity derivatives is provided on page 51.

Risk Management
Treasury Asset and Liability Management

Group Treasury actively manages the financial risks relating to the Group s assets and liabilities, which comprise liquidity, funding and funding concentration risks, structural interest rate risks and exchange rate risks.

Group Treasury policies are set by the Group Treasury Committee which is chaired by the Group Finance Director. Group policy is to centralise retail asset and liability management within Group Treasury to minimise earnings volatility and meet Group control standards. The Group Treasury Committee sanctions Liquidity and Structural Interest Rate risk limits across the Group and ensures compliance via a limit and control monitoring structure in collaboration with the local Asset and Liability Committees (ALCOs).

Liquidity risk management
Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Group Treasury is responsible for the Group s overall liquidity policy and control which is managed to ensure that the Group can meet its current and future re-financing needs at all times and at acceptable costs. The Group s liquidity position was strong at 31st December 2003.

Liquidity management within the Group has two main strands. The first is day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of existing funds as they mature or are withdrawn to satisfy demands for additional borrowings by customers. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. This is based on principles agreed by the UK Financial Services Authority. Each operation is required to maintain sufficient access to funds, in terms of maturing assets and proven capacity to borrow in the money markets.

Additionally, in evaluating the Group s liquidity position, Group Treasury monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

An important source of liquidity is our core UK retail deposits, mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts are repayable at short notice, maintaining a broad base of customers, both numerically and by depositor type, helps to protect against unexpected fluctuations. Such accounts form a stable deposit base for the Group s operations and liquidity needs.

In order to avoid reliance on a particular group of customers or market sectors, the distribution of sources and maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors confidence. Such confidence is based on a number of factors including the Group s reputation, the strength of earnings and the Group s financial position.

In overseas markets, day to day liquidity is the responsibility of local treasury management in each territory within the parameters set by Group Treasury and subject to regular reports to Group Treasury in order to maximise the benefits of knowledge gained. Local asset and liability management committees comprising senior local executives and Group Treasury representatives also review liquidity management depending on the size and complexity of the treasury operation.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider and product. Whilst 2003 saw a relatively stable situation, with no notable consequences for the Group s liquidity, significant market events over recent years including corporate scandals all resulted in a short-term flight to quality in financial markets from which Barclays benefited.

The ability to raise funds is in part dependent on maintaining the Group s credit rating, although, except at extremes, a credit downgrade is likely to affect only the price at which funding is available rather than the volume that can be raised.

Many factors contribute to the credit rating process including assessment of management capability, and the quality of the corporate governance and risk management processes. The Group considers one of the most important factors in preserving its strong credit rating, which is a core objective, is maintaining a strong capital base and strong capital ratios.

For further details see contractual cash obligations and commercial commitments of the Group on page 57.

Interest rate risk management

Interest rate risk is the risk of loss arising from adverse movements in the level or volatility of market interest rates. The interest rate risk arising from the UK banking operations is aggregated and managed by Group Treasury.

Overall mismatches of fixed rate assets and liabilities are managed in the aggregate by Group Treasury through the use of interest rate swaps and other derivatives. Care is taken to ensure that the management of the portfolio is flexible, as market circumstances and customer requirements can rapidly change the desired portfolio structure. Group Treasury can exercise some discretion within limits prescribed by Group Market Risk with respect to the risk management of these positions and flows.

The exposure is then passed to the market mainly via independently managed dealing units within Barclays Capital who treat these transactions as part of their normal trading activities, and also via third parties. Risks arising in the Group s other banking operations are managed in a similar way.

Management of the retail positions inherent in the Group s balance sheet include the structural interest rate risk associated with interest free deposits, other interest free or fixed rate liabilities as well as the Group s shareholders funds. The positions arising from these balances are managed by the maintenance of assets with fixed interest rates over several years, including loans and advances to customers and debt securities, and also variable rate assets. Derivatives are also employed to hedge both the structural interest rate risk resulting from interest free deposits and the Group s shareholders funds.

The earnings from retail products (generally in personal and corporate banking) can also be adversely affected by customer behaviour and movements in the level or volatility of market rates and prices. The risk embedded within retail contracts is managed by a specialist Retail Market Risk Unit. It is measured using behavioural models and then converted into wholesale swap and option exposure, which is transferred to Group Treasury at an appropriate market rate transfer price. This leaves residual risk within the business to the extent that wholesale contracts do not replicate the market or customer behaviour. This risk is controlled by limits set by Group Market Risk.

International banking operations also incur market interest rate risk. Policies for managing this risk are agreed between Group Treasury and Group Market Risk and are applied through Asset and Liability Committees (ALCOs). Guidance on the scope and constitution of ALCOs is provided by Group Market Risk, which maintains regular contact with the businesses on treasury issues. Compliance with the policy is controlled via a comprehensive financial risk reporting framework including interest rate gap limits or value at risk limits issued by Group Market Risk. These limits allow banking books to be managed by local treasury operations in an orderly fashion, either through Barclays Capital or, where necessary, through local markets.

The Group exposure, excluding Barclays Capital interest rate risk (which is disclosed within the preceding Market Risk section), is shown in the form of an interest rate repricing table (see Note 45, page 141) and includes non-trading hedges. This summarises the repricing profile of the Group s assets, liabilities and off-balance sheet exposures at 31st December 2003. The table provides the basis for assessment of the sensitivity of the Group s earnings to interest rate movements. Based on the Group balance sheet as at 31st December 2003, the Group s expected earnings in 2004 would not be significantly affected either by a hypothetical immediate and sustained 1% increase or decrease in interest rates.

Group risk management activities employing interest rate swaps, currency swaps, basis swaps and other derivatives that are designated as hedges. The derivative components of the Group s hedging programme are transferred to the market via internal or external counterparties.

Interest rate swaps and cross currency interest rate swaps that are used in the management of the non-trading exposures are shown in the table below (except for those within Barclays Capital, where the exposure is included in the reported DVaR figures, see page 49). These figures are the weighted average pay fixed rates and receive fixed rates by maturity date and nominal amount at 31st December 2003. The nominal amounts below include £5,320m and £495m, in respect of sterling and non-sterling basis swaps respectively. Basis swaps are swaps where both payable and receivable legs are at variable rates of interest. In managing the non-trading exposures relating to capital balances and demand deposits, both on-balance sheet and derivative positions are held.

The reported figures do not take account of underlying balance sheet items being hedged, the net interest income thereon or their mark to market values.

Risk Management
Treasury Asset and Liability Management

Analysis of weighted-average receive fixed and pay fixed rates by reset maturity date and nominal amount at 31st December 2003

	Sterling denominated contracts				Non-sterling denominated contracts			
	Pay fixed		Receive fixed		Pay fixed		Receive fixed	
	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %
Reset maturity date								
Not more than three months	**1,673**	**5.25**	**2,754**	**5.67**	**3,403**	**2.24**	**593**	**2.85**
Over three months but not more than six months	**2,696**	**5.36**	**946**	**5.76**	**152**	**3.32**	**268**	**3.38**
Over six months but not more than one year	**2,631**	**5.22**	**2,854**	**6.20**	**2,109**	**2.51**	**341**	**4.38**
Over one year but not more than five years	**7,097**	**5.24**	**24,807**	**5.17**	**2,523**	**5.12**	**3,347**	**6.17**
Over five years	**2,057**	**5.65**	**6,286**	**5.99**	**1,361**	**4.52**	**4,744**	**6.65**
Total	**16,154**	**5.31**	**37,647**	**5.44**	**9,548**	**3.40**	**9,293**	**6.06**

Analysis of weighted-average receive variable and pay variable rates by reset maturity date and nominal amount at 31st December 2003

	Sterling denominated contracts				Non-sterling denominated contracts			
	Receive variable		Pay variable		Receive variable		Pay variable	
	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %
Reset maturity date								
Not more than three months	**12,951**	**3.19**	**27,230**	**3.89**	**7,460**	**2.17**	**8,437**	**3.55**
Over three months but not more than six months	**6,041**	**4.07**	**13,304**	**4.20**	**2,357**	**2.55**	**1,162**	**2.01**
Over six months but not more than one year	**62**	**4.12**	**13**	**3.65**	**86**	**1.53**	**35**	**3.10**

Over one year but not more than five years								
Over five years							**14**	
Total	**19,054**	**3.47**	**40,547**	**3.99**	**9,903**	**2.25**	**9,648**	**3.36**

The net effect of the derivative positions, in isolation, on net interest income was a credit of £240m (2002: £246m). This included credits of £273m (2002: £242m) and debits of £33m (2002: credits of £4m) for interest rate and exchange rate derivatives respectively.

Foreign exchange risk management

Corporate and retail banking businesses incur foreign exchange risk in the course of providing services to their customers. The part of this risk that arises in UK operations is transferred directly to and managed by Barclays Capital as reported in the previous section. Group Market Risk allocates modest foreign exchange open position limits to international operations to facilitate the management of customer originated flows. Exposures are reported daily to Group Market Risk. Throughout 2002 and 2003, aggregate DVaR of these businesses for foreign exchange rate risk was immaterial.

Management of foreign currency investments

Non-trading positions in foreign currencies arise from the currency investments that the Group makes in its overseas businesses. Group Treasury manages the funding and financing of these investments so as to limit the effect of exchange rate movements on the Group s risk asset ratios. The principal structural currency exposures of the Group are set out on page 142.

These positions, together with the currency composition of tiers 2 and 3 capital and minority interests in tier 1 and tier 2 capital, ensure that movements in exchange rates have little impact on the Group s risk asset ratios. However, exchange rate movements do have an impact on reserves (see Consolidated statement of changes in reserves on page 111). With the positions in place at 31st December 2003, a hypothetical increase of 10% in the value of sterling against all currencies would have led to a fall of some £79m in reserves (2002: £36m).

Additional information on liquidity management

The tables below give details of the contractual obligations and commercial commitments of the Group as at 31st December 2003.

Contractual obligations

	Payments due by period				
	Less than one year £m	One to three years £m	Four to five years £m	After five years £m	Total £m
Long-term debt	**33,812**	**2,746**	**8,138**	**10,902**	**55,598**
Capital lease obligations	**15**	**17**	**42**	**36**	**110**
Operating lease obligations	**198**	**390**	**347**	**1,851**	**2,786**
Purchase obligations	**273**	**377**	**123**	**73**	**846**
Other long-term liabilities	**7**				**7**
Total	**34,305**	**3,530**	**8,650**	**12,862**	**59,347**

Included within long-term debt is dated loan capital and debts securities in issue.

Purchase obligations relate to contracts for the provision of services such as office supplies, telecommunications and maintenance and sponsorship agreements where the Bank has entered into legally binding contracts to purchase products or services over a specified period of time.

Other long-term liabilities relate to obligations relating to the Group s main defined benefit pension plans. Amounts are based on current and projected obligations of the plans, performance of plan assets and participant contributions.

Other commercial commitments

	Amount of commitment expiration per period				
	Less than one year £m	One to three years £m	Four to five years £m	After five years £m	Total amounts committed £m
Acceptances and endorsements	**581**	**90**			**671**
Guarantees and assets pledged as collateral security	**20,789**	**1,750**	**1,173**	**884**	**24,596**
Other contingent liabilities	**6,455**	**920**	**690**	**362**	**8,427**

Documentary credits and other short-term trade related transactions	**352**	**5**	**1**	**1**	**359**
Forward asset purchases and forward forward deposits placed	**72**			**16**	**88**
Undrawn Note issuance and revolving underwriting facilities					
Undrawn formal standby facilities, credit lines and other commitments to lend	**87,240**	**15,845**	**8,684**	**2,631**	**114,400**
Total	**115,489**	**18,610**	**10,548**	**3,894**	**148,541**

Further information on guarantees is provided in Note 61 on page 187.

Risk Management
Management of Other Risks

In addition to the risks discussed so far, Barclays also faces a number of other risks which it groups and manages under Non-financial risk. Non-financial risk encompasses operational risk and business risk:

Operational risk is the risk of direct or indirect impacts resulting from inadequate or failed internal processes or systems or from external events. Major sources of operational risk include: implementation of strategic change, integration of acquisitions, outsourcing of operations, dependence on key suppliers, fraud, error, customer service quality, regulatory compliance, payment systems reliability, IT security, recruitment, training and retention of staff, and social and environmental impacts.

Business risk is the risk of adverse impact resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include: revenue volatility due to factors outside our control; inflexible cost structures; uncompetitive products or pricing; and structural inefficiencies.

Barclays is expanding its Group-wide commitment to the management of these risks. Barclays will continue to enhance its non-financial practices and methodologies where appropriate and will implement advanced non-financial risk management to enhance shareholder value and the quality of customer service.

Responsibility and control of non-financial risks
Barclays has a Group-wide non-financial risk framework, which is approved by the Board and is consistent with and part of the Group Risk Governance framework described earlier. Board Governance Standards have been established for all key areas of identified risk. These standards are high-level articulations of the Board s risk control requirements.

Non-financial risk is subject to management and oversight throughout the organisation.

- The prime responsibility for the management of non-financial risk and compliance with Board Standards rests with the businesses and functional units where the risk arises. Front-line non-financial risk managers are widely distributed throughout the Group in business units. They service and support these areas assisting line managers in managing these risks.

- Business Risk Directors in each business are responsible for the implementation of and compliance with Group policies.

- Governance and Control Committees in each business monitor risk management and control effectiveness.

- Board Governance Standard owners have Group-wide responsibility for setting policy and providing expert advice to improve the management of non-financial risk by business managers. The standard owners are generally the Group functional units with the relevant expertise. For example, Group Human Resources own the people risk standard, Group Compliance the regulatory compliance standard and Group Finance the financial reporting standard.

- In the corporate centre, the Non-Financial Risk Director exercises oversight over the portfolio of non-financial risk across the Group in accordance with the Group Non-Financial Risk Framework.

The Group Internal Audit function provides an assurance process for non-financial risk control across the organisation to the Board and senior management.

Measurement and management of non-financial risk

Risk assessment
A consistent approach to the identification and assessment of key risks and controls is undertaken across all business units. Scenario analysis and self-assessment techniques are widely used by business management for risk identification and evaluation of control effectiveness and monitoring capability. Business management determine whether particular risks are effectively managed within business risk appetite or otherwise take remedial action.

Risk event data collection and reporting
A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. Quantitative information about both internal and external risk events is used to analyse scenarios and to validate quantitative risk assessments.

Reporting
Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the key risks to their business objectives, control issues of Group-level significance, and operational risk events (losses or incidents). Specific reports are prepared on a regular basis for the Group Risk Oversight Committee, the Board Risk Committee and the Board Audit Committee.

Economic capital
As for other risks, economic capital methodologies have been developed to allocate capital to business units for both operational and business risks. This risk-based capital provides businesses with incentives to demonstrate implementation of risk reduction practices or policies. The operational risk economic capital methodology includes the modelling of dominant unexpected risks and adjustments to reflect the business control environment. Continued enhancement of this methodology will support Barclays objective of qualifying for the Advanced Measurement Approach under the proposed Basel II Accord.

Regulatory compliance risk management
Regulatory compliance risk arises from a failure or inability to comply with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance can lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

The Group is subject to extensive supervisory and regulatory regimes in the UK, elsewhere in Europe, the US, the Asia-Pacific region and in the other countries around the world in which it operates. Effective management of regulatory compliance risk is a key business line management accountability. It is the primary responsibility of business management to conduct business in accordance with applicable regulations and with an awareness of compliance risk. The Group Compliance Director is responsible for formulating and communicating a risk control framework for the management of compliance risk and for monitoring a reporting framework to assist business management in discharging its responsibility.

Legal risk management

Effective management of legal risk is a key business line management accountability. It is the primary responsibility of business management to conduct business in accordance with applicable laws and with an awareness of legal risk. Legal risk may arise in a number of ways, primarily:

- Barclays businesses may not be conducted in accordance with applicable laws;
- contractual arrangements may either not be enforceable as intended or may be enforced against Barclays in an adverse way;
- the intellectual property of Barclays (such as its trade names) may not be adequately protected; and
- Barclays may be liable for damages to third parties harmed by the conduct of its business.

The Group identifies and manages legal risk through the effective use of its internal and external legal advisers. The Group General Counsel is responsible for formulating and communicating a risk control framework for the management of legal risk and for monitoring a reporting framework to assist business management in discharging its responsibility.

Tax risk management

This is the risk of loss or increased charges associated with changes in, or errors in the interpretation of, taxation rates or law. Responsibility for control of this lies with the Group Taxation Director, reporting to the Group Finance Director, and systems are in place to identify and manage this risk.

This includes taking external advice as necessary. The businesses are advised of their obligations to comply with tax and reporting requirements. Whilst managed centrally, taxation staff are located within the business areas, in the UK and overseas, where this adds to the effectiveness of risk management.

Financial Data Barclays PLC

Profit before tax

Earnings per share

Post-tax return on average shareholders funds

Dividends per share

Financial Data Barclays PLC

Consolidated profit and loss account summary[a]

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Interest receivable	**12,427**	12,044	13,458	11,788	9,320
Interest payable	**(5,823)**	(5,839)	(7,492)	(6,682)	(4,696)
Profit on redemption/repurchase of loan capital				2	3
Net interest income	**6,604**	6,205	5,966	5,108	4,627
Fees and commissions receivable	**4,896**	4,454	4,202	3,676	3,201
Less: fees and commissions payable	**(633)**	(529)	(465)	(320)	(275)
Dealing profits	**1,054**	833	1,011	677	556
Other operating income	**490**	364	428	353	287
Operating income	**12,411**	11,327	11,142	9,494	8,396
Administration expenses staff costs	**(4,295)**	(3,755)	(3,714)	(3,219)	(3,057)
Administration expenses other	**(2,404)**	(2,312)	(2,303)	(1,967)	(1,807)
Depreciation	**(289)**	(303)	(308)	(255)	(267)
Goodwill amortisation	**(265)**	(254)	(229)	(51)	(13)
Operating expenses	**(7,253)**	(6,624)	(6,554)	(5,492)	(5,144)
Operating profit before provisions	**5,158**	4,703	4,588	4,002	3,252
Provisions for bad and doubtful debts	**(1,347)**	(1,484)	(1,149)	(817)	(621)
Provisions for contingent liabilities and commitments	**1**	(1)	(1)	1	(1)
Provisions	**(1,346)**	(1,485)	(1,150)	(816)	(622)
Operating profit	**3,812**	3,218	3,438	3,186	2,630
Profit/(loss) from joint ventures	**1**	(5)	(1)	(1)	(1)

Profit/(loss) from associated undertakings	**28**	(5)	(8)	(7)	(13)
Loss on sale or restructuring of BZW					(30)
Profit/(loss) on disposal/termination of other Group undertakings	**4**	(3)	(4)	214	(108)
Profit on ordinary activities before tax	**3,845**	3,205	3,425	3,392	2,478
Tax on profit on ordinary activities	**(1,076)**	(955)	(943)	(901)	(655)
Profit on ordinary activities after tax	**2,769**	2,250	2,482	2,491	1,823
Profit attributable to minority and other non-equity interests	**(25)**	(20)	(36)	(46)	(52)
Profit for the financial year attributable to the members of Barclays PLC	**2,744**	2,230	2,446	2,445	1,771
Dividends	**(1,340)**	(1,206)	(1,110)	(927)	(746)
Profit retained for the financial year	**1,404**	1,024	1,336	1,518	1,025

Selected financial statistics

Earnings per ordinary share	**42.3p**	33.7p	36.8p	40.4p	29.6p
Dividends per ordinary share	**20.5p**	18.35p	16.625p	14.50p	12.50p
Dividend cover (times)	**2.1**	1.8	2.2	2.6	2.4
Attributable profit before tax as a percentage of:					
average shareholders funds	**23.5%**	21.0%	23.9%	33.8%	29.2%
Attributable profit after tax as a percentage of:					
average shareholders funds	**16.9%**	14.7%	17.4%	24.8%	21.5%
average total assets (Note (b))	**0.6%**	0.5%	0.6%	0.8%	0.7%
Average United States Dollar exchange rate used in preparing the accounts	**1.64**	1.50	1.44	1.52	1.62
Average euro exchange rate used in preparing the accounts	**1.45**	1.59	1.61	1.64	1.52

See Notes on page 63.

Consolidated balance sheet summary[(a)]

	2003	2002 restated	2001 restated	2000 restated	1999 restated
	£m	£m	£m	£m	£m
Assets					
Loans and advances to banks and customers	**288,743**	260,572	228,382	198,536	156,194
Other assets	**139,917**	129,191	113,923	102,489	88,507
	428,660	389,763	342,305	301,025	244,701
Infrastructure	**6,624**	6,015	6,137	6,450	2,089
	435,284	395,778	348,442	307,475	246,790
Retail life-fund assets attributable to policyholders	**8,077**	7,284	8,170	8,711	8,040
Total assets	**443,361**	403,062	356,612	316,186	254,830
Liabilities					
Deposits by banks, customer accounts and debt securities in issue	**328,529**	304,817	273,073	240,607	191,781
Other liabilities	**77,660**	64,067	50,763	45,715	41,567
	406,189	368,884	323,836	286,322	233,348
Capital resources					
Undated loan capital	**6,310**	6,678	5,054	4,022	1,749
Dated loan capital	**6,029**	4,859	4,933	3,698	2,848
Minority and other interests	**283**	156	134	250	352
Shareholders funds	**16,473**	15,201	14,485	13,183	8,493
	29,095	26,894	24,606	21,153	13,442
	435,284	395,778	348,442	307,475	246,790
Retail life-fund liabilities attributable to policyholders	**8,077**	7,284	8,170	8,711	8,040
Total liabilities and shareholders funds	**443,361**	403,062	356,612	316,186	254,830

Weighted risk assets and capital ratios

Weighted risk assets	**188,997**	172,748	158,873	147,040	115,878
Equity ratio	**6.5%**	6.6%	6.6%	6.2%	7.5%
Tier 1 ratio	**7.9%**	8.2%	7.8%	7.2%	7.5%
Risk asset ratio	**12.8%**	12.8%	12.5%	11.0%	11.3%

Selected financial statistics

Average shareholders funds as a percentage of average total assets (Note (b))	**3.3%**	3.5%	3.7%	3.2%	3.4%
Net asset value per ordinary share	**251p**	231p	217p	198p	142p
Year-end United States Dollar exchange rate used in preparing the accounts	**1.78**	1.61	1.45	1.49	1.62
Year-end euro exchange rate used in preparing the accounts	**1.41**	1.54	1.64	1.60	1.61

Notes

(a) The financial information on pages 62 and 63 is extracted from the published accounts for the last five years, restated where appropriate to accord with the current accounting policies of the Group (see page 101). This information should be read together with, and is qualified by reference to, the accounts and Notes included in this report.

(b) For the purposes of this summary, the retail life-fund assets attributable to policyholders have been excluded from average total assets.

Note 61 to the accounts provides a reconciliation of net profit and shareholders funds between the amounts calculated under UK GAAP and US GAAP.

