BARCLAYS PLC
Form 20-F
March 25, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, for the fiscal year ended December 31, 2002**

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 PLC 2-71497-01

Barclays PLC   Barclays Bank PLC

(Exact name 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.

** 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	6,575,507,329
	£1 staff shares	875,000
Barclays Bank PLC	£1 ordinary shares	2,292,860,515

Indicate by check mark whether the registrants 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 ý No o

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

Item 17 o Item 18 ý

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

Indicate by check mark whether the registrants (1) 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 o No o

This document comprises the Annual report on Form 20-F for the year ended December 31, 2002 of Barclays PLC and Barclays Bank PLC (the "2002 Form 20-F"). Reference is made to the Form 20-F cross reference table on page 190 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 Nos. 333-8054, 333-12384 and 333-85646) and the Registration Statement on Form S-8 (File No. 333-12818), 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 2002 Form 20-F. Any information herein which is not referenced in the Form 20-F Cross Reference Table, or the Exhibits themselves, shall not be deemed to be so incorporated by reference.

SECTION 1 IMPACT

Registered No. 48839

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 US Securities and Exchange Commission (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," "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 further 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 Chairman
Sir Peter Middleton GCB

Sir Peter Middleton GCB (age 68) was appointed as Chairman at the 1999 AGM. 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 resumed executive responsibilities when he was appointed Group Chief Executive and reappointed Group Deputy Chairman in 1998. He stepped down as Group Chief Executive following the appointment of Matthew Barrett in 1999. He is Deputy Chairman of United Utilities PLC, Chancellor of Sheffield University, a Director of the International Monetary Conference and a member of the International Advisory Panel of the Monetary Authority of Singapore. He is Chairman of the Board Nominations and Board Risk Committees.

2 Group Chief Executive
Matthew William Barrett

Matthew William Barrett (age 58) was appointed Group Chief Executive and joined the Board in 1999. 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 has been a non-executive Director of The Molson Companies Limited since 1992 and is a governor of the London Business School.

3 Group Executive Director
Christopher John Lendrum

Christopher John Lendrum (age 56) joined the Board in 1998. He joined Barclays Bank in 1969 and assumed his current portfolio of responsibilities (including Group Corporate Social Responsibility, Barclays Africa and South American Corporate Banking) in 2003. He had previously been Chief Executive of Corporate Banking since 1998, prior to which he had held a number of senior positions within the Group. These included Deputy Managing Director of Barclays Banking Division. Regional Director, North London and Executive Vice President, Barclays Bank New York.

4 Group Finance Director
John Silvester Varley

John Silvester Varley (age 46) joined the Board in 1998 and was appointed Group Finance Director on 9th November 2000. He joined Barclays Merchant Bank in 1982 and was Chief Executive of Retail Financial Services from April 1998 to October 2000, having previously been Chairman of the Asset Management Division since 1995.

Non-executive Directors

5 Deputy Chairman
Sir Brian Garton Jenkins GBE

Sir Brian Garton Jenkins GBE (age 67) joined the Board in 2000 as a Deputy Chairman on completion of the acquisition of Woolwich plc. He joined the Woolwich's 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. A former senior partner of Coopers & Lybrand Chartered Accountants, Sir Brian has served as Lord Mayor of London, President of the Institute of Chartered Accountants in England & Wales and the President of the British Computer Society. He is also Chairman of the Charities Aid Foundation. He is a member of the Board Audit, Board Remuneration, Board Nominations and Board Risk Committees.

6 Thomas David Guy Arculus

Thomas David Guy Arculus (age 56) joined the Board in 1997. He is Chairman of Severn Trent plc, the water and waste group and is also Chairman of the UK Government's Better Regulation Task Force. Other roles include Chairman of Earls Court & Olympia Group Limited and a delegate of Oxford University Press. His previous positions include Chairman of IPC Media and Group Managing Director of EMAP plc. He is a member of the Board Remuneration and Board Nominations Committees.

7 Hilary Mary Cropper CBE

Hilary Mary Cropper CBE (age 62) joined the Board in 1998. She is Chairman of Xansa PLC, a leading supplier of business enabling technology services. She is a member of the Financial Reporting Council, 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.

8 Professor Sandra Dawson

Professor Sandra Dawson (age 56) has been appointed to the Board from 1st March 2003. She is currently KPMG Professor of Management Studies at the University of Cambridge, Director of the Judge Institute of Management and Master of Sidney Sussex College, Cambridge. Professor Dawson has held a range of non-executive posts in other organisations including Rand Europe (UK), the Society for the Advancement of Management Studies, Fleming Claverhouse Investment Trust, and Riverside Mental Health Trust. She was also a member of the Senior Salaries Review Body.

9 Sir Nigel Mobbs

Sir Nigel Mobbs (age 65) joined the Board in 1979. He is Chairman of Slough Estates plc and Bovis Homes Group PLC and a Director of Howard de Walden Estates. He is also Lord-Lieutenant of Buckinghamshire. He is a member of the Board Audit, Board Remuneration and Board Nominations Committees. He will be retiring at the 2003 AGM.

10 Sir Nigel Rudd DL

Sir Nigel Rudd DL (age 56) joined the Board in 1996. He is non-executive Chairman of Kidde PLC, Pilkington PLC and Pendragon PLC and Deputy Chairman of The Boots Company PLC. He is Chairman of the Board Remuneration Committee and a member of the Board Nominations Committee.

11 Stephen George Russell

Stephen George Russell (age 57) joined the Board in October 2000 on completion of the acquisition of Woolwich plc. He joined Woolwich plc's board as a non-executive Director in 1998. He was Managing Director of Boots The Chemists Ltd from 1995 and joint Group Managing Director of The Boots Company PLC from 1997 until he became Chief Executive in 2000. He has succeeded Sir Nigel Mobbs as Chairman of the Board Audit Committee and is a member of the Board Risk Committee.

12 Graham Martyn Wallace

Graham Martyn Wallace (age 54) joined the Board in April 2001. He was appointed Chief Executive of Cable and Wireless plc in February 1999. He joined Cable and Wireless in 1997 as Chief Executive of Cable and Wireless Communications plc and was appointed a Director of Cable and Wireless plc in 1998. Before joining Cable and Wireless, he held a number of Board positions at Granada Group. He is a member of the Board Remuneration and Nominations Committees.

13 Dr Jürgen Zech

Dr Jürgen Zech (age 63) joined the Board on 30th July 2002. Until 2001, Dr Zech was Chief Executive of Gerling-Konzern, the general insurance arm of Gerling. Before joining Gerling he held a number of executive positions in German insurance companies. The last was as Chief Executive of Cologne, Re, the oldest reinsurance company in the world. He now holds a number of non-executive positions, including being a Director of Misys PLC and Partner, Re Limited. He is a member of the Board Audit Committee.

Barclays considers that each of its non-executive Directors are independent within the meaning of the Combined Code as they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. See also page 8.

Group Executive Committee members

		Appointed
Matthew Barrett	Group Chief Executive	1999
Roger Davis	Chief Executive, Business Banking	2003
Bob Diamond	Chief Executive, Barclays Capital	1997
Gary Dibb	Chief Administrative Officer	2000
Gary Hoffman	Chief Executive, Barclaycard	2001
Bob Hunter	Chief Executive, Barclays Private Clients (until 31st March 2003)	1999
Naguib Kheraj	Chief Executive, Barclays Private Clients (from 31st March 2003)	2003
Chris Lendrum	Group Executive Director	1996
Robert Nimmo	Group Risk Director	2002
David Roberts	Chief Executive, Personal Financial Services	2001
John Varley	Group Finance Director	1996
David Weymouth	Chief Information Officer	2000

Other officers

Lawrence Dickinson	Group Secretary	2002
Patrick Gonsalves	Joint Secretary, Barclays Bank PLC	2002
Howard Trust	Group General Counsel	1995

DIRECTORS' REPORT

Profit attributable

The profit attributable to shareholders for the year amounted to £2,230m, compared with £2,446m in 2001.

Dividends

The final dividends for the year ended 31st December 2002 of 12p 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 28th April 2003 in respect of the ordinary shares registered at the close of business on 28th February 2003 and in respect of the staff shares so registered on 31st December 2002. With the interim dividend of 6.35p per ordinary share and of 10p per staff share that were paid on 1st October 2002, the total distribution for 2002 is 18.35p (2001: 16.625p) per ordinary share and 20p (2001: 20p) per staff share. The dividends for the year absorb a total of £1,206m (2001: £1,110m).

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 PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH. 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 3rd April 2003 for it to be applicable to the payment of the final dividend on 28th April 2003. 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

At the 2002 AGM held on 25th April 2002, a resolution was passed to divide each ordinary share of £1 each (issued and unissued) into four ordinary shares of 25p each.