Business Description

Introduction

Barclays is an international financial services group engaged primarily in banking, investment banking and asset management. In terms of market capitalisation employed, Barclays is one of the largest financial services groups in the UK. The Group also operates in many other countries and is a leading provider of global services to multinational corporations and financial institutions in the world s main financial centres. Worldwide, the Barclays Group had 2,916 branches at 31st December 2003.

The Group is organised in Strategic Business Units (SBUs), which are supported by shared services. Each SBU has been tasked with identifying and implementing value maximising strategies, and achieving these by creating advantage for customers through superior products and services.

For reporting purposes, the SBUs have been organised into the following business groups or clusters:

- Personal Financial Services
- Barclays Private Clients
- Barclaycard
- Business Banking
- Barclays Africa
- Barclays Capital
- Barclays Global Investors

Results are also provided for Head office functions and other operations. The results for Personal Financial Services and Business Banking are reported after allocating the costs of shared support functions, the UK branch network and other common infrastructure.

The structural changes in the Group s organisation announced on 9th October 2003 took effect from 1st January 2004.

Personal Financial Services

Personal Financial Services (PFS) provides a wide range of products and services to 14 million personal customers throughout the United Kingdom, including current accounts, savings, mortgages, consumer loans and general insurance. These are available to customers through integrated channels comprising the branch network, automated teller machines, telephone banking and online banking.

PFS works closely with other businesses in the Group, in particular Barclays Private Clients, Barclaycard and Business Banking.

Openplan from Barclays and The Woolwich is an integrated banking service that links customers current account, savings and mortgage, allowing customers automatically to switch money to earn a higher rate of interest, avoid overdraft charges, offset credit balances against mortgage balances and borrow at mortgage rates. Openplan offers access through the branch, on the phone and over the internet.

Within PFS, the principal goal has been to do more business with more customers. This has been achieved by building broader and deeper relationships with the existing customer base as well as attracting new customers. There has also been a focus on increasing risk-adjusted returns and continuing to strengthen the quality of the lending portfolio.

Key business developments in 2003:

- Openplan has continued its strong growth and now has some 2.6 million customers. Balances within Openplan from Barclays grew to £17.5bn, comprising £12.9bn savings and £4.6bn mortgage balances. The proportion of customers new to Group choosing Openplan from Barclays was 10% for 2003. 67% of customers choosing Openplan from Woolwich were new to Group.

- The number of value-added customer accounts (Additions and Platinum) increased to 2m representing 19% of the current account base.

- Online customers increased to 4.5 million, with an increasing proportion of transactions now being undertaken online. Online savings balances, on average, are some 60% larger than balances through other channels.

- Income growth was broadly based within PFS across general insurance, consumer finance and mortgages. The market for independent financial advice remained challenging.

- Total mortgage balances increased 3% to £59.8bn. Gross new mortgage lending was £18.3bn (2002: £22.2bn) whilst net new mortgage lending was £2.0bn (2002: £6.9bn). Market share of net new lending in mortgages was 2% versus 9% in 2002. The loan to value ratio within the residential mortgage book on a current valuation basis averaged 40%.

- PFS has continued to be a market-leading performer in the personal savings market. Total average savings balances increased 9% to £31.8bn, with Barclays branded savings balances increasing 19%.

Barclays Private Clients

Barclays Private Clients serves affluent and high net worth clients, primarily in the UK and continental Europe, providing banking and asset management services.

The businesses have continued to maintain a strong focus on improving operational efficiency and developing a distinctive customer service.

The comparison with the 2002 results is impacted by the Caribbean business being accounted for as an associated undertaking, following the formation of FirstCaribbean on 11th October 2002, and by the acquisitions made during 2003.

The contribution recognised from the closed life assurance activities is reported separately to provide increased transparency in the financial reporting within Barclays Private Clients.

Barclays Private Clients works closely with other Group businesses, particularly Personal Financial Services, Business Banking, Barclays Global Investors and Barclays Capital, in order to enhance product development and customer service.

Key business developments in 2003:

The retail stockbroking business Charles Schwab Europe was acquired on 31st January 2003. In May 2003, Barclays announced the acquisition of Banco Zaragozano in Spain, which completed in mid-July. The acquisition of Gerrard completed in mid-December 2003.

Barclays Private Clients   businesses were constrained in 2003 by lower average market levels and lower average interest rates than in 2002.

Globally affluent and high net worth client numbers increased 8% to 1,060,000.

Barclays Spain (excluding Banco Zaragozano) saw income rise 22% and operating profit rise 36%.

Affluent customer numbers in Spain increased by 26% to 81,000. Openplan in Spain attracted 15,000 new customers.

In Spain, the average products per customer was 3.2 increasing to 4.3 for Openplan customers.

Banco Zaragozano operating profit for 2003 increased by 15%. In the period since acquisition, Banco Zaragozano contributed operating profit of £18m.

Barclays Stockbrokers, including Charles Schwab Europe, saw average daily deal volumes increase to 8,350 per day (2002: 6,300), maintaining a leading market share in the UK of client order business.

With the acquisition of Gerrard, Barclays became the UK   s largest private client investment manager by funds under management.

The contribution from the closed long-term assurance funds was a loss of £77m (2002: loss £87m) including redress for customers in respect of sales of endowment policies.

Barclaycard

Barclaycard is one of the leading credit card businesses in Europe. In addition to its operations in the United Kingdom, Barclaycard is active in Germany, Spain, Greece, France, Italy and across Africa.

Barclaycard offers a full range of credit card services to individual and corporate customers, together with card payment facilities to retailers and other businesses.

Barclaycard continued to grow both its domestic and international businesses through organic and non-organic activity in 2003.

Key business developments in 2003:

Barclaycard has 11.4 million customers, primarily in the UK and Europe. In the UK alone, around one in every five credit cards is a Barclaycard.

Average extended credit balances amounted to more than 75% of total card outstandings. Average extended credit balances in the UK grew 14% year on year.

UK customer recruitment increased 27% to 1.5 million.

The number of customers registered for Barclaycard online services increased 36% to 1.5m (2002: 1.1m).

Barclaycard International has 1.42 million cards in issue.

Barclaycard International achieved a full year profit of £4m (2002: loss £14m). Income increased by 48% and average extended credit balances rose by 43%.

In April, Barclaycard purchased the global rights (excluding the UK and Singapore) to use the Manchester United credit card brand.

Barclaycard acquired Clydesdale Financial Services, a retailer point of sale of business, in May.

Barclaycard International entered the South African market in August through a strategic alliance with the Standard Bank of South Africa.

Barclaycard, already established in Spain, is working with Banco Zaragozano to accelerate growth from the established Barclaycard presence and the existing Banco Zaragozano cardholder base.

Business Description

Business Banking

Business Banking provides relationship banking to the Group s large, medium and small business customers in the United Kingdom. Customers are served by a network of relationship and industry sector specialist managers who provide local access to an extensive range of products and services, as well as offering business information and support. Customers are also offered access to business centres in continental Europe and to the products and expertise of other businesses in the Group.

The strategy to accelerate business growth is underpinned by the Value Aligned Performance Measurement (VAPM) system which is linked to targets and reward. VAPM helps demonstrate the additional value that is generated through the acquisition of new customers, together with the strengthening and the expansion of relationships with existing customers.

Key business developments in 2003:

- Business Banking has a relationship with over 730,000 customers and a market share of some 21%.
- Recent independent research found that customers rate Business Banking first in the market for overall quality of service to Large and Medium Businesses; and second for overall quality of service to Small Businesses.
- Business Banking revenues were impacted by the Competition Commission Inquiry transitional pricing remedy for small and medium business customers. Business Banking responded by consulting with qualifying customers and offered them a choice of either interest on current account or reduced money transmission charges.
- Medium Business targeted propositions to specific customer segments including a Law Society accredited proposition for solicitors firms, a sector where customer recruitment rose 70%.
- Over 75% of ailing business customers referred to Barclays Business Support during 2003 were returned to health and normal trading.
- Average lending balances increased 11% to £47.0bn and average deposit balances increased 5% to £46.2bn. Lending growth remained concentrated towards better graded business customers and was well diversified by sector.

Barclays Africa

Barclays Africa provides banking services to personal and corporate customers in North Africa, sub-Saharan Africa and islands in the Indian Ocean. The portfolio comprises banking operations in Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

Barclays is one of the leading international banks in the region serving 1.5m customers. The strategy is to develop and grow the franchise through the migration of products skills and processes from other parts of the Barclays Group.

Key business developments in 2003:

Continued a programme of reinvestment and restructuring, modernising the business and positioning it for future growth.

Regional Head office functions were relocated from the UK to South Africa.

Increased investment was reflected in further branch refurbishment and upgrading operating systems.

The integration of BNPI Mauritius, acquired in November 2002, was completed and contributed to the growth of the business.

Barclays Capital

Barclays Capital is the investment banking division of Barclays, providing corporate, institutional and government clients with solutions to their financing and risk management needs.

The Barclays Capital business model is distinctive. It focuses on a broad span of financing and risk management services in the interest rate, foreign exchange, commodities and credit markets combined with certain capabilities in equities. Activities are split between two areas: Rates, which includes fixed income, foreign exchange, commodities, emerging markets, money markets sales, trading and research, prime brokerage and equity related activities; and Credit, which includes origination, sales, trading and research relating to loans, debt capital markets, structured capital markets, and private equity.

Barclays Capital works increasingly with other Group businesses, including Barclays Private Clients, Business Banking and Barclays Global Investors, to provide a more integrated customer service and to develop business opportunities across the Group.

Key business developments in 2003:

Barclays Capital continued to improve its ranking in the global all debt league table, to fourth position from fifth position in 2002.

Barclays Capital increased its issuance volume of international bonds and syndicated loans to US$199bn compared to US$162bn in 2002.

Barclays Capital increased its issuance volume of European all debt to US$140bn (2002: US$116bn) and ranked third in 2003 (2002: second).

Barclays Capital remained in first position for issuing sterling denominated bonds with a 19% market share.

Barclays Capital improved its ranking to top ten in US investment grade corporate bonds from 13th position in 2002 with market share more than doubling.

Barclays Capital led 49 dollar denominated deals for US issuers in 2003 versus 24 in 2002 and only one prior to 2001.

E-commerce channels continued to see an increase in the volumes of business processed; half of clients foreign exchange tickets were executed electronically. Barclays Capital won several awards for e-commerce initiatives in 2003.

Barclays Global Investors

Barclays Global Investors (BGI) is one of the world s largest asset managers and a leading global provider of investment management products and services. BGI offers structured investment strategies such as indexing, tactical asset allocation and risk-controlled active products such as hedge funds.

BGI also provides related investment services such as securities lending, cash management and portfolio transition services. Barclays Global Investors investment philosophy focuses on managing all dimensions of performance: return, risk and cost.

Key business developments in 2003:

BGI had over 2,500 institutional clients in 47 countries.

Investment performance continued to be good in our active strategies. 2003 average alpha across active products was 1.36% above benchmark.

Several important milestones were achieved by 31st December 2003: total assets under management exceeded US$1 trillion, of which more than US$200bn were in actively managed assets; and for the first time total revenues exceeded US$1bn.

£67bn net new assets were attracted in 2003. Approximately £25bn of net new assets flowed into index products, £23bn into active products, £14bn into Global iShares, Barclays brand of Exchange Traded Funds (ETFs), and £5bn into cash.

The active business accounted for over 60% of management fees and over 50% of total income.

BGI s leading position in ETFs was extended with the launch of eight new funds and it became the largest ETF manager in the world. Global iShares, saw assets under management grow to US$69bn, up 97% (2002: US$35bn).

BGI is the largest global institutional asset manager of hedge fund assets.

BGI results were significantly affected by exchange rate translation movements.

Business Description

Head office functions and other operations

Head office functions comprise all the Group s central activities, including Group Executive, Group Finance, Marketing and Communications, Human Resources, Group Strategy and Planning, Internal Audit, Marketing, Legal, Corporate Secretariat, Tax, Compliance and Risk. Central function costs incurred wholly on behalf of the business units are recharged to them.

Transition Businesses comprise discontinued South American and Middle Eastern corporate banking businesses and other centrally managed Transition Businesses. These non-core relationships are now being managed separately with the objective of maximising the recovery from the assets concerned.

Central items include internal fees charged by Barclays Capital for structured capital markets activities, income from the management of the Group s operational premises, property related services and other central items including activities which support the operating business and provide central information technology services.

Competition and outlook

The UK financial services market remains highly competitive and innovative. Competition comes both from incumbent players and a steady stream of new market entrants. Barclays remains at the forefront of market innovation to introduce new propositions to the market.

The landscape is expected to remain highly competitive in all our businesses. We are confident that the integrated business model employed by the Group, combined with rigorous application of managing for value principles, will stand the Group in good stead to meet the challenges ahead.

The Group believes that the UK domestic economy is likely to perform well relative to the rest of Europe. A strong pick-up in external economic conditions particularly from the United States should help to bolster economic activity in the UK further and encourage a modest recovery in the Eurozone.

Financial markets recovered somewhat from the very low points reached in 2002, also reflecting the global economic recovery. Interest rates in the US and UK bottomed out in the latter part of 2003, creating conditions for modest rises over the next 12 months.

Group structure

Within Barclays Private Clients, the contribution recognised from the closed life assurance activities is reported separately to provide increased transparency.

The Group identified certain non-strategic operations in the Middle East which were previously reported within Barclays Capital. These are now separately managed with the objective of maximising the recovery from the assets concerned. These operations, together with South American Corporate Banking, which was separately identified in 2002, and residual balances from other Transition Businesses, are collectively reported as Transition Businesses within Head office functions and other operations.

The structural changes in the Group s organisation announced on 9th October 2003 took effect from 1st January 2004.

Changes in accounting presentation

In 2003, the SEC adopted regulations relating to the presentation of financial data which is not based on the Generally Accepted Accounting Principles (GAAP) applied by SEC reporting companies. These regulations are commonly referred to as Regulation G.

Barclays has in the past published both Group statutory financial statements, as well as Group and business further analyses which were designed to assist the understanding of underlying operating trends. In this Annual Report, Barclays presents its financial results solely on a GAAP basis.

As a consequence, goodwill amortisation, restructuring costs and costs directly associated with the integration of Woolwich plc are included in all presentations of Group operating expenses and operating profit, while the profit/(loss) from joint ventures and associates is taken into account below operating profit.

The analysis of results by business incorporates goodwill amortisation, restructuring costs, costs directly associated with the integration of Woolwich plc and profit/(loss) from joint ventures and associates in a manner consistent with the Group presentation detailed above. Additionally, exceptional items are now allocated out to individual businesses. This is a different treatment to that included in the Results Announcement where the analysis of results by business excludes goodwill amortisation and exceptional items, and separately identifies restructuring costs.

The prior period presentation has, where appropriate, been restated to conform with current year classification, and the change in accountancy policies discussed above.

Accounting developments in UK GAAP are described on pages 105 to 106 and those under US GAAP are described on pages 170 to 171.

Financial Review
Overview

Introduction

Barclays is an international financial services group engaged primarily in banking, investment banking and asset management. In terms of market capitalisation, Barclays is one of the largest financial services groups in the UK. The Group also operates in many other countries around the world and is a leading provider of co-ordinated global services to multinational centres. Worldwide, the Barclays Group has over 2,900 branches and employs 74,800 people.

Our business is affected by global economic conditions generally, and particularly by conditions in the UK. The UK economy was stronger in 2003 than 2002, with the economy growing at 2.1%. There was a repositioning away from consumption towards corporate investment, government spending and a stronger trade balance. The US economy embarked on a vigorous recovery, with uncertainties about the strength and durability of the recovery diminishing. There are signs at last that the Eurozone economy may be stabilising.

As a financial services group domiciled in the UK, the majority of our earnings arise from the UK. We believe that our diverse portfolio of businesses provides a broad spread of earnings capabilities and offer greater resilience against exogenous events in any single geography.

The profitability of Barclays businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom or abroad. Factors such as the liquidity of the global financial markets; the level and volatility of equity prices and interest rates; investor sentiment; inflation; and the availability and cost of credit could significantly affect the activity level of customers. A continued market downturn would likely lead to a decline in the volume of transactions that Barclays executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions. In addition, changes in interest rate levels, yields curves and spreads may affect the interest rate margin realised between lending and borrowing costs.

Continuous improvement in productivity provides the ability to respond flexibly to any pressure to income growth, which would help offset the impact on overall profitability.

Key drivers underpinning the financial performance are detailed in the subsequent pages of the Financial Review section. These include, for net interest income, the volume and rate of growth of asset and liability balances, together with the margin on these balances. Non-interest income is driven primarily by net fees and commissions and also comprises dealing profits and other operating income.

The principal drivers of expenses are staffing levels and their associated costs, performance related expenditure, the level of strategic investment spend and, in 2003, the move from a pension credit to a pension charge.

Provisions are driven by the quantity and quality of lending and reflect the condition of the credit environment.

In addition to the risk factors outlined on pages 98 to 99, other potential impacts on Barclays profitability are the consequences of potential regulation or legislation.

Goals

Barclays primary focus is to deliver superior value to its shareholders. To achieve this we use the principles of value-based management (VBM) to develop strategy, allocate resources and manage performance.

In applying VBM principles, Barclays has developed a disciplined fact-based approach to strategy development and business planning, which aims to build sustainable competitive advantage. Individual businesses generate alternative business strategies to facilitate the selection of the most appropriate value-maximising option, in order to achieve profitable growth in all our businesses.

We use performance goals as an integral part of our value-based management disciplines. These are designed to stretch the thinking and ambition of our businesses. Goals have been set for four-year periods to align with the planning processes described above. In 1999, we announced goals for the 2000 to 2003 period. This performance cycle has concluded and we commenced a new cycle for the 2004 to 2007 period.

At the end of 1999, Barclays set a series of four-year performance goals for the period 2000 to 2003 inclusive. The primary goal was to achieve top quartile total shareholder return (TSR) relative to a peer group of 11 other UK and international financial services institutions. TSR is defined as the value created for shareholders through share price appreciation, plus reinvested dividend payments.

For the four year period from 31st December 1999 to 31st December 2003, Barclays was positioned third within its peer group, thereby achieving its primary goal of top quartile TSR performance.

Barclays announced on 12th February 2004 its performance goals for the four-year period, 2004 to 2007 inclusive. Our primary goal, to achieve top quartile total shareholder return, remains unchanged from the prior goal period. The peer group is reviewed annually to ensure it aligns with our business mix and the scale of our ambition. The peer group for 2004 is: ABN Amro, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HBOS, HSBC, JP Morgan & Chase, Lloyds TSB, Royal Bank of Scotland and UBS.

In addition, secondary goals are used to support the pursuit of top quartile TSR, economic profit (EP) and productivity. Barclays operating philosophy is managing for value . The strategies we follow and the actions we take are aligned to value creation for all stakeholders. Since the introduction of VBM, Barclays has used economic profit as its key internal financial measure, to support the achievement of our primary goal, to achieve top quartile total shareholder return. Barclays uses this non-GAAP measure as a key measure of performance because it believes that it provides important discipline in decision making.Barclays believes that EP encourages both profitable growth and the efficient use of capital. More information on the reconciliation of EP to profit before tax can be found on page 205.

We believe that, given current and expected market conditions, a compound annual growth rate in EP in the range of 10% to 13%, which would translate into cumulative EP generation of £7.3bn to £7.8bn, will be required to deliver top quartile shareholder returns over the 2004-2007 goal period.

Another supporting goal relates to improved productivity. World class productivity is an important contributor to sustaining strong performance. All businesses are expected to meet or exceed top quartile productivity performance relative to comparable peers within their sector. Those already at top quartile cost:income performance are expected to deliver a 1% per annum improvement.

We will continue to report progress against goals on a regular basis.

Financial performance 2003

The Group s profit before tax in 2003 increased 20% (£640m) to £3,845m (2002: £3,205m). Operating income increased 10% (£1,084m) to £12,411m (2002: £11,327m) whilst operating expenses rose 9% (£629m) to £7,253m (2002: £6,624m). A third of the increase in operating expenses (£200m) was attributable to the move to a pensions charge (£128m) from a pensions credit (£72m) in 2002 in respect of the Group s main UK Pension schemes. Restructuring costs amounted to £209m (2002: £187m). Goodwill amortisation was £265m (2002: £254m). Provisions for bad and doubtful debts fell 9% (£137m) to £1,347m (2002: £1,484m). Provisions excluding the impact of Transition Businesses fell 3% (36m) to £1,324m (2002: £1,360m). Earnings per share rose 26% to 42.3p (2002: 33.7p).

Non-performing lendings decreased by £371m to £4,155m. Potential problem loans increased by £173m to £1,477m. Coverage of non-performing lendings increased from 68.0% to 74.1% while the coverage of total potential credit risk lendings increased from 52.8% to 54.6%.

Shareholders funds increased by £1,272m primarily due to profit retentions. Weighted risk assets increased by £16bn (9%) up to £189bn. The tier 1 ratio decreased from 8.2% to 7.9% while the total risk asset ratio remained at 12.8%. Total assets increased by £40bn to £443bn.

Personal Financial Services operating profit increased 13% to £816m (2002: £720m). Operating income was up 7% at £3,109m (2002: £2,919m). Stronger lending and deposit volumes and active margin management helped drive income momentum. Operating expenses rose 7% to £1,990m (2002: £1,865m), with almost two-thirds of the increase attributable to the pensions charge and higher strategic investment spend. Provisions decreased 9% to £303m (2002: £334m) as both the quality of the loan portfolio and risk processes improved.

Barclays Private Clients operating profit for the ongoing business decreased 16% to £270m (2002: £323m). Business activity was impacted by significantly lower average equity markets and by lower average interest rates than in 2002. Operating income fell 4% to £1,350m (2002: £1,401m). Operating expenses including goodwill of £58m (2002: £45m), increased 1% to £1,049m (2002: £1,041m). The contribution from the closed life assurance activities was a loss of £77m (2002: loss £87m).

Barclaycard operating profit increased 16% to £689m (2002: £593m), with strong business volumes driving income growth of 16% to £1,830m (2002: £1,582m). Operating expenses rose 16% to £679m (2002: 587m), reflecting strong growth in business volumes, increased marketing activity and higher strategic investment expenditure. Provisions increased 15% to £462m (2002: £402m).

Business Banking operating profit increased 8% to £1,299m (2002: £1,206m) reflecting loan volume growth and stable lending margins, the benefits of tight cost management and well controlled risk. Operating income grew 5% to £2,628m (2002: £2,514m) reflecting the impact of the implementation of the Competition Commission Inquiry transitional pricing remedy. Operating expenses of £1,080m (2002: £1,082m) were flat relative to 2002 and included cost savings realised in the back office.

Barclays Africa operating profit increased 27% to £112m (2002: £88m). Operating income was up 18% at £325m (2002; £275m) driven by strong lending growth in selected markets. Operating expenses rose 16% to £186m (2002: £160m). Provisions were steady at £27m.

Barclays Capital operating profit increased 35% to £782m (2002: £578m). Operating income grew 18% to a record £2,652m (2002: £2,238m), with secondary income up 17% and primary income up 16%. Operating expenses rose 22% to £1,618m (2002: £1,326m) and reflected increased business as usual costs from higher business volumes and headcount growth, performance-based revenue related costs and increased strategic investment spend. Provisions declined 25% to £252m (2002: £334m) reflecting continued improvements in the quality of the loan book and in the corporate credit environment.