During the year, Barclays PLC purchased in the market for cancellation 4.6 million of its ordinary shares of £1 each prior to the subdivision and 101.5 million of its ordinary shares of 25p following the subdivision at a total cost of £546m as part of its programme of returning excess capital to shareholders. These transactions represented some 1.8% of the issued ordinary share capital at 31st December 2002. As at 12th February 2003, the Company has an unexpired authority to repurchase further shares up to a maximum of 957.1 million ordinary shares of 25p.

In addition, the ordinary share capital was increased by 28.6 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 2002 the issued ordinary share capital totalled 6,576 million shares.

Substantial shareholdings

As at 12th February 2003, 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 is set out on pages 2 and 3. Dr Jürgen Zech was appointed as a non-executive Director on 30th July 2002 and Professor Sandra Dawson has been appointed as a non-executive Director from 1st March 2003. Sir Andrew Large resigned from the Board on 3rd September 2002 and John Stewart has resigned from the Board with effect from 27th February 2003.

Group Secretary

Howard Trust stepped down as Group Secretary on 19th September 2002. He was succeeded by Lawrence Dickinson.

Retirement and re-election of Directors

In accordance with its articles of association, one-third (or the nearest whole number below one-third) of the Directors of Barclays PLC are required to retire by rotation at each AGM, together with Directors appointed by the Board since the previous AGM. The retiring Directors may stand for re-election. The Directors retiring by rotation at the 2003 AGM and offering themselves for re-election are Matthew Barrett and Sir Nigel Rudd. Sir Nigel Mobbs will be retiring as a Director at the 2003 AGM. In addition, Dr Jürgen Zech and Professor Sandra Dawson, who were appointed as Directors since the last AGM, will be offering themselves for re-election at the 2003 AGM.

Directors' interests

Directors' interests in the shares of the Group on 31st December 2002, according to the register maintained under the Companies Act 1985, are shown on page 21. The register is available for inspection during business hours at the Group's Head office and will be available for inspection at the 2003 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 14 to 21 and in notes 57 and 58 to the accounts.

For US disclosure purposes, the aggregate emoluments of all Directors and officers of Barclays PLC who held office during the year (2002: 25 persons, 2001: 24 persons) for the year ended 31st December 2002 amounted to £30,409,000 (2001: £34,459,000). In addition, the aggregate amount set aside for the year ended 31st December 2002, to provide pension benefits for the Directors and officers amounted to £1,356,000 (2001: £702,000). The aggregate emoluments of all Directors and officers of Barclays Bank PLC who held office during the year (2002: 27 persons, 2001: 25 persons) for the year ended 31st December 2002 amounted to £30,475,000 (2001: £34,562,000). In addition, the aggregate amount set aside by the Bank and its subsidiary undertakings, for the year ended 31st December 2002, to provide pension benefits for the Directors and officers amounted to £1,357,000 (2001: £796,000).

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 60 to 65 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 24 to 55 and the Financial review on pages 66 to 92.

Community involvement

Community support totalled £32.3m (2001: £31.1m).

Barclays gave £30.0m in support of the community in the UK (2001: £23.9m) and £2.3m was given in international support (2001: £2.2m). UK community support includes £11.1m of charitable donations (2001: £9.6m).

Barclays is a member of the Percent Club a group of companies that undertook to ensure that donations to the community in 2002 amounted to at least 1% of their UK pre-tax profit.

In line with the Group's policy, the Group made no political donations, as defined by the Companies Act 1985, in the UK during 2002.

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 and diversity

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. More information can be found in the Corporate Social Responsibility section of the Annual Report.

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 2002 were 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 2002 were 28 days (2001: 31 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

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP), effective from 1st January 2003, PricewaterhouseCoopers resigned as auditors and the Board appointed PricewaterhouseCoopers LLP to fill the casual vacancy created by the resignation. PricewaterhouseCoopers LLP have signified their willingness to continue in office and an ordinary resolution, with special notice, re-appointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the 2003 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.

The annual general meeting

The AGM will be held at The Queen Elizabeth II Conference Centre on 24th April 2003. The Notice of Annual General Meeting is included in the Annual Review and Summary Financial Statement 2002 sent to shareholders at the same time as this report.

By order of the Board

Lawrence Dickinson
Group Secretary
12th February 2003

CORPORATE GOVERNANCE

Corporate governance report

Chairman's statement

Corporate governance is the system by which companies are managed and controlled. At Barclays, we place a great deal of importance on robust corporate governance practices and we are committed to applying the highest standards of business integrity and professionalism in all of our activities.

It has been a year in which corporate governance has been very much in the public eye as a result of the failures of a number of high profile US companies. The reaction to this by the US Government has been swift and far-reaching with the implementation of the Sarbanes-Oxley Act 2002, which affects all companies registered with the US Securities and Exchange Commission, including Barclays.

During 2002 there has also been a number of reviews conducted in the UK, such as the recently published Higgs report on the role and effectiveness of non-executive Directors, Sir Robert Smith's report on Audit committees and the White Paper on the reform of UK Company Law. We have, as ever, played an active role in contributing to the growing debate in this important area and we strongly believe that the key to effective systems of corporate governance lies in the continued development of codes of best practice, such as the Combined Code, and disclosure, rather than through legislation. The European Commission commented in 2002 that best practice, as reflected in the corporate governance codes of EU member states, should be allowed to develop over time by the business and investment communities, under the influence of market forces. This is a position we support.

The development of codes of best practice in recent years has improved corporate governance standards in corporate UK. In addition, we continually strive to ensure our own standards are maintained. To assist with that, we have established a formal process for the Board to assess its own effectiveness. As a part of the assessment we conducted in 2002, the Board defined its core role as being accountable to shareholders for the creation and delivery of sustainable shareholder value.

Under the leadership of the Group Chief Executive, executive management is responsible to the Board for the implementation of the objectives and policies approved by the Board. Meetings of the Board are structured to allow open discussion and to enable non-executive Directors to challenge proposals put forward by the executive. Improvements in the content and format of reports to the Board have also been made to ensure the Board spends its time as effectively as possible.

Another development during 2002 is a change to the way we reward our non-executive Directors. Since the entire Board is accountable for creating shareholder value, we believe it is important that their reward contains a significant share based element. Consequently, 40% of the basic fee paid to non-executive Directors is now in the form of Barclays shares. Full details of these arrangements can be found on page 13.

In conclusion, I can assure you that your Board is focused on maintaining the highest standards of corporate governance to protect the interests of our shareholders. We will continue to play an active role in the debate on how to improve governance practices, although our stance continues to be that shareholders' and other stakeholders' best interests are served by greater openness and transparency rather than prescriptive regulation.

We have this year included a report from the Chairman of the Board Audit Committee on the work done by this committee. Details of the work of the Board Remuneration Committee are given in the report on remuneration on page 10.

Sir Peter Middleton
Chairman

Board structure

As at 1st March 2003, the Board will consist of the Chairman, who has no executive responsibilities, nine non-executive Directors and three executive Directors, including the Group Chief Executive. Their details appear on pages 2 and 3. The roles of our Chairman and Group Chief Executive are separate with a clear division of responsibilities between them. Responsibility for the evaluation of the Group Chief Executive lies with the Chairman, in consultation with the other members of the Board. Responsibility for the evaluation of the Chairman lies with the Board Remuneration Committee.

Executive Directors under the leadership of the Group Chief Executive generally have responsibility for making and implementing operational decisions and running the Group's businesses. The non-executive Directors support the skills and experience of the executive Directors, by challenging and testing the strategy and policy put forward by the executive based on their wide knowledge and experience.

The Board meets regularly and has a formal schedule of matters reserved to it. All Directors have access to the advice of the Group Secretary and independent professional advice is also available to Directors at the Group's expense.

Following the appointment of new Directors to the Board, a comprehensive induction programme is arranged, including visits to the Group's businesses and meetings with senior management as appropriate, to help them quickly build up an understanding of the working of the Group. Additional training and updates on particular issues are arranged by the Group Secretary as appropriate. For example, during 2002, a seminar was arranged for non-executive Directors covering such matters as market risk, credit risk, non-financial risk and compliance.

At each AGM, one-third of the Directors 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 must also stand for re-election.

Our Directors diligently support the work of the Board and its committees. During the year 13 Board meetings were held which included a full day's meeting on the Group's strategy.

Combined Code statement of compliance

As a company listed on the London Stock Exchange, Barclays follows the United Kingdom Listing Authority's Combined Code Principles of Good Governance and Code of Best Practice.

For the year ended 31st December 2002, Barclays complied with the Combined Code save for the formal appointment of a senior independent director. As there is a clear division of responsibilities at the head of the Group between the Chairman and Group Chief Executive and as the Board also has a Deputy Chairman, Sir Brian Jenkins, who is an independent Director, the Board feels that such an appointment is, at present, unnecessary. However, this will be reviewed in light of the recommendations of the Higgs Report.

The Board has determined that all the non-executive Directors are independent in terms of the UK Combined Code as they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a strategic alliance between Barclaycard and Xansa, of which Hilary Cropper is Chairman. As a result, Hilary Cropper has not, and will not, participate in discussions of this alliance at the Board. Having considered the matter carefully, the Board has concluded that Hilary Cropper remains independent for Combined Code purposes.