Barclays Global Investors operating profit increased 84% to £180m (2002: £98m). Operating income, predominantly fees and commissions, rose 22% to £672m (2002: £550m) reflecting growth in assets under management, good investment performance and increased higher margin business. Operating expenses increased 9% to £492m (2002: £452m).

Financial Review
Results by Nature of Income and Expense

Results by Nature of Income and Expense

Comparative figures have been restated as a result of the changes in accounting policy and accounting presentation as set out on pages 105 and 106.

Net interest income

Net interest income

	2003 **£m**	2002 £m	2001 £m
Interest receivable	**12,427**	12,044	13,458
Interest payable	**(5,823)**	(5,839)	(7,492)
	6,604	6,205	5,966

Group net interest income increased by 6% to £6,604m, reflecting growth in balances which more than offset a 14 basis point fall versus 2002 in the Group net interest margin to 2.61% (2002: 2.75%).

The Group net interest margin of 2.61% (2002: 2.75%) includes 0.48% (2002: 0.55%) arising from the benefit of free funds. A component of the benefit of free funds is the hedge against short-term interest rate movements. The contribution of the hedge in 2003 was 0.19% (2002: 0.22%).

Average interest earning assets increased by 12% to £253bn (2002: £225bn), primarily due to a £9bn increase in average loans and advances to customers, largely in Personal Financial Services, Barclaycard and Business Banking and an £18bn increase in average holdings of debt securities balances, predominantly in Barclays Capital.

Domestic average interest earning assets increased by 7% to £162bn (2002: £152bn), predominantly driven by the £5bn increase in Business Banking average lending balances and a £4bn increase in average mortgage balances in Personal Financial Services. International average interest earning assets increased by 23% to £90bn (2002: £73bn), primarily driven by an increase in Barclays Capital wholesale activities.

The 14 basis points fall in the Group net interest margin was primarily attributable to a fall in the international net interest margin and a change in the mix of both assets and liabilities.

The domestic net interest margin rose by 3 basis points to 3.64% (2002: 3.61%), reflecting active management of margins across the UK businesses in competitive market conditions. Net interest margin improved relative to 2002 in mortgages and consumer finance and remained stable in retail savings and corporate lending.

The reduction of 19 basis points in the international margin was mainly as a result of an increase in higher quality assets in Barclays Capital, the conversion to associate status of the Caribbean business, a change in the currency mix of the portfolio and the general fall in global interest rates.

Net interest income in 2002 increased by 4% to £6,205m (2001: £5,966), reflecting growth in the average interest earning assets by 10% to £225bn. This was primarily due to a £6bn increase in UK mortgage balances, £4bn increase in debt securities holdings and £5bn of lending to banks.

In 2002, overall banking margins were 16 basis points down on 2001 to 2.75%. The adverse impact on the margin was largely due to the low interest rate environment, the competitive market conditions in the UK, particularly in the mortgage market, an increase in the non performing loans in the US and the managing down of the higher yielding South American Corporate Banking business.

In 2002, the benefit of free funds fell 0.08% to 0.33% as a result of the reduction in interest rates. However, the overall benefit of free funds on a hedged basis rose to 0.55% reflecting an increase in the effective rate of the hedge more than offsetting the fall in the liability interest rate.

Prevailing average interest rates

	2003	2002	2001
	%	%	%
United Kingdom:			
Barclays Bank PLC base rate	**3.69**	4.00	5.12
London Inter-Bank Offered Rate (LIBOR):			
three-month sterling	**3.74**	4.06	5.04
three-month eurodollar	**1.21**	1.80	3.78
United States prime rate	**4.12**	4.68	6.92

Average interest earning assets and liabilities banking business

	2003	2002	2001
	£m	£m	£m
Average interest earning assets:			
Group	**252,737**	225,178	205,017
Domestic	**162,434**	151,810	141,087
International	**90,303**	73,368	63,930
Average interest bearing liabilities:			
Group	**224,778**	199,708	184,105
Domestic	**136,939**	130,045	122,422
International	**87,839**	69,663	61,683

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Yields, spreads and margins banking business[a]

	2003	2002	2001
	%	%	%
Gross yield[b]			
Group	**4.92**	5.35	6.56
Domestic	**5.57**	5.97	7.10
International	**3.75**	4.06	5.38
Interest spread[c]			
Group	**2.33**	2.42	2.50
Domestic	**3.28**	3.22	3.23
International	**0.68**	0.80	0.91
Interest margin[d]			
Group	**2.61**	2.75	2.91
Domestic	**3.64**	3.61	3.75
International	**0.77**	0.96	1.07

Notes

(a) Domestic business is conducted primarily in the UK in sterling. International business is conducted primarily in foreign currencies. In addition to the business carried out by overseas branches and subsidiaries, international business is transacted in the United Kingdom by Barclays Capital.

The yields, spreads, and margins shown above exclude non-margin related items including profits and losses on the repurchase of loan capital and the unwinding of the discount on vacant leasehold property provisions.

(b) Gross yield is the interest rate earned on average interest earning assets.

(c) Interest spread is the difference between the interest rate earned on average interest earning assets and the interest rate paid on average interest bearing liabilities.

(d) Interest margin is net interest income as a percentage of average interest earning assets.

The net interest income and average balances of the trading business are shown separately on the average balance sheet on pages 84 to 87.

Non-interest income

Net fees and commissions

	2003	2002	2001

	£m	£m	£m
Fees and commissions receivable	**4,896**	4,454	4,202
Less: fees and commissions payable	**(633)**	(529)	(465)
	4,263	3,925	3,737

Group net fees and commissions increased by £338m (9%) to £4,263m, reflecting increases in most businesses, partially offset by a reduction in Barclays Private Clients.

In Personal Financial Services, net fees and commissions increased 1% (£8m) to £802m (2002: £794m). Underlying this were good performances from fee-based current accounts and consumer finance, largely offset by continued weakness in the independent financial adviser (IFA) business.

In Barclays Private Clients, net fees and commissions decreased 13% (£79m) to £515m (2002: £594m). This reflected the impact of lower average equity market levels in 2003 on sales of investment products and on fund management fees, together with the absence of the contribution from the Caribbean business. The average level of the FTSE 100 Index was 12% lower than in the prior year at 4,051 (2002: 4,599). Fee income improved significantly in the second half of 2003, reflecting volume growth and the recovery in equity markets towards the year end. Average daily deal volumes in UK retail stockbroking, including Charles Schwab Europe, increased to 8,350 (2002: 6,300). The stockbroking business maintained its leading UK position with a 19% (2002: 12%) market share of client order business.

In Barclaycard, net fees and commissions increased 14% (£97m) to £793m (2002: £696m), as a result of higher cardholder activity and good volume growth within the merchant acquiring business.

In Business Banking, net fees and commissions increased 7% (£61m) to £925m (2002: £864m), driven by lending related fees which rose strongly, reflecting the growth in the balance sheet. Foreign exchange commission income grew due to increased business volumes. Money transmission income fell as a result of the alternative offer made in response to the Competition Commission Inquiry transitional pricing remedy and the targeted migration of transactions to electronic channels.

Net fees and commissions in Barclays Africa rose 17% (£19m) to £133m (2002: £114m), reflecting growth in fee-based services, treasury profits and the impact of the acquisition of BNPI Mauritius in 2002.

In Barclays Capital, net fees and commissions increased 16% (£74m) to £537m (2002: £463m), with good performances across the Credit businesses.

In Barclays Global Investors, net fees and commissions increased 23% (£124m) to £662m (2002: £538m), reflecting good income generation across a diverse range of products, distribution channels and geographies. The increase was largely driven by growth of investment management fees. These resulted from strong net new sales, growth in the sales of higher margin products, good investment performance and the recovery in equity markets towards the year end, which more than compensated for the adverse impact of foreign exchange translation movements. Actively managed assets now generate over 60% of management fees and over 50% of total income. Securities lending income growth was good, benefiting from higher volumes.

Financial Review
Results by Nature of Income and Expense

In 2002, net fees and commissions increased by £188m to £3,925m (2001: £3,737), primarily due to the impact of replacing annual fees with fees based on account activity in Barclaycard and the strong performance from primary bonds and structured capital markets in Barclays Capital. Barclaycard and Barclays Capital contributed £696m and £463m respectively.

Barclays Private Clients and Barclays Global Investors contributed increases totalling £47m. Business Banking contributed an increase of £31m. In Barclays Africa, there was a £16m reduction principally due to the situation in Zimbabwe. In Personal Financial Services, there was a reduction of £12m reflecting lower income from independent financial advice.

Personal Financial Services, Barclays Private Clients and Business Banking fees and commissions included £135m (2001:£129m) in respect of foreign exchange income on customer transactions with Barclays Capital.

Dealing profits

	2003 **£m**	2002 £m	2001 £m
Rates related business	**909**	876	823
Credit related business	**145**	(43)	188
	1,054	833	1,011

Almost all the Group s dealing profits are generated in Barclays Capital.

Dealing profits grew 27% to £1,054m, driven by significant growth in client transaction volumes, particularly in continental Europe. The strong performances in the Credit businesses, principally in corporate bonds, were due to credit spreads tightening in the secondary bond markets. The growth in Rates related businesses reflected good results from equity related activities and money markets. Fixed income, foreign exchange and commodities continued to make good contributions.

Total foreign exchange income was £498m (2002: £496m) and consisted of revenues earned from both retail and wholesale activities. The foreign exchange income earned on customer transactions by Personal Financial Services, Barclays Private Clients, Barclaycard, Business Banking, Barclays Africa and Barclays Global Investors, both externally and with Barclays Capital, is reported in those business units, within fees and commissions.

Dealing profits in 2002 fell to £833m (2001: £1,011m). The fall resulted from poor conditions in the credit and equity markets with losses in the Credit businesses partially offset by good performances in Rates.

Other operating income

	2003	2002	2001
	£m	£m	£m
Premium income on insurance underwriting	**264**	178	158
Profits on disposal of investment securities	**73**	58	37
Loss/income from the long-term assurance business	**(33)**	(51)	127
Property rentals	**15**	20	30
Dividend income from equity shares	**6**	7	8
Other income	**165**	152	68
	490	364	428

Other operating income increased by £126m (35%) to £490m (2002: £364m).

Premium income on insurance underwriting rose by £86m to £264m (2002: £178m) as a result of a good increase from consumer lending activities, a favourable claims experience and a one-off income gain of £43m resulting from an adjustment to insurance reserves.

Profits on disposal of investment securities primarily reflects realisations in the private equity business within Barclays Capital.

The substantial majority of the Group s long-term assurance activity is based in the UK. This UK business, which closed to new business following the Legal & General alliance in 2001, was the main contributor to the loss of £33m for 2003 and the losses experienced in 2002.

Income from the long-term assurance business reflects an investment gain compared to a loss in 2002 and increased income from the ongoing life business. These were partially offset by a reduction in the benefit of actuarial assumptions and other movements and the costs of redress for customers in respect of sales of endowment policies of £95m (2002: £19m).

Other operating income in 2002 decreased by 15% (£64m) to £364m (2001:£428m). This was primarily due to a loss of £51m (2001: income £127m) relating to the long-term assurance business mainly arising from the impact of stock market movements during the year.

This was partially offset by a revision of estimated amounts expected to be repaid on banking liabilities caused by the alignment of Woolwich to Barclays practice, (£59m). In addition, premium income on insurance underwriting increased by £20m and a restructuring of the loan portfolio generated a further £39m.

Administrative expenses staff costs

	2003	2002	2001
	£m	£m	£m
Salaries and accrued incentive payments	**3,441**	3,159	3,149
Social security costs	**278**	240	243
Pension costs	**180**	(27)	(17)
Post-retirement health care	**19**	15	
Other staff costs	**377**	368	339
	4,295	3,755	3,714

Staff costs
Staff costs increased by 14% to £4,295m (2002: £3,755m).

Salaries and accrued incentive payments increased by 9% (£282m) to £3,441m (2002: £3,159m) reflecting increased performance related payments primarily within Barclays Capital and Barclays Global Investors.

Pension costs comprise all UK and international pension schemes. Included in the costs is the charge of £128m (2002: £72m credit) in respect of the Group s main UK pension schemes.

Permanent and contract staff numbers increased by 100 during 2003. The implementation of restructuring programmes resulted in a decrease of 4,400 staff. This was more than offset by an increase of 3,700 staff from the acquisitions of Charles Schwab Europe, Clydesdale Financial Services, Banco Zaragozano and Gerrard and the recruitment of an additional 500 staff in Barclaycard and 300 staff elsewhere.

Staff costs in 2002 were 1% higher than in 2001. Salaries and accrued incentive payments were broadly flat, with the impact of the UK annual pay award offset by a reduction in Group staff and payments to temporary staff. Increased costs in Barclays Global Investors were in line with improved performance and more than offset by a reduction in Barclays Capital.

Staff numbers[(a)]

	2003	2002	2001
By class of business			
Personal Financial Services[(b)]	**25,800**	27,200	29,700
Barclays Private Clients[(c)]	**13,000**	10,700	12,900
Barclaycard[(d)]	**5,300**	4,700	4,200
Business Banking[(e)]	**9,000**	9,700	9,900
Barclays Africa[(f)]	**6,800**	7,500	8,000
Barclays Capital	**5,700**	5,500	5,500
Barclays Global Investors	**2,000**	2,100	2,100
Head office functions and other operations[(g)]	**7,200**	7,300	6,300

Total Group permanent and contract staff worldwide	**74,800**	74,700	78,600
Temporary and agency staff worldwide	**4,100**	3,700	4,600
Total including temporary and agency staff	**78,900**	78,400	83,200
By geographic segments			
United Kingdom	**58,000**	59,000	60,400
Non-United Kingdom	**16,800**	15,700	18,200
	74,800	74,700	78,600

Notes

(a) Staff numbers are on a full-time equivalent basis UK permanent and contract staff.

(b) Staff numbers decreased since 31st December 2002 by 1,400, as a result of a number of productivity initiatives.

(c) The increase in staff numbers includes 3,500 staff arising from the acquisition of Charles Schwab Europe, Banco Zaragozano and Gerrard partially offset by restructuring initiatives (1,200).

(d) Includes 200 staff arising from the acquisition of Clydesdale Financial Services and the recruitment of an additional 500 staff in Barclaycard, partially offset by restructuring initiatives (100).

(e) Staff numbers decreased since 31st December 2002 by 700 due to various restructuring initiatives.

(f) The decrease in staff numbers is due to restructuring initiatives mainly within the Kenyan, Zambian and Zimbabwean operations.

(g) Staff numbers include staff undertaking certain activities which support the operating business and provide central information technology services, whose costs are predominantly passed on to the businesses.

Staff numbers

Financial Review
Results by Nature of Income and Expense

Administrative expenses other

	2003 £m	2002 £m	2001 £m
Property and equipment expenses			
Hire of equipment	**8**	12	16
Property rentals	**184**	180	183
Other property and equipment expenses	**901**	793	775
	1,093	985	974
Other administrative expenses			
Stationery, postage and telephones	**311**	294	318
Advertising and market promotion	**237**	238	212
Travel, accommodation and entertainment	**145**	136	143
Subscriptions and publications	**91**	86	83
Sundry losses, provisions and write-offs	**128**	121	141
Consultancy fees	**56**	85	133
Professional fees	**159**	161	137
Other expenses	**184**	206	162
	1,311	1,327	1,329
	2,404	2,312	2,303

Administrative expenses other rose by 4% (£92m) to £2,404m (2002: £2,312m). Property and equipment expenses increased by 11% (£108m) to £1,093m as a result of increased outsourced processing, information technology costs, and property repairs and maintenance.

Other administrative expenses were broadly flat at £1,311m (2002: £1,327m). Increases across a number of expense categories reflected higher business activity and were more than offset by reductions in a number of other categories including consultancy spend and other expenses.

In 2002, administrative expenses other were broadly flat at £2,312m (2001: £2,303m). Property and equipment expenses were £11m higher, reflecting higher external information technology costs.

Other administrative expenses reduced by £2m to £1,327m (2001: £1,329m). Increased advertising and market promotion expenditure, including costs relating to the launch of Barclaycard Direct, Openplan from Barclays and other campaigns, were offset by reductions in other areas.

Depreciation

	2003	2002	2001
	£m	£m	£m
Property depreciation	**93**	93	105
Equipment depreciation	**196**	198	194
Loss on sale of equipment		12	9
	289	303	308

Goodwill amortisation

	2003	2002	2001
	£m	£m	£m
Woolwich plc	**206**	206	206
Other	**59**	48	23
	265	254	229

Other goodwill amortisation increased in 2003, primarily as a result of the acquisition of Banco Zaragozano in July 2003.

Provisions for bad and doubtful debts

	2003	2002	2001
	£m	£m	£m
Specific charge	**1,320**	1,486	1,165
General charge/(release)	**27**	(2)	(16)
	1,347	1,484	1,149

Provisions fell 9% (£137m) to £1,347m (2002: £1,484m). Provisions excluding the impact of Transition Businesses, mainly Argentina in 2002, fell 3% (£36m) to £1,324m (2002: £1,360m). The Group s provisions charge improved significantly to 0.73% (2002: 0.85%) of average banking loans and advances.

Business Banking provisions increased broadly in line with portfolio growth. Provisions fell in Barclays Capital reflecting the ongoing improvement in the loan book and the continued recovery in the large corporate credit environment.

Provisions fell in Personal Financial Services with an improvement in the quality of the loan portfolio and improved risk management. The reduction occurred in the unsecured lending portfolio. Provisions for mortgages remained at a very low rate. Barclaycard provisions increased in line with continued portfolio growth.

While the specific provisions balance declined, the year-end general provision stock increased by 8% (£58m) to £795m (2002: £737m). Improvement in the credit quality of the portfolio as a whole was offset by portfolio growth, credit considerations relating to particular customer segments, and acquisitions, especially Banco Zaragozano.

In 2002, the net provisions charge for bad and doubtful debts increased by £335m to £1,484m. The greater part of this increase occurred in the Barclays Capital (£231m), reflecting difficult economic conditions in the telecommunications and energy sectors, particularly in the US. Provisions also increased in South American Corporate Banking mainly related to Argentina (£96m).

Bad debt provisions declined by 13% in Personal Financial Services reflecting in part improvements in risk management and grew in other businesses broadly in line with the growth in those portfolios.

Profit/(loss) from joint ventures and associated undertakings

	2003 £m	2002 £m	2001 £m
Profit/(loss) from joint ventures	**1**	(5)	(1)
Profit/(loss) from associated undertakings	**28**	(5)	(8)
	29	(10)	(9)

In 2003, the profit from associated undertakings for the year primarily relates to the investment in FirstCaribbean (including goodwill amortisation of £7m).

In 2002, the loss from joint ventures related primarily to an entity within Personal Financial Services. The loss from associated undertakings included a loss of £9m relating to FirstCaribbean integration and restructuring costs. It also included £1m relating to the amortisation of the goodwill arising on completion of the Caribbean transaction.

(Loss)/profit on disposal/termination of Group undertakings

	2003 £m	2002 £m	2001 £m
Profit on disposal of other Group undertakings	**4**	8	(4)
Loss on termination of Group activities		(11)	
	4	(3)	(4)

Tax

The overall tax charge is explained in the following table:

	2003 £m	2002 £m	2001 £m
	1,153	961	1,027

Tax charge at average United Kingdom corporation tax rate of 30% (2001: 30%; 2000: 30%)			
Prior year adjustments	**(21)**	(25)	34
Effect of change in non-allowable general provisions	**2**	(2)	(11)
Effect of non-allowable property write-downs and depreciation	**13**	12	17
Net effect of differing tax rates overseas	**(95)**	(70)	(65)
Net effect of overseas losses not available for relief in the United Kingdom	**(12)**	(40)	(17)
Other non-allowable expenses	**(28)**	8	(21)
Gains covered by capital losses brought forward	**(44)**	(3)	(49)
Goodwill	**74**	69	67
Other items	**34**	45	(39)
Overall tax charge	**1,076**	955	943
Effective tax rate %	**28.0**	29.8	27.5

The charge for the year is based upon the UK corporation tax rate of 30% for the calendar year 2003 (2002: 30%). The effective rate of tax was 28.0% (2002: 29.8%). The decrease in the rate was primarily due to the beneficial effects of lower tax on overseas income, recognition of agreed capital gains tax losses and certain non-taxable gains, partially offset by the absence of tax relief on goodwill.

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Analysis of Results by Business

Analysis of Results by Business

The following section analyses the Group s performance within the businesses. Inter-business activities are included within these figures. The total income and expenditure for the businesses therefore does not necessarily equate to the amounts reported in the Group s results.

Comparative figures have been restated as a result of the changes in accounting policy and accounting presentation as set out on pages 105 and 106.

The analysis of results by business incorporates goodwill amortisation, restructuring costs, costs directly associated with the integration of Woolwich plc and profit/(loss) from joint ventures and associates in a manner consistent with the Group presentation detailed above. Additionally, exceptional items are now allocated out to individual businesses. This is a different treatment to that included in the Results Announcement where the analysis of results by business excludes goodwill amortisation and exceptional items, and separately identifies restructuring costs.

Personal Financial Services

	2003	2002	2001
	£m	£m	£m
Net interest income	**1,949**	1,834	1,911
Net fees and commissions	**802**	794	805
Other operating income	**358**	291	193
Operating income	**3,109**	2,919	2,909
Goodwill amortisation	**(151)**	(151)	(151)
Other operating expenses	**(1,839)**	(1,714)	(1,735)
Operating expenses	**(1,990)**	(1,865)	(1,886)
Operating profit before provisions	**1,119**	1,054	1,023
Provisions for bad and doubtful debts	**(303)**	(334)	(375)
Operating profit	**816**	720	648
Profit from associated undertakings	**6**	3	4
Exceptional items	**(1)**	(11)	(8)
Profit on ordinary activities before tax	**821**	712	644

Personal Financial Services operating profit increased 13% (£96m) to £816m (2002: £720m), reflecting good income momentum, continued good cost control and reduced provisions.

Operating income increased 7% (£190m) to £3,109m (2002: £2,919m). Net revenue (operating income less provisions) increased 9% to £2,806m (2002: £2,585m).

Operating income growth was broadly based: general insurance rose 32%; consumer finance rose 15%; mortgages rose 10%; and current accounts and savings rose 2%. Income from independent financial advice fell 28%.

Net interest income increased 6% (£115m) to £1,949m (2002: £1,834m). Growth resulted from higher average product balances and improved asset margins. The retail savings margin remained stable.

Consumer finance experienced good growth in average balances, up 6% to £6.8bn (2002: £6.4bn), and improved margins. Sales of the key Barclayloan product were particularly strong, increasing 32%.

A significant part of the new consumer loan business was in the better risk grades.

Average savings balances increased 6% to £30.9bn (2002: £29.2bn), after transferring some balances to Barclays Private Clients in the second half of 2003. Excluding the impact of the transfer average savings balances increased 9% to £31.8bn (2002: £29.2bn). Barclays branded savings continued to perform strongly, growing 19%. This was a market leading performance driven by Openplan.

Average residential mortgage balances increased 8% to £59.0bn (2002: £54.5bn). The selective approach taken to certain sectors of the mortgage market has been maintained throughout 2003. Gross advances were £18.3bn (2002: £22.2bn), a gross market share of 7% (2002: 10%). Net lending of £2.0bn (2002: £6.9bn) represented a net market share of 2% (2002: 9%). UK residential mortgage balances ended the period at £59.8bn (31st December 2002: £57.8bn). The interest spread on new mortgage business increased.

Net fees and commissions increased 1% (£8m) to £802m (2002: £794m). Underlying this were good performances from fee-based current accounts and consumer finance, largely offset by continued weakness in the independent financial adviser (IFA) business.

Other operating income increased by 23% (£67m) to £358m (2002: £291m). This resulted from a strong performance in general insurance activities, reflecting increased sales of personal protection insurance products, and a more favourable claims experience. A one-off income gain of £43m arose through an adjustment to insurance reserves.

Contributing to the overall increase in operating income has been the continued success of Openplan. Customer numbers now total 2.6m (2002: 2m), with deeper customer relationships evident through significantly higher product penetration and income contribution than for non-Openplan relationships. The percentage of new to Group customers in Openplan has increased. Openplan from Barclays has attracted 1.25m customers (2002: 0.78m) across the UK. Product penetration was an average of 4.6 products per customer, well above the average of 2.6 outside Openplan. Annual customer income was £397, relative to £249 outside Openplan. Openplan from Woolwich customer numbers rose to 1.40m (2002: 1.21m) with average product penetration of 3.2 products per customer relative to 1.5 outside Openplan. Annual customer income was £311, relative to £165 outside Openplan.

Operating expenses rose 7% (£125m) to £1,990m (2002: £1,865m), with around half of the increase attributable to the impact of the pension charge of £40m (2002: credit £20m). Business as usual costs were tightly managed to improve operational efficiency, and staff numbers continued to decline. Headcount fell to 25,800 (2002: 27,200). Strategic investment spend increased. Integration costs associated with the Woolwich integration reduced to £50m (2002: £70m). Operating expenses included goodwill of £151m (2002: £151m).

Provisions decreased 9% (£31m) to £303m (2002: £334m), reflecting the overall quality of the lending portfolio, improvements to risk management processes and a reduction in problem loans. Coverage ratios improved. The loan to value ratio within the mortgage book on a current valuation basis averaged 40% (2002: 45%).

Personal Financial Services operating profit in 2002 was £720m (2001: £648m). Operating income was steady at £2,919m (2001: £2,909m).

Net interest income in 2002 was £1,834m (2001: £1,911m). Margin pressures, particularly within mortgages, were actively managed with increased balances mitigating some of the compression.

Net fees and commissions in 2002 were £794m (2001: £805m).

Other operating income in 2002 was £291m (2001: £193m). The contribution from payment protection income increased strongly (18%) to £171m (2001: £145m) reflecting consumer lending activities. An increase of £59m resulted from a revision of the estimated amounts expected to be repaid on banking liabilities in the light of experience since the Woolwich acquisition in 2000 and to align Woolwich with Barclays practice.

Operating expenses in 2002 fell 1% to £1,865m (2001: £1,886m) despite significant continued investment in infrastructure and the higher costs associated with increased business volumes.

Provisions in 2002 were £334m (2001: £375m) despite growth in lending balances. This primarily reflected the implementation of specific initiatives to improve the overall risk profile of our lending portfolio, particularly in relation to consumer loans and current accounts.

Barclays Private Clients

	2003	2002	2001
	£m	£m	£m
Net interest income	**804**	788	870
Net fees and commissions	**515**	594	567
Other operating income	**31**	19	(11)
Operating income	**1,350**	1,401	1,426
Goodwill amortisation	**(58)**	(45)	(45)
Other operating expenses	**(991)**	(996)	(960)
Operating expenses	**(1,049)**	(1,041)	(1,005)
Operating profit before provisions	**301**	360	421
Provisions for bad and doubtful debts	**(31)**	(37)	(36)
Operating profit ongoing business	**270**	323	385
Profit/(loss) from associated undertakings	**16**	(8)	
Exceptional items	**7**	(2)	4
Profit on ordinary activities before tax ongoing business	**293**	313	389
Contribution from closed life assurance activities	**(77)**	(87)	123

Profit on ordinary activities before tax	**216**	226	512

Barclays Private Clients operating profit for the ongoing business fell 16% (£53m) to £270m (2002: £323m). Barclays Private Clients profit before tax for the ongoing business including the contribution of FirstCaribbean and exceptional items, decreased 6% to £293m (2002: £313m).

Net interest income increased 2% (£16m) to £804m (2002: £788m). The increase reflected a resilient core banking performance, the continued success of Openplan in Spain and the inclusion of Banco Zaragozano, which together more than offset the absence of the contribution from the Caribbean business. Average customer deposits increased 5% to £41bn (2002: £39bn), including the transfer of some client savings balances from Personal Financial Services in the second half of 2003.

Excluding the impact of the transfer, average customer deposits increased 3% to £40bn (£39bn). Average loans increased 44% to £13bn (2002: £9bn). Margins remained broadly stable.

Net fees and commissions decreased 13% (£79m) to £515m (2002: £594m). This reflected the impact of lower average equity market levels in 2003 on sales of investment products and on fund management fees, together with the absence of the contribution from the Caribbean business. The average level of the FTSE 100 Index was 12% lower than in the prior year at 4,051 (2002: 4,599). Fee income improved significantly in the second half of 2003, reflecting volume growth and the recovery in equity markets towards the year end. Average daily deal volumes in UK retail stockbroking, including Charles Schwab Europe, increased to 8,350 (2002: 6,300). The stockbroking business maintained its leading UK position with a 19% (2002: 12%) market share of client order business.

Operating expenses increased 1% (£8m) to £1,049m (2002: £1,041m). The tight control of costs, together with the impact of the deconsolidation of the Caribbean business, fully mitigated the additional pensions charge of £28m (2002: credit £13m), the inclusion of costs relating to Banco Zaragozano and Charles Schwab Europe, and increased restructuring charges. Operating expenses included goodwill of £58m (2002: £45m).

Provisions decreased £6m to £31m (2002: £37m), reflecting the impact of the Caribbean transaction.

Total customer funds, comprising customer deposits and assets under management (including assets managed by Legal & General under the strategic alliance), increased £24bn to £109bn (31st December 2002: £85bn). This was due to the inclusion of funds relating to the acquired businesses of Charles Schwab Europe, Banco Zaragozano and Gerrard (which together amounted to £19bn), the impact of new business, favourable exchange rate movements and improved stock market levels. Customer deposits increased by £5bn to £44bn (31st December 2002: £39bn), reflecting the inclusion of Banco Zaragozano and savings balances of £1.9bn which were transferred from Personal Financial Services in the second half of 2003.

Sales of Legal & General life and pensions products have fallen in line with industry trends. Sales of funds and bonds were impacted by reduced customer demand for investment products.

Openplan in UK Premier attracted £1.1bn of new mortgage balances together with £1.3bn of additional savings in the year.

Income in Spain, excluding Banco Zaragozano, continued to grow significantly in 2003, increasing 22% (£32m) to £179m (2002: £147m). This reflected the continued success of Openplan mortgage products together with favourable exchange rate movements. 15,000 new customers were recruited to Openplan in Spain in 2003.

The first benefits of the integration of Banco Zaragozano were evident: sales of non-core assets totalling some £175m, representing 23% of the purchase consideration; progress has been made on the combination of Head office functions and technology integration; and Barclays products have been successfully launched into the Banco Zaragozano customer base. The majority of the restructuring costs will be borne in 2004 and 2005.

The contribution from the closed life assurance activities, a loss of £77m (2002: loss of £87m), comprises the embedded value of the closed Barclays Life fund and former Woolwich Life fund together with the costs relating to redress for customers in respect of sales of endowment policies. Of the loss of £77m in the Group s results, £42m is included within other operating income and £35m within net interest income.

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Analysis of Results by Business

Total costs relating to customer redress in respect of mortgage endowment policies were £95m (2002: £19m).

Barclays Private Clients operating profit in the ongoing business in 2002 fell 16% to £323m (2001: £385m), due primarily to the weaker interest rate environment in 2002 and margin compression.

On 11th October 2002, the Caribbean businesses of Barclays and Canadian Imperial Bank of Commerce were combined to form FirstCaribbean International Bank Ltd, and the interest in FirstCaribbean was accounted for as an associated undertaking thereafter.

Operating income from the ongoing business in 2002 decreased 2% to £1,401m (2001: £1,426m).

Net interest income from the ongoing business in 2002 decreased 9% to £788m (2001: £870m). The increased income generated from higher average customer deposits and average loans was offset by margin compression and the effects of lower interest rates.

Net fees and commissions from the ongoing business in 2002 increased 5% to £594m (2001: £567m) resulting from commission income associated with the regulated sales force which was previously offset against costs and borne within the life assurance fund.

Operating expenses in 2002 increased 4% to £1,041m (2001: £1,005m). Costs were tightly managed and were lower than 2001 when excluding the £72m (2001: £31m) of costs attributable to the change in treatment of the regulated sales force.

The loss of £87m from the closed life assurance activities in 2002 compared to a profit of £123m in 2001, was due to the impact of declining equity markets in 2002 in addition to one-off benefits in 2001 such as the gain of £45m from the Legal & General Strategic Alliance.

Barclaycard

	2003	2002	2001
	£m	£m	£m
Net interest income	**1,037**	886	815
Net fees and commissions	**793**	696	577
Other operating income			1
Operating income	**1,830**	1,582	1,393
Goodwill amortisation	**(33)**	(22)	(6)
Other operating expenses	**(646)**	(565)	(505)
Operating expenses	**(679)**	(587)	(511)
Operating profit before provisions	**1,151**	995	882

Provisions for bad and doubtful debts	**(462)**	(402)	(381)
Operating profit	**689**	593	501
Profit/(loss) from joint ventures	**2**	(4)	(4)
Exceptional items		2	(9)
Profit on ordinary activities before tax	**691**	591	488

Barclaycard operating profit increased 16% (£96m) to £689m (2002: £593m).

Operating income increased 16% (£248m) to £1,830m (2002: £1,582m). Net revenue (operating income less provisions) increased 16% (£188m) to £1,368m (2002: £1,180m).

Net interest income increased 17% (£151m) to £1,037m (2002: £886m), due to good growth in UK average extended credit balances, up 14% to £7.4bn (2002: £6.5bn). Growth in new UK customers remained strong, up 27%, with 1,547,000 (2002: 1,218,000) recruited in the period.

Net fees and commissions increased 14% (£97m) to £793m (2002: £696m), as a result of higher cardholder activity and good volume growth within the merchant acquiring business.

Operating expenses increased 16% (£92m) to £679m (2002: £587m). The increase reflected higher business volumes and greater marketing activity. Strategic investment spend increased as Barclaycard enhanced operational capabilities. Operating expenses included goodwill of £33m (2002: £22m).

Provisions increased 15% (£60m) to £462m (2002: £402m), in line with the growth in lending.

Barclaycard International made a profit of £4m (2002: loss £14m) whilst maintaining significant ongoing investment in the existing businesses and launching into new markets. Income increased by 48% and average extended credit balances rose by 43%. The number of Barclaycard International cards in issue rose to 1.42m (2002: 1.28m).

Net interest income in 2002 increased 9% to £886m (2001: £815m). This was mainly due to good growth in average UK extended credit balances, up 9% to £6.5bn (2001: £6.0bn).

Net fees and commissions in 2002 increased 21% to £696m (2001: £577m), principally as a result of replacing UK annual fees with fees based on account activity.

Operating expenses in 2002 increased by 15% to £587m (2001: £511m). Included in operating expenses was goodwill of £22m (2001: £6m).

Provisions in 2002 increased 6% to £402m (2001: £381m) in line with the growth in average extended credit balances.

Business Banking

	2003	2002	2001
	£m	£m	£m

Net interest income	**1,665**	1,626	1,553
Net fees and commissions	**925**	864	833
Other operating income	**38**	24	(4)
Operating income	**2,628**	2,514	2,382
Goodwill amortisation	**(9)**	(21)	(12)
Other operating expenses	**(1,071)**	(1,061)	(1,111)
Operating expenses	**(1,080)**	(1,082)	(1,123)
Operating profit before provisions	**1,548**	1,432	1,259
Provisions for bad and doubtful debts	**(249)**	(226)	(210)
Operating profit	**1,299**	1,206	1,049
Profit/(loss) from associated undertakings	**3**	(2)	(11)
Exceptional items	**(1)**	6	1
Profit on ordinary activities before tax	**1,301**	1,210	1,039

Business Banking operating profit increased 8% (£93m) to £1,299m (2002: £1,206m), as a result of good income growth, continued tight cost management and well-controlled risk. Operating income increased 5% (£114m) to £2,628m (2002: £2,514m). Net revenue (operating income less provisions) increased 4% (£91m) to £2,379m (2002: £2,288m).

Net interest income increased 2% (£39m) to £1,665m (2002: £1,626m). Average lending balances increased 11% to £47.0bn (2002: £42.3bn) and average deposit balances increased 5% to £46.2bn (2002: £43.9bn). Lending margins were maintained and lending growth was concentrated towards higher quality large and medium business customers. The impact of the Competition Commission Inquiry transitional pricing remedy and the lower interest rate environment contributed to lower deposit margins.

Net fees and commissions increased 7% (£61m) to £925m (2002: £864m), driven by lending related fees which rose strongly, reflecting the growth in the balance sheet. Foreign exchange commission income grew due to increased business volumes. Money transmission income fell as a result of the alternative offer made in response to the Competition Commission Inquiry transitional pricing remedy and the targeted migration of transactions to electronic channels.

Operating expenses of £1,080m (2002: £1,082m) were flat relative to 2002. Business as usual costs reduced, with cost savings from the back office more than offsetting the impact of the pension charge of £50m (2002: credit £26m). Headcount fell to 9,000 (2002: 9,700). Strategic investment spend increased, and was focused on improving direct channels, realising cost savings and enhancing the shared technology infrastructure. Operating expenses included goodwill of £9m (2002: £21m).

Provisions increased 10% (£23m) to £249m (2002: £226m). The increase was in line with lending growth. The lending portfolio remained well diversified by sector and the overall quality of the portfolio, as defined by risk grade, was maintained.

Business Banking operating profit in 2002 increased by 15% to £1,206m (2001: £1,049m) reflecting improved income growth and tight cost management.

Net interest income in 2002 increased 5% to £1,626m (2001: £1,553m) partly as a result of increased volumes.

Net fees and commissions in 2002 increased 4% to £864m (2001: £833m). Lending related fees increased strongly and included an increased contribution from leveraged finance. Money transmission income fell as a result of price competition and a reduction in average fee levels due to the migration to more efficient, lower cost, electronic payment mechanisms. Foreign exchange related income was flat despite a reduction in volumes.

Operating expenses in 2002 fell 4% to £1,082m (2001: £1,123m). Included in operating expenses was goodwill of £21m (2001: £12m).

Provisions in 2002 increased 8% to £226m (2001: £210m).

Barclays Africa

	2003	2002	2001
	£m	£m	£m
Net interest income	**187**	160	176
Net fees and commissions	**133**	114	130
Other operating income	**5**	1	6
Operating income	**325**	275	312
Goodwill amortisation	**(1)**	(1)	(1)

Other operating expenses	**(185)**	(159)	(164)
Operating expenses	**(186)**	(160)	(165)
Operating profit before provisions	**139**	115	147
Provisions for bad and doubtful debts	**(27)**	(27)	(25)
Operating profit	**112**	88	122
Profit from joint ventures			
Profit on ordinary activities before tax	**112**	88	122

Barclays Africa operating profit increased 27% (£24m) to £112m (2002: £88m) driven by strong customer lending.

Operating income increased 18% (£50m) to £325m (2002: £275m).

Net interest income increased 17% (£27m) to £187m (2002: £160m), the growth being largely attributable to the acquisition of BNPI Mauritius and expansion in selected markets. There was a 20% increase in customer lending to £1.8bn (2002: £1.5bn) and a 12% rise in customer deposits to £2.8bn (2002: £2.5bn).

Net fees and commissions rose 17% (£19m) to £133m (2002: £114m), reflecting growth in fee-based services, treasury profits and the impact of the acquisition of BNPI Mauritius in 2002.

Operating expenses increased 16% (£26m) to £186m (2002: £160m), due to increased infrastructure investment, further development of the business and the relocation of Head office functions. Operating expense included goodwill of £1m (2002: £1m).

Provisions remained steady at £27m, notwithstanding strong lending growth, and reflected improved portfolio quality and recoveries.

Operating profit in 2002 decreased 28% to £88m (2001: £122m) primarily attributable to the situation in Zimbabwe.

Operating income in 2002 fell 12% to £275m (2001: £312m) primarily attributable to the situation in Zimbabwe.

Operating expenses in 2002 fell 3% to £160m (2001: £165m).

Provisions in 2002 increased 8% to £27m (2001: £25m).

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Analysis of Results by Business

Barclays Capital

	2003 £m	2002 £m	2001 £m
Net interest income	**964**	889	639
Dealing profits	**1,042**	827	1,006
Net fees and commissions	**537**	463	389
Other operating income	**109**	59	53
Operating income	**2,652**	2,238	2,087
Goodwill amortisation		(2)	(1)
Other operating expenses	**(1,618)**	(1,324)	(1,329)
Operating expenses	**(1,618)**	(1,326)	(1,330)
Operating profit before provisions	**1,034**	912	757
Provisions for bad and doubtful debts	**(252)**	(334)	(103)
Operating profit	**782**	578	654
Profit from associated undertakings	**1**	1	
Profit on ordinary activities before tax	**783**	579	654

Barclays Capital operating profit increased 35% (£204m) to £782m (2002: £578m). This was due to very strong operating income growth and the improved credit environment. Revenue related costs increased with the strong performance.

Operating income increased 18% (£414m) to a record £2,652m (2002: £2,238m) and reflected broadly based growth across most of the product areas in Rates and Credit. Average DVaR rose 13%, to £26m (2002: £23m). Net revenue (operating income less provisions) increased by 26% to £2,400m (2002: £1,904m).

Secondary income, comprising dealing profits and net interest income, and which is primarily generated from providing client risk management and financing solutions, increased 17% (£290m) to £2,006m (2002: £1,716m).

Dealing profits grew 26% (£215m) to £1,042m (2002: £827m), driven by significant growth in client transaction volumes, particularly in continental Europe. The strong performance in the Credit businesses, principally in corporate bonds, was due to credit spreads tightening in the secondary bond markets. The growth in the Rates businesses reflected good results from equity related activities and money markets. Fixed income, foreign exchange and commodities continued to make good contributions. Net interest income grew 8% (£75m) to £964m (2002: £889m) due to balance sheet growth in higher quality assets, partially offset by margin compression. Corporate lending remained tightly managed and the credit portfolio continued to decline, with drawn credit balances falling to £7bn (31st December 2002: £10bn).

Primary income, comprising net fees and commissions, increased 16% (£74m) to £537m (2002: £463m), with good performances across the Credit businesses. Net fees and commissions included £89m (2002: £87m) of internal fees for structured capital markets activities arranged by Barclays Capital.

Other operating income increased to £109m (2002: £59m) as a result of a number of private equity and structured capital markets investment realisations.

Operating expenses increased 22% (£292m) to £1,618m (2002: £1,326m). Business as usual costs grew as a result of higher business volumes and increased front-office headcount. Revenue related costs increased due to the strong financial performance. Strategic investment spend increased as product and distribution development accelerated, particularly in the second half of 2003. The ratio of staff costs to net revenue improved to 53% (2002: 54%). There was no goodwill amortisation in 2003 (2002: £2m).

Provisions fell 25% (£82m) to £252m (2002: £334m). This reflected the ongoing improvement in the quality of the loan book and continued recovery in the large corporate credit environment.

Operating profit in 2002 fell 12% to £578m (2001: £654m), with good income growth offset by increased provisions, as difficult economic conditions affected specific sectors.

Operating income grew 7% to £2,238m (2001: £2,087m) reflecting the strength of the Barclays Capital business model and continued progress in building the client franchise. Secondary income increased 4% to £1,716m (2001: £1,645m) driven by strong net interest income. Primary income increased by 19% to £463m (2001: £389m) driven by the Credit businesses.

Operating expenses fell slightly to £1,326m (2001: £1,330m) as revenue related costs were reduced in line with performance. Included in operating expenses was goodwill of £2m (2001: £1m).

Provisions in 2002 were significantly higher at £334m (2001: £103m). The increase reflected difficult economic conditions (particularly in the US during 2002), primarily in the telecommunications and energy sectors.

Barclays Global Investors

	2003 £m	2002 £m	2001 £m
Net interest income	**9**	12	5
Net fees and commissions	**662**	538	518
Other operating income	**1**		
Operating income	**672**	550	523
Goodwill amortisation	**(12)**	(13)	(13)
Other operating expenses	**(480)**	(439)	(444)
Operating expenses	**(492)**	(452)	(457)
Operating profit	**180**	98	66
Loss from joint ventures	**(1)**	(1)	(1)
Exceptional items			6
Profit on ordinary activities before tax	**179**	97	71

Barclays Global Investors operating profit increased 84% (£82m) to £180m (2002: £98m) and reflected very strong top-line income growth and good control of costs.

Net fees and commissions increased 23% (£124m) to £662m (2002: £538m), reflecting good income generation across a diverse range of products, distribution channels and geographies. The increase was largely driven by growth of investment management fees. These resulted from strong net new sales, growth in the sales of higher margin products, good investment performance and the recovery in equity markets towards the year end, which more than compensated for the adverse impact of foreign exchange translation movements. Actively managed assets now generate over 60% of management fees and over 50% of total income. Securities lending income growth was good, benefiting from higher volumes.

Operating expenses increased by 9% (£40m) to £492m (2002: £452m), due to higher revenue related costs, partly offset by the impact of foreign exchange translation movements. Operating expenses included goodwill of £12m (2002: £13m).

Growth in income and costs was constrained by foreign exchange translation movements. Approximately 56% of Barclays Global Investors income was in US Dollars and 31% in Sterling.

Total assets under management increased 29% (£136bn) to £598bn (31st December 2002: £462bn). This growth came from £67bn of net new assets and £134bn attributable to market movements, offset by £65bn of adverse exchange rate movements. Assets under management comprise: £410bn (69%) indexed assets; £125bn (21%) active assets; and £63bn (10%) managed cash assets.

Barclays Global Investors operating profit in 2002 increased 48% (£32m) to £98m (2001: £66m) reflecting strong asset gathering, a greater proportion of higher margin active funds business, good investment performance across a range of products and ongoing cost management.

Fees and commissions in 2002 increased by 4% (£20m) to £538m (2001: £518m) despite significantly lower stock market levels. The increase reflected the continued expansion in the advanced active business and growth of Global iShares (Exchange Traded Funds).