The Board annually reviews the independence of its non-executive Directors, taking into account developing best practice and regulation as and when it becomes effective.

Board committees

Specific responsibilities have been delegated to the Board committees. The four principal Board committees are:

Board Audit Committee

Statement from the Chairman of the Board Audit Committee

The Board Audit Committee plays an important role in reviewing the Group's controls and financial reporting systems. While the Committee's role is becoming increasingly complex following the impact of the US Sarbanes-Oxley Act and other best practice developments during the year, Barclays is fully committed to ensuring the Committee fulfils its duties and responsibilities.

The Committee is made up entirely of non-executive Directors, all of whom are considered by the Board to be independent. Current members of the Committee are:

Board Audit Committee

Stephen Russell, Chairman
Sir Nigel Mobbs, Chairman during 2002
Sir Brian Jenkins
Dr Jürgen Zech

During 2002, the Committee met four times, with the Group's senior management, the internal audit team and the external auditors, PricewaterhouseCoopers LLP. I maintained close contact with each of the aforementioned parties to ensured that the meetings of the Committee were as effective as possible. The Committee also met privately with the external auditors after each Committee meeting and at other times, where appropriate. For example, in December, the external auditors briefed the Committee on recent corporate governance developments, including the requirements of the US Sarbanes-Oxley Act and the nature of their reporting to the Committee going forward.

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 an annual review of the independence of the external auditors and the recommendation to the Board of the level of fees to be paid to the external auditors. The Committee is also responsible for the approval, monitoring and review of the Group's policy in relation to the use of the external auditors for carrying out non-audit work.

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 are 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 system 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.

The Committee reviews arrangements established by management for compliance with the requirements of relevant regulatory and supervisory bodies. In particular it reviews reports carried out under Section 166 of the Financial Services and Market Act 2000 together with any other matters of significance that arise out of management's meetings with supervisors such as the Financial Services Authority.

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.

I shall be retiring from the Board at the 2003 AGM and have been succeeded by Stephen Russell as Chairman of the Committee, whose appointment I fully endorse.

Sir Nigel Mobbs
Board Audit Committee Chairman during 2002

Board Remuneration Committee

Sir Nigel Rudd, Chairman
David Arculus
Sir Brian Jenkins
Sir Nigel Mobbs
Graham Wallace

The Board Remuneration Committee meets at least four times a year to consider matters relating to executive remuneration including remuneration policy for executive Directors, employee benefits and long-term incentive schemes. During the year the Committee has also taken time to consider the new Regulations in respect of the disclosure of Directors' emoluments. The Committee is also responsible for the evaluation of the Chairman of the Board.

Board Nominations Committee

Sir Peter Middleton, Chairman
David Arculus
Sir Brian Jenkins
Sir Nigel Mobbs
Sir Nigel Rudd
Graham Wallace

The Board Nominations Committee is chaired by the Chairman of the Board, except when the Committee is considering the succession of the Chairman of the Board, in which case the Chairman of the Board Remuneration Committee, Sir Nigel Rudd, also chairs the Board Nominations Committee. The Committee's other members are all non-executive Directors. The Committee considers and makes recommendations to the Board on the composition of the Board, potential new Board appointments and other top executive appointments.

Board Risk Committee

Sir Peter Middleton, Chairman
Hilary Cropper
Sir Brian Jenkins
Stephen Russell
John Varley

The Board Risk Committee meets at least twice a year to review and recommend to the Board policies and standards for the risk governance and risk management of the Group. An overview of the Group's risk management and control framework can be found on page 24.

Copies of the terms of reference of the Board committees are available from the Group Secretary.

Relations with shareholders

Barclays has just over 900,000 institutional and private shareholders (including Barclays Sharestore members) and has adopted a proactive approach to its relationship with them. 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 corporate governance issues.

The Group aims to provide a first-class service to its private shareholders. For example, we have introduced Barclays e-view, a service which enables shareholders to receive shareholder documents electronically as soon as they are published and to appoint someone, if they wish, to vote for them at shareholder meetings. It also gives shareholders immediate access to information relating to their personal shareholding and dividend history and provides the necessary forms to change the details held on the share register.

Our policy is also to make constructive use of the AGM. The chairmen of the Board Audit and Board Remuneration Committees are, whenever possible, present at the AGM and are available to answer shareholders' questions. Normally, all resolutions are voted on by a poll to ensure that the views of all shareholders are reflected.