Operating costs in 2002 fell by 1% to £452m (2001: £457m). Increased performance related pay was offset by improved efficiency and the impact of exchange rate translation movements.

Head office functions and other operations

	2003	2002[(a)]	2001[(a)]
	£m	£m	£m
Head office functions	**(149)**	(121)	(79)
Transition businesses	**(25)**	(119)	(11)
Central items	**(84)**	(58)	(15)
Loss on ordinary activities before tax	**(258)**	(298)	(105)

Note

(a) Comparative figures have been restated to reflect the aggregation of Head office functions and other operations, which were formerly reported separately.

Head office functions net costs increased 23% (£28m) to £149m (2002: £121m). This increase included a pension charge of £5m (2002: credit £4m).

The improved performance of Transition Businesses, from a loss of £119m to a loss of £25m, primarily reflected a reduced provisions charge of £7m (2002: £132m) in respect of various South American Corporate Banking exposures.

Central items include internal fees charged by Barclays Capital for sructured capital markets activities of £89m (2002: £87m). Central items increased from £58m to £84m, primarily reflecting a £16m increase in the centrally held information technology services costs.

Head office functions net costs increased in 2002 by 53% (£42m) to £121m. This increase relates primarily to £34m in increased expenditure related to marketing and central system costs, relative to 2001. The increased loss in the Transitional Businesses in 2002 relates to increased provisioning in South America Corporate Banking of £132m.

Central items in 2002 include internal fees charged by Barclays Capital for structured capital markets activities of £87m (2001: £61m).

Financial Review
Average Balance Sheet

Average balance sheet and net interest income (year ended 31st December)

	2003			2002			2001		
	Average balance £m	**Interest £m**	**Average rate %**	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %
Assets									
Treasury bills and other eligible bills:									
in offices in the United Kingdom	**4,048**	**121**	**3.0**	4,496	158	3.5	3,952	189	4.8
in offices outside the United Kingdom	**1,222**	**66**	**5.4**	960	66	6.9	1,114	89	8.0
Loans and advances to banks:									
in offices in the United Kingdom	**14,012**	**574**	**4.1**	12,560	561	4.5	7,615	346	4.5
in offices outside the United Kingdom	**4,272**	**108**	**2.5**	5,535	161	2.9	5,827	265	4.5
Loans and advances to customers:									
in offices in the United Kingdom	**135,373**	**7,804**	**5.8**	126,306	7,712	6.1	116,279	8,406	7.2
in offices outside the United Kingdom	**26,323**	**1,136**	**4.3**	25,896	1,132	4.4	23,573	1,498	6.4
Lease receivables:									
in offices in the United Kingdom	**4,520**	**215**	**4.8**	4,245	209	4.9	4,384	245	5.6
in offices outside the United Kingdom	**265**	**19**	**7.2**	222	15	6.8	226	18	8.0
Debt securities:									
in offices in the United Kingdom	**58,435**	**2,174**	**3.7**	40,115	1,790	4.5	36,858	2,069	5.6
in offices outside the United Kingdom	**4,267**	**210**	**4.9**	4,843	240	5.0	5,189	333	6.4

Average assets of banking business	**252,737**	**12,427**	**4.9**	225,178	12,044	5.3	205,017	13,458	6.6
Average assets of trading business	**189,446**	**5,001**	**2.6**	160,647	4,372	2.7	132,904	5,437	4.1
Total average interest earning assets	**442,183**	**17,428**	**3.9**	385,825	16,416	4.2	337,921	18,895	5.6
Provisions	**(2,796)**			(2,808)			(2,513)		
Non-interest earning assets	**53,428**			46,753			48,796		
Total average assets and interest income	**492,815**	**17,428**	**3.5**	429,770	16,416	3.8	384,204	18,895	4.9
Percentage of total average assets in offices outside the United Kingdom	**26.6%**			27.2%			27.5%		
Average interest earning assets and net interest income:									
Banking business	**252,737**	**6,606**	**2.6**	225,178	6,188	2.7	205,017	5,970	2.9
Trading business	**189,446**	**68**		160,647	75		132,904	(387)	(0.3)
Non margin interest		**(2)**			17			(4)	
Total average interest earning assets and net interest income	**442,183**	**6,672**	**1.5**	385,825	6,280	1.6	337,921	5,579	1.7
Total average interest earning assets related to:									
Interest income		**17,428**	**3.9**		16,416	4.2		18,895	5.6
Interest expense		**(10,754)**	**(2.4)**		(10,153)	(2.6)		(13,312)	(3.9)
Adjustment for non margin interest		**(2)**			17			(4)	

	6,672	**1.5**	6,280	1.6	5,579	1.7

Average balance sheet and net interest income (year ended 31st December)

	2003			2002			2001		
	Average balance £m	**Interest £m**	**Average rate %**	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %
Liabilities and shareholders funds									
Deposits by banks:									
in offices in the United Kingdom	**40,959**	**993**	**2.4**	31,880	987	3.1	27,547	1,144	4.2
in offices outside the United Kingdom	**10,100**	**184**	**1.8**	8,908	200	2.2	10,548	366	3.5
Customer accounts demand deposits:									
in offices in the United Kingdom	**18,788**	**170**	**0.9**	16,260	164	1.0	14,646	209	1.4
in offices outside the United Kingdom	**3,497**	**48**	**1.4**	1,846	27	1.5	1,734	37	2.1
Customer accounts savings deposits:									
in offices in the United Kingdom	**45,565**	**999**	**2.2**	41,722	982	2.4	37,341	1,153	3.1
in offices outside the United Kingdom	**813**	**26**	**3.2**	1,262	32	2.5	1,297	50	3.9
Customer accounts other time deposits retail:									
in offices in the United Kingdom	**35,228**	**1,171**	**3.3**	40,075	1,303	3.3	38,521	1,906	4.9
in offices outside the United Kingdom	**3,678**	**103**	**2.8**	5,479	139	2.5	5,611	251	4.5
Customer accounts other time deposits wholesale:									
in offices in the United Kingdom	**57,364**	**1,634**	**2.8**	35,607	1,175	3.3	31,474	1,316	4.2
in offices outside the United Kingdom	**8,193**	**247**	**3.0**	7,959	231	2.9	7,240	340	4.7
Debt securities in issue:									
in offices in the United Kingdom	**34,811**	**949**	**2.7**	28,596	1,061	3.7	30,378	1,546	5.1
in offices outside the United Kingdom	**11,906**	**244**	**2.0**	11,728	339	2.9	11,083	522	4.7
Dated and undated loan capital and	**12,312**	**684**	**5.6**	11,012	645	5.9	9,165	601	6.6

other subordinated liabilities principally in offices in the United Kingdom									
Internal funding of trading business	**(58,436)**	**(1,631)**	**(2.8)**	(42,626)	(1,429)	(3.4)	(42,480)	(1,953)	(4.6)
Average liabilities of banking business	**224,778**	**5,821**	**2.6**	199,708	5,856	2.9	184,105	7,488	4.1
Average liabilities of trading business	**191,240**	**4,933**	**2.6**	162,858	4,297	2.6	134,609	5,824	4.3
Total average interest bearing liabilities	**416,018**	**10,754**	**2.6**	362,566	10,153	2.8	318,714	13,312	4.2
Interest free customer deposits:									
in offices in the United Kingdom	**13,819**			11,614			10,282		
in offices outside the United Kingdom	**1,260**			2,132			2,151		
Other non-interest bearing liabilities	**45,276**			38,172			38,828		
Minority and other interests and shareholders funds	**16,442**			15,286			14,229		
Total average liabilities, shareholders funds and interest expense	**492,815**	**10,754**	**2.2**	429,770	10,153	2.4	384,204	13,312	3.5
Percentage of total average non-capital liabilities in offices outside the United Kingdom	**23.1%**			25.5%			26.4%		

Notes

(a) Loans and advances to customers and banks include all doubtful lendings, including non-accrual lendings. Interest receivable on such lendings has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Group.

(b) Average balances are based upon daily averages for most UK banking operations and monthly averages elsewhere.

(c) The average balance sheet does not include the retail life-fund assets attributable to policyholders nor the related liabilities.

(d) Interest payable on average liabilities of banking business excludes non-margin interest.

Financial Review
Average Balance Sheet

Changes in net interest income volume and rate analysis

The following tables allocate changes in net interest income between changes in volume and changes in interest rates for the last two years. Volume and rate variances have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Where variances have arisen from changes in both volumes and interest rates, these have been allocated proportionately between the two.

	2003/2002 Change due to increase/(decrease) in:			2002/2001 Change due to increase/(decrease) in:		
	Total change £m	**Volume £m**	**Rate £m**	Total change £m	Volume £m	Rate £m
Interest receivable						
Treasury bills and other eligible bills:						
in offices in the United Kingdom	**(37)**	**(15)**	**(22)**	(31)	24	(55)
in offices outside the United Kingdom		**16**	**(16)**	(23)	(11)	(12)
	(37)	**1**	**(38)**	(54)	13	(67)
Loans and advances to banks:						
in offices in the United Kingdom	**13**	**62**	**(49)**	215	221	(6)
in offices outside the United Kingdom	**(53)**	**(34)**	**(19)**	(104)	(13)	(91)
	(40)	**28**	**(68)**	111	208	(97)
Loans and advances to customers:						
in offices in the United Kingdom	**92**	**536**	**(444)**	(694)	685	(1,379)
in offices outside the United Kingdom	**4**	**19**	**(15)**	(366)	137	(503)
	96	**555**	**(459)**	(1,060)	822	(1,882)
Lease receivables:						
in offices in the United Kingdom	**6**	**13**	**(7)**	(36)	(8)	(28)
in offices outside the United Kingdom	**4**	**3**	**1**	(3)		(3)

	10	**16**	**(6)**	(39)	(8)	(31)
Debt securities:						
in offices in the United Kingdom	**384**	**718**	**(334)**	(279)	172	(451)
in offices outside the United Kingdom	**(30)**	**(28)**	**(2)**	(93)	(21)	(72)
	354	**690**	**(336)**	(372)	151	(523)
Total banking business interest receivable:						
in offices in the United Kingdom	**458**	**1,314**	**(856)**	(825)	1,094	(1,919)
in offices outside the United Kingdom	**(75)**	**(24)**	**(51)**	(589)	92	(681)
	383	**1,290**	**(907)**	(1,414)	1,186	(2,600)
Total trading business interest receivable	**629**	**764**	**(135)**	(1,065)	989	(2,054)
Total interest receivable	**1,012**	**2,054**	**(1,042)**	(2,479)	2,175	(4,654)

Changes in net interest income volume and rate analysis

	2003/2002 Change due to increase/(decrease) in:			2002/2001 Change due to increase/(decrease) in:		
	Total change £m	**Volume £m**	**Rate £m**	Total change £m	Volume £m	Rate £m
Interest payable						
Deposits by banks:						
in offices in the United Kingdom	**6**	**246**	**(240)**	(157)	162	(319)
in offices outside the United Kingdom	**(16)**	**25**	**(41)**	(166)	(51)	(115)
	(10)	**271**	**(281)**	(323)	111	(434)
Customer accounts demand deposits:						
in offices in the United Kingdom	**6**	**24**	**(18)**	(45)	21	(66)
in offices outside the United Kingdom	**21**	**23**	**(2)**	(10)	2	(12)
	27	**47**	**(20)**	(55)	23	(78)
Customer accounts savings deposits:						
in offices in the United Kingdom	**17**	**87**	**(70)**	(171)	125	(296)
in offices outside the United Kingdom	**(6)**	**(13)**	**7**	(18)	(1)	(17)
	11	**74**	**(63)**	(189)	124	(313)
Customer accounts other time deposits retail:						
in offices in the United Kingdom	**(132)**	**(161)**	**29**	(603)	74	(677)
in offices outside the United Kingdom	**(36)**	**(49)**	**13**	(112)	(6)	(106)
	(168)	**(210)**	**42**	(715)	68	(783)
Customer accounts other time deposits wholesale:						
in offices in the United Kingdom	**459**	**638**	**(179)**	(141)	159	(300)
in offices outside the United Kingdom	**16**	**7**	**9**	(109)	31	(140)

	475	**645**	**(170)**	(250)	190	(440)
Debt securities in issue:						
in offices in the United Kingdom	**(112)**	**203**	**(315)**	(485)	(86)	(399)
in offices outside the United Kingdom	**(95)**	**5**	**(100)**	(183)	29	(212)
	(207)	**208**	**(415)**	(668)	(57)	(611)
Dated and undated loan capital and other subordinated liabilities principally in offices in the United Kingdom	**39**	**73**	**(34)**	44	113	(69)
Internal funding of trading businesses	**(202)**	**(469)**	**267**	524	(7)	531
Total banking business interest payable:						
in offices in the United Kingdom	**81**	**641**	**(560)**	(1,034)	561	(1,595)
in offices outside the United Kingdom	**(116)**	**(2)**	**(114)**	(598)	4	(602)
	(35)	**639**	**(674)**	(1,632)	565	(2,197)
Total trading business interest payable	**636**	**734**	**(98)**	(1,527)	1,055	(2,582)
Total interest payable	**601**	**1,373**	**(772)**	(3,159)	1,620	(4,779)
Movement in net interest income						
Increase/(decrease) in interest receivable	**1,012**	**2,054**	**(1,042)**	(2,479)	2,175	(4,654)
(Decrease)/increase in interest payable	**(601)**	**(1,373)**	**772**	3,159	(1,620)	4,779
	411	**681**	**(270)**	680	555	125
Movement in non-margin interest	**(19)**			21		
	392			701		

Financial Review
Total Assets and Liabilities and Capital Resources

Total Assets and Liabilities

The Group s balance sheet grew by 10% (£40bn) to £443bn (31st December 2002: £403bn). Weighted risk assets rose by 9% (£16bn) to £189bn (31st December 2002: £173bn).

Within Personal Financial Services, total assets increased 4% to £77.3bn (31st December 2002: £74.6bn). Weighted risk assets increased by 3% to £42.4bn (31st December 2002: £41.1bn). This was mainly attributable to steady growth in UK residential mortgage balances, up 3% to £59.8bn (2002: £57.8bn) and to good growth in unsecured lending.

Barclays Private Clients total assets (including the assets of the closed life assurance activities) grew 52% (£7.7bn) to £22.5bn (31st December 2002: £14.8bn), primarily as a result of the growth of Openplan in Spain and the inclusion of assets relating to the acquired business of Banco Zaragozano. Weighted risk assets increased 29% to £15.1bn (31st December 2002: £11.7bn), largely reflecting the growth in Openplan assets in Spain and the impact of the acquisition of Banco Zaragozano.

Barclaycard total assets increased 15% to £12.5bn (31st December 2002: £10.9bn). Weighted risk assets decreased by 2% to £9.8bn (31st December 2002: £10.0bn), reflecting the effect of securitised credit card receivables.

Within Business Banking, total assets grew by 10% to £52.2bn (31st December 2002: £47.4bn). Weighted risk assets increased by 9% to £55.0bn (31st December 2002: £50.4bn) as a result of strong growth in lending balances. Lending growth was directed towards higher quality large and medium business customers.

Barclays Capital total assets grew 11% to £263.2bn (31st December 2002: £236.5bn) primarily due to increases in low risk, high quality reverse repos and debt securities. Reverse repo balances, which are fully collateralised, increased £17.1bn, driven by growth in client transactions. The increase in debt securities of £6.7bn arose primarily in governments and high-grade corporates. Total weighted risk assets increased 15% (£7.8bn) to £61.3bn (31st December 2002: £53.5bn), broadly in line with the growth in assets.

Capital Resources

The Group manages both its debt and equity capital actively. The Group s authority to buy back equity was renewed at the 2003 AGM to provide additional flexibility in the management of the Group s capital resources.

	2003	2002 restated	2001 restated
	£m	£m	£m
Barclays PLC Group			
Shareholders funds	**16,473**	15,201	14,485
Minority and other interests	**283**	156	134
	16,756	15,357	14,619

Undated loan capital	**6,310**	6,678	5,054
Dated loan capital	**6,029**	4,859	4,933
Total capital resources	**29,095**	26,894	24,606

Total capital resources increased in the year by £2,201m.

Equity shareholders funds increased by £1,272m reflecting profit retentions of £1,404m, net proceeds of share issues of £149m, offset by share repurchases of £204m, exchange rate losses of £29m, shares to QUEST of £36m and £12m other movements.

Loan capital rose by £802m reflecting raisings of £1,926m, offset by redemptions of £974m, exchange rate movements of £146m and amortisation of issue expenses of £4m.

	2003 £m	2002 £m	2001 £m
Barclays Bank PLC Group			
Shareholders funds	**16,485**	15,205	14,485
Minority interests	**283**	156	134
	16,768	15,361	14,619
Undated loan capital	**6,310**	6,678	5,054
Dated loan capital	**6,029**	4,859	4,933
Total capital resources	**29,107**	26,898	24,606

Capital resources for Barclays Bank PLC Group differ from Barclays PLC Group by £12m (2002: £4m).

Capital ratios

Capital adequacy and the use of regulatory capital are monitored by the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and European Community Directives, as implemented by the Financial Services Authority (FSA) for supervisory purposes.

These techniques include the risk asset ratio calculation, which the FSA regards as a key supervisory tool. The FSA sets ratio requirements for individual banks in the UK at or above the internationally agreed minimum of 8%. The ratio calculation involves the application of designated risk weightings to reflect an estimate of credit, market and other risks associated with broad categories of transactions and counterparties. Regulatory guidelines define three Tiers of capital resources. Tier 1 capital, comprising mainly shareholders funds and including Reserve Capital Instruments and Tier One Notes, is the highest tier and can be used to meet trading and banking activity requirements. Tier 2 includes perpetual, medium-term and long-term subordinated debt, general provisions for bad and doubtful debts and fixed asset revaluation reserves. Tier 2 capital can be used to support both trading and banking activities. Tier 3 capital comprises short-term subordinated debt with a minimum original maturity of two years. The use of tier

3 capital is restricted to trading activities only and it is not eligible to support counterparty or settlement risk. The aggregate of tiers 2 and 3 capital included in the risk asset ratio calculation may not exceed tier 1 capital.

Capital adequacy data

	2003	2002
	£m	£m
Weighted risk assets		
Banking book		
on-balance sheet	**133,816**	128,691
off-balance sheet	**22,987**	21,999
Associated undertakings and joint ventures	**2,830**	3,065
Total banking book	**159,633**	153,755
Trading book		
Market risks	**13,861**	7,988
Counterparty and settlement risks	**15,503**	11,005
Total trading book	**29,364**	18,993
Total weighted risk assets	**188,997**	172,748

The following table analyses capital resources at 31st December 2003, as defined for regulatory purposes:

	2003		2002	
Capital resources	**Barclays PLC Group £m**	**Barclays Bank PLC Group £m**	Barclays PLC Group £m	Barclays Bank PLC Group £m
Tier 1				
Called up share capital	**1,636**	**2,302**	1,642	2,293
Eligible reserves	**14,663**	**13,997**	13,408	12,757
Minority interests equity	**637**	**637**	522	522
Reserve Capital Instruments[(a)]	**1,705**	**1,705**	1,771	1,771
Tier One Notes[(a)]	**960**	**960**	1,019	1,019
Less: goodwill	**(4,607)**	**(4,607)**	(4,158)	(4,158)
Total qualifying Tier 1 capital	**14,994**	**14,994**	14,204	14,204

	2003 £m	2002 £m
Tier 2		
Revaluation reserves	**25**	25
General provisions	**795**	737
Qualifying subordinated liabilities[b]		
Undated loan capital	**3,636**	3,854
Dated loan capital	**5,652**	4,573
Other[c]	**2**	2
Total qualifying Tier 2 capital	**10,110**	9,191
Tier 3: short-term subordinated liabilities[b]	**280**	203
Less: Supervisory deductions Investments not consolidated for supervisory purposes[d]	**(979)**	(1,288)
Other deductions	**(182)**	(119)
Total deductions	**(1,161)**	(1,407)
Total net capital resources	**24,223**	22,191

Capital ratios

	2003		2002	
	Barclays PLC Group £m %	**Barclays Bank PLC Group £m %**	Barclays PLC Group £m %	Barclays Bank PLC Group £m %
Capital ratios				
Equity Tier 1 ratio[e]	**6.5**	**6.5**	6.6	6.6
Tier 1 ratio	**7.9**	**7.9**	8.2	8.2
Risk asset ratio	**12.8**	**12.8**	12.8	12.8

Notes

(a)

Reserve Capital Instruments (RCIs) and Tier One Notes (TONs) are included in undated loan capital in the consolidated balance sheet.

(b) Subordinated liabilities are included in Tiers 2 or 3, subject to limits laid down in the supervisory requirements. Barclays retains significant capacity to raise additional capital within these limits.

(c) Comprises revaluation reserves attributable to minorities £2m (2002: £2m).

(d) Includes £478m (2002: £867m) of shareholders interest in the retail life-fund.

(e) Equity defined as total qualifying Tier 1 capital less RCIs and TONs.

The growth in net capital resources of 9.2% (£2.0bn) was offset by the impact of 9.4% (£16.2bn) growth in weighted risk assets. The risk asset ratio was steady at 12.8% (31st December 2002: 12.8%). The Tier 1 ratio fell from 8.2% to 7.9%. The Equity Tier 1 ratio fell to 6.5% (2002: 6.6%).

Within total net capital, Tier 1 capital rose by £0.8bn primarily reflecting retained profits of £1.4bn and an increase in the deduction for goodwill of £0.4bn. Tier 2 capital increased by £0.9bn and Tier 3 capital by £0.1bn. Supervisory deductions decreased by £0.2bn.

Equity Tier 1 capital rose by £0.9bn.

The increase in weighted risk assets is primarily accounted for by a rise of 54.6% (£10.4bn) in the Trading book. Banking book weighted risk assets grew 3.8% (£5.9bn).

Financial Review
Deposits and Short-term Borrowings

Deposits

	Average: year ended 31st December		
	2003 **£m**	2002 £m	2001 £m
Deposits by banks			
Offices in the United Kingdom	**41,034**	31,966	27,602
Offices outside the United Kingdom:			
Other European Union	**2,696**	1,894	3,342
United States	**597**	2,213	2,667
Rest of the World	**6,815**	4,909	4,638
	51,142	40,982	38,249
Customer accounts			
Offices in the United Kingdom	**170,689**	145,192	132,209
Offices outside the United Kingdom:			
Other European Union	**6,935**	5,418	5,202
United States	**3,671**	3,964	3,550
Rest of the World	**6,827**	9,188	9,182
	188,122	163,762	150,143

Average deposits (excluding trading balances) are analysed by type in the average balance sheet on page 85 and are based on the location of the office in which the deposits are recorded.

Demand deposits in offices in the UK are mainly current accounts with credit balances, obtained through the UK branch network.

Savings deposits in offices in the UK are also obtained through, and administered by, the UK branch network. Interest rates are varied from time to time in response to competitive conditions. These deposits are not drawn against by cheque or similar instrument.

Other time deposits retail in offices in the UK are interest bearing and also are not drawn against by cheque or similar instrument. They are generally distinguished from savings deposits by having fixed maturity requirements and from wholesale deposits by being collected, in the main, through the UK branch network.

Other time deposits wholesale in offices in the UK are obtained through the London money market and are booked mainly within the Group s money market operations. These deposits are of fixed maturity and bear interest rates which relate to the London inter-bank money market rates.

Other time deposits includes commercial paper and inter-bank funds.

Although the types of deposit products offered through offices located outside the UK are broadly similar to those described above, they are tailored to meet the specific requirements of local markets.

A further analysis of Deposits by banks and Customer accounts is given in Note 26 and Note 27 to the accounts on pages 129 and 130.

Short-term Borrowings

Short-term borrowings include Deposits by banks as reported in Deposits , Commercial paper and negotiable certificates of Deposit.

Deposits by banks (excluding trading business)
Deposits by banks are taken from a wide range of counterparties and generally have maturities of less than one year.

	2003	2002	2001
	£m	£m	£m
Year-end balance	**57,641**	48,751	45,837
Average balance	**51,059**	40,788	38,095
Maximum balance	**77,195**	56,414	53,621
Average interest rate during year	**2.3%**	2.9%	4.0%
Year-end interest rate	**2.5%**	2.6%	3.3%

Commercial paper
Commercial paper is issued by the Group, mainly in the United States, generally in denominations of not less than $100,000, with maturities of up to 270 days.

	2003	2002	2001
	£m	£m	£m
Year-end balance	**4,426**	5,192	3,268
Average balance	**3,288**	4,818	2,669
Maximum balance	**6,284**	5,234	4,419
Average interest rate during year	**1.1%**	2.0%	3.0%
Year-end interest rate	**1.6%**	1.6%	2.0%

Negotiable certificates of deposit
Negotiable certificates of deposits are issued mainly in the UK and US, generally in denominations of not less than $100,000.

	2003	2002	2001
	£m	£m	£m
Year-end balance	**28,536**	30,045	28,258
Average balance	**33,013**	27,111	30,209
Maximum balance	**40,274**	36,780	37,686
Average interest rate during year	**2.2%**	3.3%	4.7%
Year-end interest rate	**2.1%**	2.8%	3.0%

Financial Review
Securities

Securities

The following table analyses the book value and valuation of securities.

	2003		2002		2001	
	Book value £m	**Valuation £m**	Book value restated £m	Valuation restated £m	Book value restated £m	Valuation restated £m
Investment securities						
Debt securities:						
United Kingdom government	**565**	**621**	1,465	1,496	1,500	1,499
Other government	**16,347**	**16,772**	18,963	19,564	15,152	15,330
Other public bodies	**78**	**79**	17	17	3	3
Mortgage-backed securities	**3,074**	**3,077**	4,693	4,704	244	255
Corporate issuers	**13,826**	**13,966**	12,601	12,666	12,977	12,987
Other issuers	**3,691**	**3,695**	2,529	2,530	1,168	1,170
Equity shares	**954**	**1,134**	505	509	194	215
	38,535	**39,344**	40,773	41,486	31,238	31,459
Other securities						
Debt securities:						
United Kingdom government	**2,084**	**2,084**	1,025	1,025	1,284	1,284
Other government	**28,011**	**28,011**	25,385	25,385	15,659	15,659
Other public bodies	**4,513**	**4,513**	2,438	2,438	1,091	1,091
Bank and building society certificates of deposit	**5,796**	**5,796**	12,027	12,027	15,376	15,376
Other issuers	**19,408**	**19,408**	13,086	13,086	14,470	14,470
Equity shares	**6,905**	**6,905**	2,624	2,624	2,924	2,924
	105,252	**106,061**	97,358	98,071	82,042	82,263

Investment debt securities include government securities held as part of the Group s treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group. In addition, the Group holds as investments listed and unlisted corporate securities. Investment securities are valued at cost, adjusted for the amortisation of premiums or discounts to redemption, less any provision for diminution in value.

Other securities comprise dealing securities which are valued at market value.

Bank and building society certificates of deposit are freely negotiable and have original maturities of up to five years, but are typically held for shorter periods.

A further analysis of the book value and valuation of securities is given in Notes 17 and 18 to the accounts on pages 124 and 125.

In addition to UK government securities shown above, at 31st December 2003 and 2002 the Group held the following government securities which exceeded 10% of shareholders funds.

	2003		2002	
	Book value £m	**Valuation £m**	Book value £m	Valuation £m
United States government securities	**10,155**	**10,203**	12,728	12,811
Japanese government securities	**9,802**	**9,806**	7,060	7,080
Italian government securities	**5,770**	**5,835**	7,944	8,090
German government securities	**4,468**	**4,504**	3,026	3,048
French government securities	**2,674**	**2,697**	1,518	1,518
Spanish government securities	**2,594**	**2,650**	2,890	2,988

Maturities and weighted average yield of investment debt securities

	Maturing within one year:		**Maturing after one but within five years:**		**Maturing after five but within ten years:**		**Maturing after ten years:**			
	Amount £m	**Yield %**	**Amount £m**	**Yield %**	**Amount £m**	**Yield %**	**Amount £m**	**Yield %**	**Amount £m**	**Total yield %**
Government	**2,709**	**4.2**	**6,281**	**4.7**	**6,345**	**3.9**	**1,577**	**3.0**	**16,912**	**4.2**
Other public bodies	**49**	**4.2**	**29**	**3.4**					**78**	**3.8**
Other issuers	**5,804**	**2.9**	**8,981**	**2.7**	**1,033**	**4.1**	**4,773**	**3.4**	**20,591**	**3.0**
Total book value	**8,562**	**3.3**	**15,291**	**3.5**	**7,378**	**3.9**	**6,350**	**3.3**	**37,581**	**3.5**
Total valuation	**8,722**		**15,502**		**7,541**		**6,445**		**38,210**	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2003 by the book value of securities held at that date. Yields on certain US securities, which are exempt from tax, have been calculated using interest income adjusted to reflect a taxable equivalent basis.

Critical Accounting Estimates

UK accounting standards require that the Group adopt the accounting policies and estimation techniques that the Directors believe are most appropriate in the circumstances for the purpose of giving a true and fair view of the Group s state of affairs, profit and cash flows. However, different policies, estimation techniques and assumptions in critical areas could lead to materially different results.

The following are estimates which are considered to be the most complex and involve significant amounts of management valuation judgements, often in areas which are inherently uncertain.

Bad and doubtful debts
The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customer s circumstances, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements and other governmental policy changes.

Specific provisions are raised when the Group considers that the creditworthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt.

For larger accounts this is usually done on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example the business prospects for the customer, the realisable value of collateral, the Group s position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process that may vary from person to person and team to team. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the specific provisions as individual decisions are taken, case by case.

Within the retail and small businesses portfolios which are comprised of large numbers of small homogeneous assets, statistical techniques are used to raise specific provisions on a portfolio basis, based on historical recovery rates. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. The models are updated from time to time. However, experience suggests that the models are reliable and stable, stemming from the very large numbers of accounts from which the model building information is drawn. These models do not contain judgemental inputs, but judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised.

General provisions are raised to cover losses which are known from previous historical experience to be present in loans and advances at the balance sheet date, but which have not yet been specifically identified. These provisions are adjusted at least half-yearly by an appropriate charge or release of general provision based on statistical analyses, other information about customers and judgements by management and the Board.

In outline, the statistical analyses are performed on a portfolio basis as follows: For larger accounts, gradings are used to rate the credit quality of borrowers. Each grade corresponds to an expected default frequency and is calculated by using statistical methodologies and expert judgement. To ensure that the result is as accurate as possible, several different sources may be used to rate a borrower (e.g. internal model, external vendor model, ratings by credit rating agencies and the knowledge and experience of the credit officers). The general provision also takes into account the expected severity of loss at default, i.e. the amount outstanding when default occurs that is not subsequently recovered. Recovery is usually substantial and depends, for example, on the level of security held in relation to each loan, and the bank s position relative to other claimants. Also taken into account is the expected exposure at default. Both loss given default and exposure at default are statistically derived values.

For the large numbers of retail accounts, the approach is in principle the same as for the corporate and business accounts. However, individual consideration of accounts is not practicable, and statistical methodologies are used to assess the loss in portfolios of accounts.

The general provision also includes a specifically identified element to cover country transfer risk calculated on a basis consistent with the overall general provision calculation.

In establishing the level of the general provision, management judgement is applied to the results of the statistical analyses. This is applied at business level where management takes account of the quality of the statistical analyses and the relevance of historical data used in the analyses to individual or groups of customers, current information, and the general economic and environmental factors mentioned above.

Further information on credit risk provisioning is set out on page 41.

Fair value of financial instruments

Some of the Bank s financial instruments are carried at fair value, including derivatives and debt securities held for trading purposes.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in dealing profits, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on derivative and foreign exchange contracts are reported gross in other assets or liabilities, reduced by the effects of qualifying netting agreements with counterparties.

Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, where no observable price is available then instrument fair value will include a provision for the uncertainty in the market parameter based on sale price or subsequent traded levels.

The calculation of fair value for any financial instrument may require adjustment of quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used), hedging costs not captured in pricing models and adjustments to reflect the cost of exiting illiquid or other significant positions. The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics. These estimates are calibrated against industry standards, economic models and observed transaction prices. Changes to assumptions or estimated levels can potentially impact the fair value of an instrument as reported. The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model, market data and assumptions or estimates in these are all subject to internal review and approval procedures and consistent application between accounting periods. Under US GAAP the unrealised gain or loss at the inception of a derivative contract is not recognised in the profit and loss account unless obtained using observable market data.

Certain financial instruments which are held on an accruals basis under UK GAAP are required to be measured at fair value under US GAAP. The Group does not manage its business with regard to reported trends on a US GAAP basis. Fair value adjustments to net income or other comprehensive income under US GAAP in current or past periods are not necessarily indicative of the magnitude or direction of such adjustments in subsequent periods.

The fair value of financial instruments is provided in Note 46 on pages 150 to 151.

Goodwill
Determining the period over which to amortise goodwill, where amortisation is applicable under GAAP, requires the assessment of its useful economic life. This assessment involves making judgements over the nature of the acquired business, the economic environment in which it operates and the period of time over which the value of the business is expected to exceed the values of net assets. As a starting point, businesses acquired which operate in more volatile economic environments, such as emerging markets, are considered to have a useful economic life of five years, in other cases 20 years is generally used.

Management also have to consider at least annually whether the current carrying value of goodwill is impaired. This is particularly important under USGAAP where goodwill is not being amortised. For the purposes of such impairment reviews, the goodwill is allocated to business segments that represent independent operating units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the operating unit, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates (e.g. competition activity, regulatory change) into consideration. In the absence of readily available market price data this calculation is usually based upon discounting expected cash flows at the Group s cost of equity, the determination of both of which requires the exercise of judgement.

Pensions
The Group operates defined benefit pension schemes, details of which are given in Note 4 on page 115 and Note 60 on page 161. The pension cost for these schemes is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Variations from the regular cost are allocated over the expected average service lives of current employees. Provisions for pensions arise when the profit and loss account charge exceeds the contribution to the scheme as a result of actuarial valuations. These provisions will be eliminated over the estimated service lives of the employees.

In determining this cost the actuarial value of the assets and liabilities of the scheme are calculated. This involves modelling their future growth and requires management to make assumptions as to, inter alia, price inflation, dividend growth, pension increases, earnings growth and return on new investment and employee lives. There is an acceptable range in which these estimates can validly fall. If different estimates within that range had been chosen, the cost recognised in the accounts could be significantly altered. The estimates used in the calculation of the 2003 pension credit are described on page 115.

Shareholders interest in the retail long-term assurance fund

Changes in the net present value of the profits inherent in the in-force policies of the retail long-term assurance fund are included in the profit and loss account. In estimating the net present value of the profits inherent in the in-force policies, the calculations use assumed economic parameters (future investment returns, expense inflation and risk discount rate), taxation, mortality, persistency, expenses and the required levels of regulatory and solvency capital. The returns on fixed interest investments are set to market yields at the period end. The returns on UK and overseas equities and property are set relative to fixed interest returns. The expense inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The risk discount rate is set to market yields on Government securities plus a margin to allow for the risks borne. The mortality, persistency and expense assumptions are chosen to represent best estimates of future experience and are based on current business experience. As with the pension calculation, there is an acceptable range in which these estimates can validly fall, and the income recognised in the accounts could be significantly altered if different estimates had been chosen.

Tax

The taxation charge in the accounts for amounts due to fiscal authorities in the various territories in which the Group operates includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liability arising. In arriving at such estimates, management assesses the relative merits and risks of the tax treatment assumed taking into account statutory, judicial and regulatory guidance; and, where appropriate, external advice.

All of the Group s significant accounting policies, including those mentioned above, and information about the estimation techniques used to enable the accounting policies to be applied, are set out on pages 101 to 106.

Off Balance Sheet Arrangements

In the ordinary course of business and primarily to facilitate client transactions, the Group enters into off balance sheet arrangements with unconsolidated entities. These arrangements include the provision of guarantees on behalf of the Group s customers, retained interests in assets which have been transferred to an unconsolidated entity and obligations arising out of variable interests in an unconsolidated entity.

Guarantees
In the normal course of business, the Group issues guarantees on behalf of its customers. In the majority of cases, Barclays will hold collateral against the exposure, have a right of recourse to the customer or both. In addition, Barclays issues guarantees on its own behalf.

The main types of guarantees provided are financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts and other banking facilities, including stock borrowing indemnities and standby letters of credit. Other guarantees provided include performance guarantees, advance payment guarantees, tender guarantees, guarantees to Customs and Excise and retention guarantees.

Further details on these guarantees are provided in Note 61 on page 187.

Special purpose entities
The off balance sheet arrangements entered into by the Group typically involve the use of special purpose entities (SPEs).

These are entities that are set up for a specific purpose and generally would not enter into an operating activity nor have any employees. The most common form of SPE involves the acquisition of financial assets that are funded by the issuance of securities to external investors, which have cash flows different from those of the underlying instruments. The repayment of these securities is determined by the performance of the assets acquired by the SPE. These entities form an integral part of many financial markets, and are important to the development of the European securitisation market and functioning of the US commercial paper market.

The consolidation approach to the SPEs is different under UK and US GAAP.

UK GAAP treatment
Under UK GAAP the financial statements are required to present a true and fair view, which includes reflecting the substance of the transactions and arrangements and not just the legal form.

Accordingly, the substance of any transaction with an SPE forms the basis for the treatment in the Group s financial statements. When a Group company has transferred assets into an SPE, these assets should only be derecognised when the criteria within Financial Reporting Standard (FRS) 5 (Reporting the substance of transactions) are fully met.

An SPE is consolidated by the Group either if it meets the criteria of FRS 2 (Accounting for subsidiaries), or if the risk and rewards associated with the SPE reside with the Group, such that the substance of the relationship is that of a subsidiary. Financial data relating to entities consolidated on this latter basis is given in Note 58 on page 157.

US GAAP treatment

Under US GAAP, the Group determines whether it has a controlling financial interest in an entity by initially evaluating whether the entity is a voting interest entity, a variable interest entity (VIE), or a qualifying special purpose entity (QSPE).

Voting interest entities are entities in which the total equity investment at risk is sufficient to enable each entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the rights to receive residual returns and the right to make decisions about the entity s activities. Voting interest entities are consolidated in accordance with ARB 51. ARB 51 states that the usual condition for a controlling financial interest in an entity is ownership of a majority voting interest.

As defined in FIN 46 (Consolidation of Variable Interest Entities), VIEs are entities which lack one or more of the characteristics of a voting interest entity described above. FIN 46 states that a controlling financial interest in an entity is present where an enterprise has a variable interest, or a combination of variable interests, that will absorb the majority of the entity s expected losses, receive a majority of the entity s expected residual returns, or both. The enterprise with a controlling financial interest is the primary beneficiary under FIN 46. Accordingly, the Group consolidates all VIEs in which it is the primary beneficiary subject to the transitional requirements of FIN 46, as described in Note 61.

In accordance with SFAS 140 (Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities), the Group does not consolidate QSPEs. QSPEs are passive entities that hold financial assets transferred to them by the Group and are commonly used in mortgage and other securitisation transactions.

Prior to the adoption of FIN 46, the Group consolidated all non-qualifying SPEs if the Group controlled the SPE and held a majority of the SPE s substantive risks and rewards.

The Group, in the ordinary course of business, and primarily to facilitate client transactions, has helped establish SPEs in various areas which are described below, along with their UK and US GAAP treatment:

Commercial paper conduits

The Group provides its clients with access to liquidity through the use of asset backed commercial paper programmes. These programmes involve the sale of financial assets by clients to entities which are, in effect, commercial paper conduits that then issue commercial paper to fund the purchases. The financial assets held by the conduits, which totalled £12,650m (2002: £16,090m) at 31st December 2003, normally take the form of consumer or trade receivables. Of the above amount, assets held by the conduits which have been originated by the Group amounted to £192m (2002: £318m) and have been reported on the Group s balance sheet under UK GAAP. The remainder represents client assets in which the Group has no interest and which are not reported on the Group s balance sheet at 31st December 2003. Certain administrative activities and the provision of liquidity and credit facilities to the programmes are performed by the Group under arm s-length contracts that it, or the conduit s independent board of directors, can terminate. Net fees received by the Group for performing these services amounted to £58m (2002: £40m). Under the US GAAP rules prior to the adoption of FIN 46, certain of these conduits are consolidated by the Group. This has minimal impact on net income, although assets increase by £2,845m (2002: £2,767m). The commitments to provide liquidity to these vehicles are a maximum of £12,650m, which would be required to be provided in the event of the conduits access to funding markets being restricted.

Further details of these transactions are provided in Note 61 on pages 183 and 184.

Credit structuring business
The Group structures investments with specific risk profiles which are attractive to investors. This business involves the sale by the Group of credit exposures based on an underlying portfolio of assets into SPEs, often using credit derivative contracts. The assets are funded by issuing securities with varying terms. In accordance with UK GAAP, the Group does not recognise the assets and liabilities of these entities in its balance sheet once the securities that represent substantially all the risks and rewards associated with the SPE have been sold to third parties. Otherwise these are recognised in full. Under UK GAAP, as at 31st December 2003, the Group had recognised assets of £2,793m (2002: £3,493m) in respect of these transactions. The Group s net income for 2003 included a £38m profit (2002: loss of £3m) generated by the relationship with these entities. Under US GAAP, as at 31st December 2003, the Group had recognised assets of £2,750m (2002: £3,464m). The summarised results of these entities under UK GAAP are given in Note 58 on page 157.

Asset securitisations
The Group assists companies with the formation of asset securitisations. These entities have minimal equity and rely on funding in the form of notes to purchase the assets for securitisation. The Group provides financing in the form of senior notes and/or junior notes and may also provide derivatives to the SPE. The Group has also used SPEs to securitise part of its retail lending portfolio and credit card receivables. Following the sale of the retail assets to the securitisation vehicles, the Group retains servicing rights and an interest in the residual income of the SPEs.

Under UK GAAP, the SPEs are consolidated as quasi-subsidiaries where the Group has the risks and rewards of the transaction. Under UK GAAP, as at 31st December 2003, assets of £4,716m (2002: £1,548m) were recognised. Where junior notes and certain derivative contracts are provided by the Group, the Group may be the primary beneficiary under FIN 46 and would be required to consolidate these. Under US GAAP, as at 31st December 2003, the Group had recognised assets of £5,344m (2002: £1,548m) in respect of these transactions. Certain of the entities used are QSPEs in accordance with SFAS 140 and, where this is the case, the securitised assets are deemed to have been sold. This results in the derecognition of assets of £2,350m as at 31st December 2003 (2002: £nil).

Further details are included in Notes 15 and 58 on pages 122 and 157.

Client intermediation
The Group is involved in structuring transactions as a financial intermediary to meet investor and client needs, These transactions involve entities structured by either the Group or the client and they are used to modify cash flows of third party assets to create investments with specific risk or return profiles or to assist clients in the efficient management of other risks. In addition, the Group invests in lessor entities specifically to acquire assets for leasing.

Client intermediation also includes arrangements to fund the purchase or construction of specific assets (most common in the property industry).

Under UK GAAP, where the Group has the risk and rewards, the SPEs are consolidated as quasi-subsidiaries, with assets of £5,740m as at 31st December 2003 (2002: £2,005m). Under US GAAP, assets of £5,697m were consolidated as at 31st December 2003 (2002: £1,906m).

Fund management
The Group provides asset management services to a large number of investment entities on an arm s-length basis and at market terms and prices. The majority of these entities are investment funds that are owned by a large and diversified number of investors.

In addition, there are various partnerships, funds and open-ended investment companies that are used by a limited number of independent third parties to facilitate their tailored private equity, debt securities or hedge fund investment strategies. These entities have assets under management of £290m (2002: £653m). The Group has acquired interests in these entities, which are included within debt securities or equity shares, but the entities are not consolidated under UK or US GAAP because the Group does not own either a significant portion of the equity, or the risks and rewards inherent in the assets. Some £32m (2002: £9m) of net income relates to transactions with these entities.

Further disclosure of the Group s involvement with entities of this and similar nature under US GAAP are given in Note 61 on pages 183 and 184.

Other Information
Economic and Monetary Union, International Financial Reporting Standards
and Supervision and Regulation

Economic and Monetary Union

Barclays is maintaining a prudent programme to validate and develop further its existing plans relating to the potential membership of European Monetary Union by the UK, and to conduct feasibility studies with selected suppliers and partners.

Barclays continues to take an active role via the British Bankers Association and other groups in industry-wide discussions, and maintains a dialogue with the regulatory community on UK Entry issues. It is also contributing to the further development of the Managed Transition Plan being authored by HM Treasury.

Given the considerable uncertainty that continues to surround whether and when the UK may enter, it has not been possible to draw any definitive conclusions as to the final overall cost of preparing the Group s systems and operations.

Barclays incurred minimal expenditure during 2003 with respect to any decision to introduce the euro in the UK.

International Financial Reporting Standards

By Regulation, the EU has agreed that virtually all listed companies must use International Financial Reporting Standards (IFRS) adopted for use in the EU in the preparation of their 2005 consolidated accounts. Barclays will have to comply with this Regulation. The objective is to improve financial reporting and enhance transparency to assist the free flow of capital throughout the EU and to improve the efficiency of the capital markets. Details of the Barclays implementation programme are discussed on pages 105 to 106.

Supervision and Regulation

UK
The Financial Services Authority (FSA) is the independent body responsible for regulating financial services in the UK. The FSA was established by the Government and it exercises statutory powers under the Financial Services & Markets Act 2000 (FSMA). Since 1st December 2001, the FSA is the single statutory regulator responsible for the regulation of deposit taking, life insurance and investment business.

In December 2001, HM Treasury announced that the powers of the FSA would be extended to include the regulation of mortgages and general insurance. There are two implementation dates, known as N(M&GI). From 31st October 2004, the FSA will regulate mortgage lending, sales and administration. From 14th January 2005, the FSA will regulate the sale and administration of general insurance contracts.

Under the FSMA 2000, the FSA is required to pursue four statutory objectives to:

1) Maintain market confidence in the UK financial system;

2) Promote public awareness and understanding of the financial system;

3) Secure an appropriate degree of protection for consumers; and

4) Reduce the scope for financial crime.