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 the specific remuneration packages for each of the executive Directors. The Committee is made up exclusively of non-executive Directors, and executive Directors play no part in determining their own remuneration.

This Report describes the current components of the Group's remuneration policy and details the remuneration during 2002 of each of the Directors. This will be the first year that the Report will be put to shareholders for approval at the AGM.

The Committee has continued to apply the three fundamental principles of accountability, transparency and linkage with performance in its deliberations throughout the year and in preparing this Report.

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

Executive Directors' annual cash bonuses for 2002 are significantly lower than in 2001. This recognises that Barclays economic profit(1) performance for 2002, while higher than for 2001, was at the lower end of the target range.

(1) Economic profit 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).

As shown in the table on page 16, the executive Directors have a very substantial personal interest in Barclays shares, through shares they own, and shares and options held in employee share plans on their behalf. As the table illustrates, movements in the Barclays share price have had a major effect on the value of these holdings.

The performance conditions set for the Incentive Share Option Plan, as described in the Remuneration Report, are cumulative economic profit performance1, and total shareholder return relative to 11 competitor companies. These are both good measures of the value created for shareholders. The options are granted at market price, and they will only deliver value to the executive Directors if Barclays achieves sustained share price growth.

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

Sir Nigel Rudd
Board Remuneration Committee Chairman

Board Remuneration Committee members

The Committee comprises the following non-executive Directors:

Sir Nigel Rudd, Chairman
David Arculus
Sir Brian Jenkins
Sir Nigel Mobbs
Graham Wallace

Sir Nigel Mobbs is due to retire from the Board at the 2003 AGM.

The Committee members are independent of management and free from any business or other relationship which could materially interfere with 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 of 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 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.

During 2002, Towers Perrin(2) advised the Committee on the latest market developments in executive compensation. Towers Perrin has also advised the Company on other human resource related issues including advice in the area of employee reward, pensions and employee communication.

(2) Towers Perrin have given and not withdrawn their written consent to the issue of this document with the inclusion of references to their name in the form and context in which it appears.

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 Human Resources Director is responsible for personnel matters 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 strong performance oriented culture in which excellence is expected at every level in the organisation. Employees can expect outstanding reward for outstanding performance.

The remuneration policy is:

To align the interests of employees 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.

Barclays reward programmes are designed to support and facilitate generation of total shareholder return. The graph below shows the total shareholder return for the FTSE 100 Index and Barclays since 31st December 1997. The FTSE 100 is the 100 largest UK quoted companies by market capitalisation. It has been chosen because it is a widely recognised performance comparison for large UK companies. It shows the value, by the end of 2002, of £100 invested in Barclays on 31st December 1997 compared with the value of £100 invested in the FTSE 100 Index. This shows that Barclays out-performed the FTSE 100 for this period.

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. Annual bonus and ISOP are subject to performance conditions, thereby placing more 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 Remuneration Committee reviews salaries each year as part of the total reward package, recognising market practice 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. Bonuses (including ESAS) for 2002 were 67% of base salary at 31st December 2002 for the Group Chief Executive and between 50% and 62% of base salary for other executive Directors. This represents a total reduction in executive Directors' bonuses of 39% since the previous year. In addition, the former Deputy Group Chief Executive, John Stewart, received a bonus for his work on Woolwich integration as detailed in the tables accompanying this Report.

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 17 for details.)

Incentive Share Option Plan (ISOP)

The ISOP is designed to provide the opportunity for individuals to receive rewards for creating sustained shareholder value growth. Under the ISOP, participants are granted options over Barclays PLC ordinary shares which are exercisable 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 are economic profit (EP) growth and total shareholder return (TSR). These were chosen because they are both good measures of the value created for shareholders. EP is an audited measure which is used as a key internal value creation metric.

The Committee agrees a target ISOP award for each executive Director taking account of market practice for comparable positions and ranges for other positions. A proportion of the target award for executive Directors is subject to the EP measure and a proportion to the TSR measure.

1 Growth in Economic Profit

All participants have some options related to cumulative EP, measured over three years. This measure encourages both profitable growth and the efficient use of capital.

Where 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. Where 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 2002 awards, in the following table.

EP Ranges for 2002 Grant of ISOP for Performance Period 2002 to 2004

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 £5,100m)	2 x Target Award
In the "Target" range (i.e. the 3-year cumulative EP for the performance period is between £4,000m and £5,100m)	1 x Target Award
Below the "Target" range (i.e. the 3-year cumulative EP for the performance period is below £4,000m)	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

2 Total Shareholder Return (TSR)

For the most senior participants, a proportion of the shares under option are subject to a tougher performance condition based on TSR measured against a financial services peer group approved by the Committee. This peer group comprises 11 UK and internationally based financial institutions which have been chosen to reflect Barclays business mix. For the performance period 2002 2004 the initial peer group is

ABN Amro, Abbey National, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HBOS, HSBC, Lloyds TSB, Royal Bank of Scotland and Standard Chartered.

If the Company 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 the Company is ranked fourth, fifth or sixth in the peer group, the options will become exercisable over the target award shares. However, if the Company is ranked below sixth after three years, there will be a retest on the fourth anniversary, over the full four-year period. If the Company 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**
1st place	4 × Target Award
2nd place	3 × Target Award
3rd place	2 × Target Award
4th 6th place	1 × Target Award
7th 12th place	Zero

Note: 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.

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 terms of which do 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 2002 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 was accrued on his behalf outside the pension scheme (see page 15 for further details).

Service Contracts

The Group has service contracts with its Chairman, executive Directors and senior executives. 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[1]. The Committee's policy is that executive Directors' contracts should allow for termination with reasonable notice from the Company, except in circumstances of summary dismissal when notice is not given.

(1) Effective dates of employment contracts: Sir Peter Middleton 1st May 1999; Matthew Barrett 1st January 2002; Chris Lendrum 15th June 1992; John Varley 1st April 1998.

The service contract with Matthew Barrett, who will be standing for re-election at the 2003 AGM, provides for a notice period of one year in line with the other executive Directors. If Mr Barrett's contract is terminated following a change of control of Barclays, pre-determined compensation is payable equivalent to twice annual basic salary, pension contribution, bonus and other benefits. Exceptionally, the Committee decided to retain this provision in Mr Barrett's contract at the time of renewal of his first contract with the Group in March 2002 in order to retain the services of an executive with a global reputation in a competitive market for talent. None of the other executive Directors has a similar clause in their service contracts.

The Committee has considered what arrangements should apply in the event of termination of the contract. The Committee's approach when considering payments in the event of termination is to examine individual circumstances including the reason for termination, contractual notice period and share scheme rules relating to contract termination and take a decision based on this information.

Forward looking statement

The Committee will keep the existing remuneration arrangements, as detailed in this Report, under review during 2003 and ensure that Barclays reward programmes remain competitive and provide appropriate incentive for performance. No significant changes to reward arrangements for executive Directors are expected. However, as usual, there will be individual reviews of base salary, annual bonus (including ESAS) and ISOP awards. The performance targets for incentive plans will also be reviewed to ensure alignment with Group strategy.

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. The Board, during 2002, has increased the basic fee for our non-executive Directors to £50,000 per annum, to take account of the ever-growing importance, responsibility and time that the role demands.

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 21. Non-executive Directors do not participate in share schemes for employees.

Sir Nigel Mobbs will be retiring at the 2003 AGM. Sir Nigel Rudd, Dr Jürgen Zech and Professor Sandra Dawson will be standing for re-election at the 2003 AGM.

2002 Annual Remuneration (a)

							Executive Share Award Scheme ESAS (c)	
	Salary & fees	Benefits (b)	Annual cash bonus	Integration Bonus	2002 Total	2001 Total	2002	2001
				(£ thousands)				
Chairman								
Sir Peter Middleton (d)	**513**	**15**			**528**	409		
Executive								
MW Barrett	**1,100**	**81**	**516**		**1,697**	1,862	**223**	331
CJ Lendrum	**400**	**10**	**150**		**560**	664	**65**	117
JM Stewart (e)	**460**	**12**	**230**	**900**	**1,602**	779		135
JS Varley	**460**	**9**	**199**		**668**	797	**86**	149

							Executive Share Award Scheme ESAS (c)	
Non-executive (f)								
TDG Arculus	**52**				**52**	43		
HM Cropper	**52**				**52**	42		
Sir Brian Jenkins	**100**				**100**	100		
Sir Nigel Mobbs	**79**				**79**	70		
Sir Nigel Rudd	**57**				**57**	49		
SG Russell	**58**				**58**	44		
GM Wallace	**52**				**52**	26		
Dr Jürgen Zech (g)	**21**				**21**			
Former Director								
Sir Andrew Large (h)	**169**				**169**	175		

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 health insurance on similar terms to other senior executives.

(c)

The amounts shown for ESAS 2002 represent payments which are expected to be made by the trustee to fund the provisional allocation of shares in 2003, including a maximum potential 30% bonus share element. Refer to page 17 for further details about ESAS.