Whilst carrying out these objectives, the FSA is also required to take into account a number of factors (principles of good regulation) including:

- using its resources in the most efficient way;
- taking into account the international character of financial services and the desirability of maintaining the UK s competitive position; and
- facilitating and not having an unnecessarily adverse effect on competition.

The FSA Handbook contains the rules and regulatory guidance applicable to the UK financial services industry. The Handbook consists of sourcebooks providing the basis of FSA requirements, guidance and processes to be followed. Since its first introduction, the Handbook has undergone revision and updating. New sourcebooks are being added to the Handbook to provide the rules for the regulation of mortgages and general insurance.

In its role as supervisor, the FSA is seeking to ensure the safety and soundness of financial institutions (in fulfilment of the first and third objectives above) with the aim of strengthening, but not guaranteeing, the protection of customers.

Barclays Bank PLC is authorised by the FSA to carry on regulated activities within the UK and is subject to consolidated supervision. The FSA s continuing supervision of financial institutions authorised by it is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

Under the FSA s risk-based approach to supervision, the starting point for the FSA s supervision of all financial institutions is based on a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogeneous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment will be used by the FSA to develop a risk mitigation programme for a firm. The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy (see Capital Resources on page 88), limits on large exposures to individual entities and groups of closely connected entities, and liquidity.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme) where an authorised firm is unable or is likely to be unable to meet claims made against it due to its financial circumstances. This single scheme replaces a number of pre-FSA schemes, including the Deposit Protection Scheme, the Investors Compensation Scheme and the Policyholders Protection Scheme.

Other Information
Supervision and Regulation

Eligible claimants under the Financial Services Compensation Scheme may make claims against the Scheme in the event of an authorised firm s default and may receive compensation if their claim is a protected claim. Different levels of compensation are available to eligible claimants depending upon whether the protected claim is in relation to a deposit, a contract of insurance or protected investment business. The manager of the Scheme is able to make an offer of compensation or, in respect of insurance contracts, offer to continue cover or provide assistance to an insurance undertaking to allow it to continue insurance business in accordance with the rules of the Scheme. Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in sterling or other EEA currencies (including the euro) are covered by the Scheme. Most claims made in respect of designated investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The Scheme establishes the maximum amounts of compensation payable in respect of protected claims: for eligible protected deposit claims, this is £31,700 (100% of the first £2,000 and 90% of the next £33,000) and for protected investment business, this is £48,000 (100% of the first £30,000 and 90% of the next £20,000). There is no maximum limit for protected insurance claims. The first £2,000 of a valid claim is paid in full together with 90% of the remaining loss.

The UK has implemented the minimum requirements imposed by the European Community Directives on such matters as the carrying on the business of credit institutions and investment firms, capital adequacy, own funds and large exposures. These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one European Union member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Many of these Directives are being amended to reflect changes in the market and further European Community Directives are planned including in the areas of distance marketing, market abuse and insurance regulation are to be implemented, which once in effect, will further shape and influence the UK regulatory agenda.

With effect from February 2003, the Group became subject to The Proceeds of Crime Act 2002 which further strengthens the law with regard to anti-money laundering. Additionally, new Money Laundering Regulations came into effect on 1st March 2004. These replace the 1993 Regulations and will be supported by the recently revised Joint Money Laundering Steering Group Guidance Notes.

Formal consultation is a key aspect of the UK Government s reform programme and the Group has been reviewing and, where relevant, commenting on proposals both directly and through industry associations.

The Basel Committee on Banking Supervision and the European Commission have also issued consultation papers designed to replace the existing framework for the allocation of regulatory capital for credit risk and to introduce a capital adequacy requirement for operational risk. These bodies recognise that a more sophisticated approach is required to address both financial innovation and the increasingly complex risks faced by financial institutions. The revised Basel Capital Accord and the EU Risk Based Capital Directive are not currently expected to be implemented until the end of 2006.

Rest of the World
In the United States, Barclays PLC, Barclays Bank PLC and certain US subsidiary undertakings, branches and agencies of the Bank are subject to a comprehensive regulatory structure, involving numerous statutes, rules and

regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956, as amended, the Foreign Bank Supervision Enhancement Act of 1991 and the USA PATRIOT Act of 2001. Such laws and regulations impose limitations on the types of businesses, and the ways in which they may be conducted, in the United States and on the location and expansion of banking business there. The securities and investment management activities conducted in the United States are also subject to a comprehensive scheme of regulation under the US federal securities laws, as enforced by the Securities and Exchange Commission.

Barclays operates in many other countries and its overseas offices subsidiary and associated undertakings are subject to reserve and reporting requirements and controls imposed by the relevant central banks and regulatory authorities.

Other Information
Risk Factors

Risk Factors

This document contains certain forward-looking statements within the meaning of section 21E of the US Securities Exchange Act of 1934, as amended and section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Group s plans and its current goals and expectations relating to its future financial condition and performance.

The Group may also make forward-looking statements in other written materials, including other documents filed with or furnished to the SEC. In addition, the Group s senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements in the Financial Review and Business Description with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management, and competition are forward looking in nature. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target , expect , estimate , intend , plan , goal , other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group s actual future results may differ materially from those set out in the Group s forward-looking statements. There are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in the Group s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures Barclays may make in documents it files with the SEC.

The following discussion sets forth certain risk factors that the Group believes could cause its actual future results to differ materially from expected results. The discussion also acknowledges a risk factor specific to the Group s ability to achieve its primary goal for 2004 to 2007 inclusive. The reader should also note the references to liquidity risk (page 54) and non-financial, compliance, legal and tax risk (page 58). However, other factors could also adversely affect the Group results and the reader should not consider the factors discussed in this report to be a complete set of all potential risks and uncertainties.

Business conditions and general economy
The profitability of Barclays businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom or abroad. Factors such as the liquidity of the global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation, and the availability and cost of credit could significantly affect the activity level of customers. A market downturn would likely lead to a decline in the volume of transactions that Barclays executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions.

A market downturn or worsening of the economy could cause the Group to incur mark to market losses in its trading portfolios. A market downturn also could potentially result in a decline in the fees Barclays earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management. An economic downturn or significantly higher interest rates could adversely affect the credit quality of Barclays on balance sheet and off balance sheet assets by increasing the risk that a greater number of the Group s customers would be unable to meet their obligations.

Credit risk

The Group s provisions for credit losses provide for losses inherent in loans and advances. Estimating potential losses is inherently uncertain and depends on many factors, including general economic conditions, rating migration, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements.

Market risks

The most significant market risks the Group faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by the Group s non-UK subsidiaries and may affect revenues from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Group s investment and trading portfolios and in the amount of revenues generated from assets under management. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group s financial performance and business operations. In addition, the value of assets held in the Group s pension and long-term assurance funds are also affected by the performance.

Non-financial risks

The Group s businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Non-financial risk and losses can result from fraud, errors by employees, failure to properly document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and Conduct of Business rules, equipment failures, natural disasters or the failure of external systems, for example, the Group s suppliers or counterparties. Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the non-financial risks faced by the Group.

Changes in governmental policy and regulation

The Group s businesses and earnings can be affected by the fiscal or other policies that are adopted by various regulatory authorities of the UK, other European Union, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond the Group s control. Areas where changes could have an impact include, inter alia:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework;
- changes in competition and pricing environments;
- changes in the financial reporting environment (see Conversion to International Financial Reporting Standards in 2005 on pages 105 to 106);
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group s products and services.

Impact of strategic decisions taken by the Group

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not meet with success, the Group s earnings could grow more slowly or decline.

Competition

The UK and global financial services market remains highly competitive and innovative competition comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all the Group s businesses, which could adversely affect the Group s profitability.

Impact of external factors on the Group and peer group

The Group s primary performance goal is to achieve top quartile TSR performance for 2004 to 2007 inclusive against a group of peer financial institutions. This goal assumes that external factors will impact all peer group entities equally. The Group s ability to achieve the goal will be significantly impacted if the Group is disproportionately impacted by negative external factors. Even if the Group performs well, if others perform better or the market believes others have performed better, we may not achieve our goal.

Auditors Report

US audit report of the independent auditors to the Board of Directors and shareholders of Barclays PLC and Barclays Bank PLC

We have audited the accompanying consolidated financial statements of Barclays PLC and its subsidiary undertakings on pages 101 to 190 and Barclays Bank PLC and its subsidiary undertakings on pages 195 to 202. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Barclays PLC and its subsidiary undertakings and Barclays Bank PLC and its subsidiary undertakings at 31st December 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 2003 in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 61 to the consolidated financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom, 11th February 2004

Consolidated Accounts Barclays PLC
Accounting Policies

Accounting Policies
Summary of significant accounting policies

(a) Accounting convention
The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain assets held for dealing purposes, assets held in the long-term assurance business and the investment in Barclays Bank PLC in the balance sheet of Barclays PLC. They are prepared in accordance with applicable accounting standards of the UK Accounting Standards Board (ASB) and pronouncements of its Urgent Issues Task Force (UITF) and with the Statements of Recommended Accounting Practice (SORPs) issued by the British Bankers Association (BBA) and the Finance and Leasing Association (FLA).

The SORP issued by the Association of British Insurers (ABI) addresses the accounting and disclosure of insurance business for insurance undertakings. Barclays is primarily a banking group, not an insurance group, and prepares accounts in accordance with Schedule 9 of the Companies Act. The ABI SORP does not specifically address the accounting for long-term assurance business in this context. In line with other such banking groups, Barclays uses the embedded value method to measure the shareholders interest in its long-term assurance business, which is consistent with the alternative measurement method described in guidance issued by the ABI Supplementary Reporting for Long-Term Insurance Business and is considered more relevant than the modified statutory solvency basis for describing the financial position and current performance of the business.

Changes to the accounting policies described in the 2002 Annual Report are set out on page 105.

(b) Consolidation and format
The consolidated accounts have been prepared in compliance with Sections 230, 255, 255A and 255B of, and Schedule 9 to, the Companies Act 1985 (the Act). The profit and loss account and balance sheet of Barclays PLC have been prepared in compliance with Section 226 of, and Schedule 4 to, the Act.

The consolidated accounts include the accounts of Barclays PLC and its subsidiary undertakings made up to 31st December. Entities that do not qualify as subsidiaries but which give rise to benefits that are, in substance, no different from those that would arise were the entity a subsidiary, are included in the consolidated accounts. Details of the principal subsidiary undertakings are given in Note 43. In order to reflect the different nature of the shareholders and policyholders interests in the retail long-term assurance business, the value of the long-term assurance business attributable to shareholders is included in Other Assets and the assets and liabilities attributable to policyholders are classified under separate headings in the consolidated balance sheet.

As the consolidated accounts include partnerships where a Group member is a partner, advantage has been taken of the exemption given by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 with regard to the preparation and filing of individual partnership accounts.

(c) Shares in subsidiary undertakings
Barclays PLC s investment in Barclays Bank PLC, together with Barclays Bank PLC s investments in subsidiary undertakings, are stated at the amount of the underlying net asset, including attributable goodwill. Changes in the

value of the net assets are accounted for as movements in the revaluation reserve.

(d) Interests in associated undertakings and joint ventures

An associated undertaking generally is one in which the Group s interest is more than 20% and no more than 50% and where the Group exercises a significant influence over the entity s operating and financial policies. A joint venture is one where the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other parties. The profit and loss account includes income from interests in associated undertakings and joint ventures based on accounts made up to dates not earlier than three months before the balance sheet date. Interests in associated undertakings and joint ventures are included in the consolidated balance sheet at the Group s share of the book value of the net assets of the undertakings concerned plus unamortised goodwill arising on the acquisition of the interest.

(e) Goodwill

Goodwill may arise on the acquisition of subsidiary and associated undertakings and joint ventures. It represents the excess of cost over fair value of the Group s share of net assets acquired.

In accordance with Financial Reporting Standard (FRS) 10, goodwill is capitalised as an intangible asset and amortised through the profit and loss account over its expected useful economic life. For acquisitions prior to 1st January 1998, the Group accounting policy had been to write off goodwill directly to reserves. The transitional arrangements of FRS 10 allow this goodwill to remain eliminated. In the event of a subsequent disposal, any goodwill previously charged directly against reserves prior to FRS 10 will be written back and reflected in the profit and loss account.

The useful economic life of the goodwill is determined at the time of the acquisition giving rise to it by considering the nature of the acquired business, the economic environment in which it operates and period of time over which the value of the business is expected to exceed the values of the identifiable net assets. For acquisitions in less mature economic environments, goodwill is generally considered to have a useful economic life of five years. For all other acquisitions, goodwill is generally expected to have a useful economic life of 20 years. In all cases, goodwill is amortised over its useful economic life and is subject to regular review as set out in policy (k).

For the purpose of calculating goodwill, fair values of acquired assets and liabilities are determined by reference to market values, where available, or by reference to the current price at which similar assets could be acquired or similar obligations entered into, or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows.

(f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling on the balance sheet date. Overseas profits and losses are translated into sterling at average rates of exchange for the year. Profits arising in areas experiencing hyperinflation are adjusted to recognise its effect on the worth of the working capital employed. Exchange differences arising from the application of closing rates of exchange to the opening net assets held overseas, to the retranslation of the result for the year from the average rate to the closing rate and to related foreign currency borrowings are taken directly to reserves. All other exchange profits and losses, which arise from normal trading activities, are included in the profit and loss account.

(g) Shareholders interest in the retail long-term assurance fund

The value of the shareholders interest in the Group s retail long-term assurance business represents an estimate of the net present value of the

profits inherent in the in-force policies, based on the advice of qualified actuaries, together with the surplus retained within the long-term assurance funds. This value is calculated after tax. Changes in the value placed on the long-term assurance business attributable to shareholders are included in the profit and loss account.

For the purpose of presentation, the change in value is grossed up at the effective rate of corporation tax.

In estimating the net present value of the profits inherent in the in-force policies, the calculations use assumed economic parameters (future investment returns, expense inflation and risk discount rate), taxation, mortality, persistency, expenses and the required levels of regulatory and solvency capital. Each of these assumptions is reviewed annually. The returns on fixed interest investments are set to market yields at the period end. The returns on UK and overseas equities and property are set to fixed interest returns plus a margin to reflect the additional return expected on each of these investments. The calculations are based on the market value of assets at the period end. The expense inflation assumption is based on long-term expectations of both earnings and retail price inflation. The risk discount rate is set to market yields on Government securities plus a margin to allow for the risks borne. The mortality, persistency and expense assumptions are chosen to represent best estimates of future experience and are based on current business experience. No credit is taken for favourable changes in experience unless it is reasonably certain to be delivered. The projected tax charges and the required levels of regulatory and solvency capital are based on current legislation.

(h) Revenue recognition

Interest income is recognised in the profit and loss account as it accrues, with the exception of interest on non-performing loans as set out in accounting policy (l) below.

Fee income relating to loans and advances is recognised in the profit and loss account to match the cost of providing a continuing service, together with a reasonable profit margin. Where a fee is charged in lieu of interest, it is recognised in the profit and loss account as interest receivable on a level yield basis over the life of the advance. Fees and commissions receivable in respect of all other services provided are recognised in the profit and loss account when the related services are performed and when considered recoverable.

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are valued on a mark to market basis. The resulting income is included in dealing profits along with interest and dividends arising from long and short positions and funding costs relating to trading activities.

(i) Lending related fees and commissions payable and incentives

Fees and commissions payable to introducers in respect of obtaining certain lending business, where this is the primary form of distribution, are charged to the profit and loss account as fees and commissions payable, over the anticipated life of the loans.

The costs of mortgage incentives, which comprise cashbacks and interest discounts, are charged to the profit and loss account as a reduction to interest receivable as incurred.

The amount of a fee payable by a borrower representing an insurance premium, in respect of high loan to value UK residential secured loans is deferred and included in accruals and deferred income in the Group balance sheet. Following regular reviews of the amount of deferred

income required to cover anticipated losses in respect of this lending, deferred income is released to the profit and loss account on an annual basis.

(j) Depreciation

Tangible fixed assets are depreciated on a straight-line basis over their useful economic lives at the following annual rates:

Freehold buildings and long-leasehold property (more than 50 years to run)	2%
Leasehold property (less than 50 years to run)	over the remaining life of the lease
Costs of adaptation of freehold and leasehold property[a]	10%
Equipment installed in freehold and leasehold property[a]	10%
Computers and similar equipment	20%-33%
Fixtures and fittings and other equipment	20%

Note

(a) Where a leasehold has a remaining useful life of less than 10 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

The Group selects its depreciation rates carefully and reviews them regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

No depreciation is provided on freehold land.

(k) Impairment

Tangible fixed assets and goodwill are subject to impairment review in accordance with FRS 11 if there are events or changes in circumstances that indicate that the carrying amount of the fixed asset or goodwill may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of net realisable value and value in use. Net realisable value is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of fixed assets and goodwill are written down by the amount of any impairment and this loss is recognised in the profit and loss account in the period in which it occurs. If the occurrence of an external event gives rise to a reversal of an impairment loss, the reversal is recognised in the profit and loss account and by increasing the carrying amount of the fixed asset or goodwill in the period in which it occurs. The carrying amount of the fixed asset or goodwill will only be increased up to the amount that it would have been had the original impairment not occurred. For the purpose of conducting impairment reviews, income generating units are identified as groups of assets, liabilities and associated goodwill that generate income that is largely independent of other income streams. The assets and liabilities include those directly involved in generating the income and an appropriate proportion of those used to generate more than one income stream.

(l) Loans and advances

Loans and advances, other than those held in a dealing portfolio, are recorded in the balance sheet at cost, less interest in suspense debited to the customer s account, specific and general provisions. Advances held in a dealing portfolio for the purpose of trading on a secondary market are valued at the lower of cost and market value.

Specific provisions are raised when the Group considers that the creditworthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. Typically, this is done on an individual basis, although scope exists within the retail businesses, where the portfolio comprises homogeneous assets and where statistical techniques are appropriate, to raise specific provisions on a portfolio basis.

General provisions are raised to cover losses which are judged to be present in loans and advances at the balance sheet date, but which have not been specifically identified as such. These provisions are adjusted at least half yearly by an appropriate charge or release of general provision based on a statistical analysis. The accuracy of this analysis is periodically assessed against actual losses. Gradings are used to rate the credit quality of borrowers. Each grade corresponds to an Expected Default Frequency and is calculated by using manual or computer driven score-sheets validated by an analysis of the Group s own historical data. This grade can be derived from different sources depending upon the borrower (e.g. internal model, credit rating agency). The general provision also takes into account the economic climate in the market in which the Group operates and the level of security held in relation to each category of counterparty. The general provision includes a specifically identified element to cover country transfer risk calculated on a basis consistent with the overall general provision calculation. General provisions are created with respect to the recoverability of assets arising from off balance sheet exposures in a manner consistent with the general provisioning methodology.

The aggregate specific and general provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against operating profit and are deducted from loans and advances. Impaired lendings are written off against the balance sheet asset and provision in part, or in whole, when the extent of the loss incurred has been confirmed.

If the collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the profit and loss account. Although it continues to be charged to the customers accounts, the suspense account in the balance sheet is netted against the relevant loan. If the collection of interest is considered to be remote, interest is no longer applied and suspended interest is written off. Loans on which interest is suspended are not reclassified as accruing interest until interest and principal payments are up to date and future payments are reasonably assured.

Assets acquired in exchange for advances in order to achieve an orderly realisation continue to be reported as advances. The asset acquired is recorded at the carrying value of the original advance updated as at the date of the exchange. Any subsequent impairment is accounted for as a specific provision.

(m) Debt securities and equity shares

Investment securities are debt securities and equity shares intended for use on a continuing basis by the Group and identified as such. Investment securities are stated at cost less any provision for impairment. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on purchase over the period to redemption. The amortisation of premiums and discounts is included in interest receivable.

Other debt securities and equity shares are stated at market value and profits and losses arising from this revaluation are taken directly to the profit and loss account through dealing profits. Listed securities are valued based on market prices, with long positions at bid and short

positions at offer price. Unlisted securities are valued based on the Directors estimate, which takes into consideration discounted cash flows, price earnings ratios and other valuation techniques.

In the case of private equity investments, listed and unlisted investments are stated at cost less any provision for impairment.

Investment and other securities may be lent or sold subject to a commitment to repurchase them. Securities lent or sold are retained on the balance sheet where substantially all the risks and rewards of ownership remain with the Group. Similarly, securities purchased subject to a commitment to resell are treated as collateralised lending transactions where the Group does not acquire the risks and rewards of ownership.

(n) Pensions and other post-retirement benefits

The Group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits in overseas locations vary from country to country and are made in accordance with local regulations and customs. For defined contribution schemes, the pension cost recognised in the profit and loss account represents the contributions payable to the scheme. The majority of UK staff are members of The Barclays Bank UK Retirement Fund (the UK Fund) which comprises four sections. These are a defined benefit scheme (the 1964 Pension Scheme) and a defined contribution scheme (the Retirement Investment Scheme), which are both now closed to new members, a hybrid scheme, **after**work, and a defined contribution scheme, the Pension Investment Plan. Details are set out in Note 4. Other UK staff are covered by broadly comparable schemes which are accounted for on a comparable basis. The assets of the UK Fund are held separately from the assets of the Group and are administered by a trustee. The pension cost is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Variations from the regular cost are allocated over the expected average service lives of current employees. Provisions for pensions arise when the profit and loss account charge exceeds the contribution to the scheme as a result of actuarial valuations. These provisions will be eliminated over the estimated service lives of the employees. The basis of estimation is set out in Note 4 on page 115. The Group also provides post-retirement health care to certain staff and pensioners in the UK and US. Where appropriate, provisions for post-retirement benefits are raised on a basis similar to that detailed for defined benefit pension schemes. Where an actuarial basis is not appropriate, provisions are recognised in accordance with the policy on non-credit risk provisions (see (q) below).

(o) Finance leases

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, other than legal title, are classified as finance leases. Finance lease receivables are included in loans and advances to customers. Gross earnings under finance leases are allocated to accounting periods in such a way as to give a constant periodic rate of return on the net cash investment. Finance lease receivables are stated at the cost of the equipment, including gross earnings to date, less rentals received to date.

(p) Deferred tax

Deferred tax is provided in full in respect of timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Group s taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not provided on permanent differences. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable.

Deferred tax is not provided on the unremitted earnings of subsidiary undertakings, joint ventures and associated undertakings except to the extent that dividends have been accrued or a binding agreement to distribute past earnings in the future has been entered into.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is not discounted.

(q) Non-credit risk provisions
Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated.

When a leasehold property ceases to be used in the business, provision is made where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated income. The provision is discounted using market rates to reflect the long-term nature of the cash flows.

When the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features, provision is made for the anticipated cost of the restructuring, including redundancy costs. The provision raised is normally utilised within 12 months.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(r) Derivatives
Derivatives are used to hedge interest, exchange rate commodity and equity exposures related to non-trading positions. Instruments used for hedging purposes include swaps, equity derivatives, forward rate agreements, futures, options and combinations of these instruments. In addition, the use of derivatives and their sale to customers as risk management products is an integral part of the Group s trading activities. Derivatives entered into for trading purposes include swaps, equity derivatives, credit derivatives, commodity derivatives, forward rate agreements, futures, options and combinations of these instruments.

Derivatives used for asset and liability management purposes

Derivatives used for hedging purposes are measured on an accruals basis consistent with the assets, liabilities, positions or future cash flows being hedged. The gains and losses on these instruments (arising from changes in fair value) are not recognised in the profit and loss account immediately as they arise. Such gains are either not recognised in the balance sheet or are recognised and carried forward. When the hedged transaction occurs, the gain or loss is recognised in the profit and loss account at the same time as the hedged item.

The criteria required for a derivative instrument to be classified as a designated hedge are that:

(i) the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged and which results from potential movements in market rates and credit risk; and

(ii) adequate evidence of the intention to hedge and linkage with the underlying risk inherent in the assets, liabilities, other positions or cash flows being hedged, must be established at the outset of the transaction.

Designated hedges are reviewed for effectiveness by regular tests to determine that the hedge is closely negatively correlated to the designated hedged position in each and every identified time band in the maturity profile.

Profits and losses on interest rate swaps and options entered into for hedging purposes are measured on an accrual accounting basis, included in the related category of income and expense and reported as part of the yield on the hedged transaction. Amounts paid or received over the life of futures contracts are deferred until the contract is closed; accumulated deferred amounts on futures contracts and settlement amounts paid or received on forward contracts are accounted for as elements of the carrying value of the associated instrument, affecting the resulting yield.

A premium paid or received in respect of a credit derivative hedging an asset or liability is amortised over the life of the protection purchased or sold against either interest payable or interest receivable. Where a credit event occurs which triggers a recovery under the credit derivative, then the recovery will be offset against the profit and loss charge on the underlying asset or liability.

Foreign exchange contracts which qualify as hedges of foreign currency exposures, including positions relating to investments the Group makes outside the UK, are retranslated at the closing rate with any forward premium or discount recognised over the life of the contract in net interest income.

Profits and losses related to qualifying hedges, including foreign exchange contracts, of firm commitments and probable anticipated transactions are deferred and recognised in income or as adjustments to carrying amounts when the hedged transactions occur.

Hedging transactions that are superseded or cease to be effective are measured at fair value. Any profit or loss on these transactions, together with any profit or loss arising on hedging transactions that are terminated prior to the end of the life of the asset, are deferred and amortised into interest income or expense over the remaining life of the item previously being hedged.

When the underlying asset, liability position or cash flow is terminated prior to the hedging transaction, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured on the fair value accounting basis, as described in the section on derivatives used for trading purposes below, prior to being transferred to the trading portfolio. The profit or loss arising from the fair value measurement prior to the transfer to the trading portfolio is included in the category of income or expense relating to the previously hedged transaction.

Derivatives used for trading purposes

Derivatives entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in dealing profits, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains or losses on derivative and foreign exchange contracts are reported gross in other assets or liabilities, reduced by the effects of qualifying netting agreements with counterparties.

The fair value of derivatives is determined by calculating the expected cash flows under the terms of each specific contract, discounted back to a present value. The expected cash flows for each contract are

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determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models. The effect of discounting expected cash flows back to present value is achieved by constructing discount curves derived from the market price of the most appropriate observable interest rate products such as deposits, interest rate futures and swaps. In addition, the Group maintains fair value adjustments reflecting the cost of credit risk (where this is not embedded in the fair value), hedging costs not captured in pricing models, future administration costs associated with ongoing operational support of products as well as adjustments to reflect the cost of exiting illiquid or other significant positions.

(s) Collateral and netting
The Group enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Where the amounts owed by both the Group and the counterparty are determinable and in freely convertible currencies, and where the Group has the ability to insist on net settlement which is assured beyond doubt, and is based on a legal right under the netting agreement that would survive the insolvency of the counterparty, transactions with positive fair values are netted against transactions with negative fair values.

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer s assets and gives the Group a claim on these assets for both existing and future liabilities.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability or asset. These items are assigned to deposits received from bank or other counterparties in the case of cash collateral received, and to loans and advances to banks or customers in the case of cash collateral paid away. Any interest payable or receivable arising is recorded as interest payable or interest income respectively.

(t) Credit related instruments
The Group treats credit related instruments (other than credit derivatives) as contingent liabilities and these are not shown on the balance sheet unless, and until, the Group is called upon to make a payment under the instrument. Assets arising from payments to a third party where the Group is awaiting reimbursement from the customer, are shown on the balance sheet where reimbursement is considered to be virtually certain. Fees received for providing these instruments are taken to profit over the life of the instrument and reflected in fees and commissions receivable.

(u) Sale and repurchase agreements (including stock borrowing and lending)
The Group enters into sale and repurchase agreements, including stock lending arrangements (repos), and purchase and resale agreements, including stock borrowing arrangements (reverse repos). Under a repo (sale and repurchase agreement) an asset is sold (or lent) to a counterparty with a commitment to repurchase (or return) the assets at a future date at an agreed price. A reverse repo is the same transaction from the opposite viewpoint. The cash legs of these transactions are included within loans and advances to banks, loans and advances to

customers, deposits by banks and customer accounts. The Group aims to earn net interest income and dealing profits from these activities, as well as funding its own holdings of securities. The difference between sale and repurchase and purchase and resale prices for such transactions, including dividends received where appropriate, is charged or credited to the profit and loss account over the life of the relevant transactions.

(v) Securitisation transactions

Certain Group undertakings have issued debt securities or have entered into funding arrangements with lenders in order to finance specific loans and advances to customers. In accordance with FRS 5, these balances are either accounted for on the basis of linked presentation or through separate recognition of the gross assets and related funding.

(w) Capital instruments

Debt securities in issue and similar securities are stated at the net issue proceeds adjusted for amortisation of premiums, discounts and expenses related to their issue where the liability is a fixed amount. Where the liability fluctuates, based on, for example, the performance of an index then the debt security reflects the current value of the liability.

Loan capital in issue is stated at the net issue proceeds adjusted for amortisation of premiums, discounts and expenses related to their issue. Amortisation is calculated in order to achieve a constant yield across the life of the instrument.

(x) Internally developed software

The Group s general policy is to write-off such expenditure as incurred except where the software is required to facilitate the use of new hardware. Capitalised amounts are recorded as tangible fixed assets.

Changes in accounting policy

Following the issue of UITF Abstract 37, Purchases and sales of own shares , Group holdings of Barclays PLC shares (excluding shares held in Employee Share Ownership Plan (ESOP) trusts) are accounted for as a deduction in arriving at shareholders funds, rather than as assets. Purchases and sales of Barclays PLC shares are shown as changes in shareholders funds. No profits or losses are recognised in respect of dealings in Barclays PLC. Comparatives have been restated accordingly. As a result, equity shares and shareholders funds have been reduced by £4m at 31st December 2002, and £12m at 31st December 2003. There was no impact on the 2002 or 2003 profit and loss account.

There have been no other significant changes to the accounting policies as described in the 2002 Annual Report.

Future UK accounting developments

The Group is currently considering the implications of UITF Abstract 38, Accounting for ESOP trusts , which was issued in December 2003. UITF Abstract 38 requires shares held in ESOP trusts to be accounted for as a deduction in arriving at shareholders funds, rather than as assets. The charge to the profit and loss account in respect of such shares is based on the intrinsic value of the shares, rather than book value. UITF Abstract 38 will be implemented by the Group in 2004.

Conversion to International Financial Reporting Standards in 2005

By Regulation, the EU has agreed that virtually all listed companies must use International Financial Reporting Standards (IFRS) adopted for use in the EU in the preparation of their 2005 consolidated accounts. Barclays will have to comply with this Regulation. The objective is to improve financial reporting and enhance transparency to assist the free flow of capital throughout the EU and to improve the efficiency of the capital markets.

Although existing UK requirements are similar in many ways to IFRSs, there are key differences. The final text for many of the standards was

finalised late in 2003, with one key standard, Financial Instruments: Recognition and Measurement (IAS 39), expected to be substantially completed by the end of March 2004. This standard and Financial Instruments: Disclosure and Presentation (IAS 32) are expected to have significant impact on the reported results. Other standards, particularly Employee Benefits (IAS 19) and proposals for accounting for share based payments and goodwill are also expected to have significant impact.

The Group commenced a programme of work in 2002, initially identifying the differences between IFRS and existing UK standards based on the requirements then in force. This led to a programme of work led centrally, but involving all the business units and functions, to change systems and processes and to provide training so as to ensure that the Group can meet the requirements fully in 2005. In addition, the programme is assisting the business units and functions to consider the wider business impact of the change in reporting in the EU. This work is advancing to plan. The main risks and uncertainties relate to the standards that have not yet been finalised and adopted by the EU. However, the programme is following normal project controls and change management and we are confident that we will be able to meet requirements for financial reporting in 2005.

US GAAP
Significant differences exist between accounting principles generally accepted in the UK and those generally accepted in the US. The effect of US GAAP on attributable profit and shareholders funds of Barclays PLC is set out in Note 61.

Accounting Presentation

The prior period presentation has, where appropriate, been restated to conform with current year classification.

Nature of business
Barclays is an international financial services group engaged primarily in banking, investment banking and asset management. In terms of assets employed, Barclays is one of the largest financial services groups in the UK. The Group also operates in many other countries around the world and is a leading provider of co-ordinated global services to multinational corporations and financial institutions in the world s main financial centres.

Analyses by geographical segments and classes of business
The analyses by geographical segment are generally based on the location of the office recording the transaction.

Acquisitions
In 2001, the Group increased its shareholding in Banco Barclays SA (formerly Banco Barclays e Galicia SA) from 50% to over 99%. The entity has been consolidated as a subsidiary undertaking since 1st January 2001.

In April 2002, Barclaycard acquired the UK Providian credit card business.

In October 2002, Barclays and Canadian Imperial Bank of Commerce completed the combination of their retail, corporate and offshore banking operations in the Caribbean to create FirstCaribbean International Bank (FirstCaribbean). Barclays interest in the new entity has been accounted for as an Associated undertaking. The transaction resulted in a gain for Barclays of £206m (recognised in the Statement of total recognised gains and losses) consequent on the disposal of a share of its Caribbean operations. The acquisition of a share of CIBC West Indies Holding Limited has generated goodwill in Barclays of £131m.

On 31st January 2003, Barclays acquired the retail stockbroking business Charles Schwab Europe.

On 19th May 2003, Barclays completed the acquisition of Clydesdale Financial Services Limited and its holding company Carnegie Holdings Limited, a retailer point of sale finance business.

On 16th July 2003, Barclays completed the acquisition of Banco Zaragozano, a Spanish private sector banking group.

On 17th December 2003, Barclays acquired Gerrard Management Services Limited (Gerrard), a private client discretionary and advisory asset management business.

Disposals

In 2001, the Group disposed of the Greek Branches of the Bank and Banque Woolwich SA.

In 2002 the Group disposed of a share of the Group s Caribbean operation (see detail under Acquisitions above). The effect of the disposal is reflected in the Statement of recognised gains and losses on page 108.

In 2003, the Group did not make any significant disposals.

Consolidated Accounts Barclays PLC
Consolidated Profit and Loss Account

Consolidated profit and loss account
For the year ended 31st December 2003

	Note	**2003 £m**	2002 £m	2001 £m
Interest receivable:				
Interest receivable and similar income arising from debt securities		**2,384**	2,030	2,383
Other interest receivable and similar income		**10,043**	10,014	11,075
		12,427	12,044	13,458
Interest payable		**(5,823)**	(5,839)	(7,492)
Net interest income		**6,604**	6,205	5,966
Fees and commissions receivable		**4,896**	4,454	4,202
Less: fees and commissions payable		**(633)**	(529)	(465)
Dealing profits	1	**1,054**	833	1,011
Other operating income	2	**490**	364	428
Operating income		**12,411**	11,327	11,142
Administrative expenses staff costs	3	**(4,295)**	(3,755)	(3,714)
Administrative expenses other	5	**(2,404)**	(2,312)	(2,303)
Depreciation	6	**(289)**	(303)	(308)
Goodwill amortisation	6	**(265)**	(254)	(229)
Operating expenses		**(7,253)**	(6,624)	(6,554)
Operating profit before provisions		**5,158**	4,703	4,588
Provisions for bad and doubtful debts	16	**(1,347)**	(1,484)	(1,149)
Provisions for contingent liabilities and commitments	7	**1**	(1)	(1)

Provisions		**(1,346)**	(1,485)	(1,150)
Operating profit		**3,812**	3,218	3,438
Profit/(loss) from joint ventures		**1**	(5)	(1)
Profit/(loss) from associated undertakings		**28**	(5)	(8)
Profit/(loss) on disposal/termination of Group undertakings	8	**4**	(3)	(4)
Profit on ordinary activities before tax		**3,845**	3,205	3,425
Tax on profit on ordinary activities	9	**(1,076)**	(955)	(943)
Profit on ordinary activities after tax		**2,769**	2,250	2,482
Minority interests equity	10	**(25)**	(20)	(31)
Minority interests non-equity	10			(5)
Profit for the financial year attributable to the members of Barclays PLC		**2,744**	2,230	2,446
Dividends	11	**(1,340)**	(1,206)	(1,110)
Profit retained for the financial year		**1,404**	1,024	1,336
Basic earnings per 25p ordinary share	12	**42.3p**	33.7p	36.8p
Diluted earnings per 25p ordinary share	12	**42.1p**	33.4p	36.4p

All results arise from continuing operations. For each of the years reported above, there was no material difference between profit before tax and profit retained and profit on an historical cost basis.

The Board of Directors approved the accounts set out on pages 101 to 190 on 11th February 2004.

Consolidated Accounts Barclays PLC
Statement of Total Recognised Gains and Losses

Statement of total recognised gains and losses
For the year ended 31st December 2003

	2003 £m	2002 £m	2001 £m
Profit for the financial year attributable to the members of Barclays PLC	**2,744**	2,230	2,446
Exchange rate translation differences	**(4)**	(61)	3
(Loss)/gain arising from transaction with third parties	**(4)**	206	
Other items	**(3)**	8	(24)
Joint ventures and associated undertakings	**(22)**	2	(15)
Total recognised gains relating to the period	**2,711**	2,385	2,410

Consolidated Accounts Barclays PLC
Consolidated Balance Sheet

Consolidated balance sheet
As at 31st December 2003

		2003		2002 restated	
	Note	**£m**	**£m**	£m	£m
Assets					
Cash and balances at central banks			**1,726**		2,032
Items in course of collection from other banks			**2,006**		2,335
Treasury bills and other eligible bills	13		**7,177**		7,645
Loans and advances to banks banking		**17,254**		15,369	
trading		**44,670**		42,805	
	14		**61,924**		58,174
Loans and advances to customers banking		**167,858**		157,222	
trading		**58,961**		45,176	
	15		**226,819**		202,398
Debt securities	17		**97,393**		94,229
Equity shares	18		**7,859**		3,129
Interests in joint ventures share of gross assets		**266**		242	
share of gross liabilities		**(208)**		(184)	
	19		**58**		58
Interests in associated undertakings	19		**370**		397
Intangible fixed assets	20		**4,406**		3,934
Tangible fixed assets	21		**1,790**		1,626
Other assets	23		**19,835**		16,839
Prepayments and accrued income	25		**3,921**		2,982
			435,284		395,778
Retail life-fund assets attributable to policyholders	24		**8,077**		7,284
Total assets			**443,361**		403,062

Sir Peter Middleton GCB Chairman

Matthew Barrett Group Chief Executive

Naguib Kheraj Group Finance Director

Consolidated Accounts Barclays PLC
Consolidated Balance Sheet

Consolidated balance sheet
As at 31st December 2003

		2003		2002 restated	
	Note	**£m**	**£m**	£m	£m
Liabilities					
Deposits by banks banking		**57,641**		48,751	
trading		**36,451**		38,683	
	26		**94,092**		87,434
Customer accounts banking		**155,814**		144,078	
trading		**29,054**		27,420	
	27		**184,868**		171,498
Debt securities in issue	28		**49,569**		45,885
Items in course of collection due to other banks			**1,286**		1,416
Other liabilities	29		**69,497**		56,564
Accruals and deferred income	30		**4,983**		4,352
Provisions for liabilities and charges deferred tax	31		**646**		461
Provisions for liabilities and charges other	32		**369**		486
Dividend			**879**		788
Subordinated liabilities:					
Undated loan capital convertible to preference shares				310	
non-convertible		**6,310**		6,368	
	33		**6,310**		6,678
Dated loan capital convertible to preference shares		**17**		11	
non-convertible		**6,012**		4,848	
	34		**6,029**		4,859
			418,528		380,421
Minority and other interests and shareholders funds					
Minority interests equity			**283**		156
Called up share capital	35	**1,642**		1,645	
Share premium account		**5,417**		5,277	
Capital redemption reserve		**274**		262	
Other capital reserve		**617**		617	
Revaluation reserve		**24**		24	
Profit and loss account		**8,499**		7,376	
Shareholders funds equity	37		**16,473**		15,201

		16,756	15,357
		435,284	395,778
Retail life-fund liabilities to policyholders	24	**8,077**	7,284
Total liabilities and shareholders funds		**443,361**	403,062

	Note	**2003 £m**	2002 £m
Memorandum items	44		
Contingent liabilities:			
Acceptances and endorsements		**671**	2,589
Guarantees and assets pledged as collateral security		**24,596**	16,043
Other contingent liabilities		**8,427**	7,914
		33,694	26,546
Commitments standby facilities, credit lines and other		**114,847**	101,378

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Consolidated Accounts Barclays PLC
Consolidated Statement of Changes in Reserves

Consolidated statement of changes in reserves
For the year ended 31st December 2003

	2003	2002 restated	2001 restated
	£m	£m	£m
Share premium account			
At beginning of year	**5,277**	5,149	4,950
Premium arising on shares issued	**140**	128	199
At end of year	**5,417**	5,277	5,149
Capital redemption reserve			
At beginning of year	**262**	232	227
Repurchase of ordinary shares	**12**	30	5
At end of year	**274**	262	232
Other capital reserve			
At beginning of year	**617**	617	469
Repurchase of preference shares			148
At end of year	**617**	617	617
Revaluation reserve			
At beginning of year	**24**	30	35
Exchange rate translation differences	**2**		(1)
Released on transaction with third parties	**(2)**	(6)	
Other items			(4)
At end of year	**24**	24	30
Profit and loss account			
At beginning of year	**7,380**	6,789	5,840
Prior year adjustment	**(4)**		
At beginning of year as restated	**7,376**	6,789	5,840
Profit retained	**1,404**	1,024	1,336
Exchange rate translation differences	**(31)**	(61)	4
Repurchase of ordinary shares	**(192)**	(516)	(96)
Transfer to capital redemption reserve	**(12)**	(30)	(5)
Goodwill written back on disposals		10	

Shares issued to employee trusts (see below)	**(36)**	(48)	(107)
Transfer to other capital reserve			(148)
(Loss)/gain arising from transaction with third parties	**(4)**	212	
Increase in Treasury shares	**(8)**	(4)	
Other items	**2**		(35)
At end of year	**8,499**	7,376	6,789
Total reserves	**14,831**	13,556	12,817

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the net profit retained of overseas subsidiaries, associated undertakings and joint ventures at 31st December 2003 totalled £925m (2002: £1,038m, 2001: £1,190m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Goodwill amounting to £205m (2002: £205m, 2001: £215m) has been charged directly against reserves in prior years in respect of acquisitions. This amount is net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

In 1998, the Group established a Qualifying Employee Share Ownership Trust (QUEST) for the purposes of delivering shares on the exercise of options under the SAYE. During 2003 the Group received from the trustees of the QUEST £88m (2002: £122m, 2001: £195m) on the issue of shares in respect of the exercise of options awarded under SAYE. Of the amount received from the trustees, employees paid £53m (2002: £76m, 2001: £90m) and the balance of £35m (2002: £46m, 2001: £105m) comprised utilisation of contribution to the QUEST from Group Companies together with net interest earned thereon. During 2003 the Barclays Group (PSP & ESOS) Employee Share Ownership Trust (ESOT) ceased to be used to facilitate the provision of Barclays PLC shares to participants exercising rollover options under the Woolwich plc 1998 Executive Share Option Plan (WESOP). During 2003, the Group received from the trustees of this trust £nil (2002: £8m and 2001: £6m) on the issue of shares in respect of the exercise of options awarded under WESOP. Of the amount received from the trustees, employees paid £nil (2002: £6m and 2001: £4m) and the balance of £nil (2002: £2m and 2001: £2m) comprised contribution to the trust from Group Companies. WESOP exercises during 2003 were satisfied by issuing shares directly to participants.

Accumulated exchange rate translation differences included in reserves are £568m debit (2002: £539m, 2001: £478m both debit).

Consolidated Accounts Barclays PLC
Consolidated Cash Flow Statement

Consolidated cash flow statement
For the year ended 31st December 2003

		2003		2002		2001	
	Note	**£m**	**£m**	£m	£m	£m	£m
Net cash (outflow)/inflow from operating activities	48		**(2,290)**		6,747		3,192
Dividends received from joint ventures and associated undertakings			**7**		1		3
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(606)**		(607)		(598)	
Preference dividends paid by subsidiary undertaking						(5)	
Dividends paid to minority shareholders		**(14)**		(23)		(17)	
Net cash outflow from returns on investment and servicing of finance			**(620)**		(630)		(620)
Tax paid			**(910)**		(828)		(1,004)
Capital expenditure and financial investment:							
Capital expenditure		**(310)**		(301)		(351)	
Sale of property and equipment		**97**		289		152	
Purchase of investment securities		**(36,886)**		(28,128)		(20,173)	
Redemption of investment securities		**17,137**		10,247		5,704	
Sale of investment securities		**21,394**		11,137		13,338	
Net cash inflow/(outflow) from capital expenditure and financial investment			**1,432**		(6,756)		(1,330)
Acquisitions and disposals							
Net cash outflow from formation of FirstCaribbean International Bank Ltd	49			(160)			
Acquisition of Group undertakings	52	**(985)**		(451)		(36)	
Sale of other Group undertakings	49	**39**		(1)		42	
Sale of associated undertakings		**16**					
Net cash (outflow)/inflow from acquisitions and disposals			**(930)**		(612)		6
Equity dividend paid			**(1,249)**		(1,146)		(1,014)
Net cash outflow before financing			**(4,560)**		(3,224)		(767)

Financing:	50						
Issue of loan capital and other subordinated liabilities (net of expenses)		**1,926**		2,173		3,019	
Redemption/repurchase of loan capital and other subordinated liabilities		**(974)**		(376)		(715)	
Non-recourse financing		**3,262**		644		607	
Repurchase of ordinary shares		**(204)**		(546)		(101)	
Issue of ordinary shares (net of contribution to the QUEST)		**113**		87		103	
Redemption of preference shares						(148)	
Issue of shares to minority interest		**65**		35			
Net cash inflow from financing			**4,188**		2,017		2,765
(Decrease)/increase in cash	51						