(d)

Sir Peter Middleton receives pension payments through the Barclays Bank Retirement Plan. Details of the payments are not included since this is a pension in payment relating to his Barclays service prior to becoming Chairman.

(e)

John Stewart led the second phase of the Woolwich integration process for the period from July 2001 to the end of 2002. The Board considered that it was important to the success of the integration process to reward and retain Mr Stewart in this period to maximise shareholder value through further synergies. On 11th July 2001, Mr Stewart was therefore granted a special bonus opportunity of up to a maximum value of £900,000 payable on or before 31st March 2003 based upon the level of his achievement by 31st December 2002 of three performance metrics which include cost savings and business development. The Committee has assessed Mr Stewart's performance and awarded the maximum bonus of £900,000. Mr Stewart has resigned as a Director with effect from 27th February 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 13.

(g)

Fees for Dr Jürgen Zech are in respect of service since his appointment as non-executive Director on 30th July 2002.

(h)

Sir Andrew Large resigned from the Board with effect from 3rd September 2002.

Executive Directors' annual pension accrued assuming retirement at contractual age (a)(e)(f)

	Age at 31st December 2002	Years of service	Accrued pension at 31st December 2001	Pension accrued during 2002 (including increase for inflation)	Accrued pension at 31st December 2002	Transfer value of accrued pension at 31st December 2001	Transfer value of accrued pension at 31st December 2002	Increase in transfer value during the year	Other contributions made in 2002
						(£ thousands)			
Executive									
MW Barrett (b)	58	3							990
CJ Lendrum (c)	55	33	224	**14**	**238**	3,146	3,415	269	
JM Stewart (d)	53	25	235	**10**	**245**	3,058	3,218	160	
JS Varley (c)	46	20	151	**16**	**167**	1,502	1,693	191	

Notes

(a) Pension accrued during 2002 represents the increase in accrued pension 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 was accrued 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, Barclays Bank UK Retirement Fund 1964 Pension Scheme ("1964 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 work as the result of serious ill health. Chris Lendrum and John Varley are members of the "1964 Scheme" and are entitled to enhanced benefits that will give them two-thirds of their pensionable salary at age 60.

(d) John Stewart is entitled to a pension of up to two-thirds of pensionable salary at age 60. For service to 30th June 2001, Mr Stewart accrued pension rights in The Woolwich Pension Fund. The Woolwich Pension Fund is similar to the "1964 Scheme" except that employees contribute at the rate of 3% of pensionable salary. From 1st July 2001, Mr Stewart became a member of the Group's "1964 Scheme" for future pension accrual. Mr Stewart has resigned as a Director with effect from 27th February 2003.

(e) The accrued pension amounts at the end of the year are the value 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 (GN11)" published by the Institute of Actuaries and the Faculty of Actuaries.

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)(g)

Number at 31st December 2002						Notional value based on share	Notional value based on share price of	Change in
Shares owned	Executive Share	Executive Share	Incentive Share	Sharesave	Total			

	Number at 31st December 2002								
	beneficially (b)	Award Scheme	Option Scheme	Option Plan (d)			price of £5.6875 (e)	£3.85 (f) Notional value based on share price of £3.85 (f) (£ thousands)	notional value
Executive									
MW Barrett	**263,384**	**185,724**	**766,628**	**2,596,000**	**3,064**	**3,814,800**	5,077	1,731	(3,346)
CJ Lendrum	**202,860**	**91,164**		**348,000**	**6,626**	**648,650**	1,986	1,140	(846)
JM Stewart (c)(h)	**4,050**	**25,940**	**396,516**	**240,000**	**5,588**	**672,094**	1,095	201	(894)
JS Varley	**247,448**	**195,704**		**360,000**	**4,096**	**807,248**	2,842	1,706	(1,136)

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 shown under the Executive Share Option Scheme (ESOS) column includes the Barclays shares under option under The Woolwich Executive Share Option Plan (The Woolwich ESOP).

(d) The number of shares shown represent the target award shares under option.

(e) The value is based on the share price as at 1st January 2002. The notional value of shares under option under the Incentive Share Option Plan (ISOP), ESOS, Woolwich ESOP and Sharesave have been set at zero where the market price at 1st January 2002 is lower than the exercise price per share.

(f) The value is based on the share price as at 31st December 2002. The notional value of shares under option under ISOP, ESOS, Woolwich ESOP and Sharesave have been set at zero where the market price at 31st December 2002 is lower than the exercise price per share.

(g) All the numbers in the table have been restated for the 4 for 1 share split approved by shareholders at the AGM on 25th April 2002.

(h) John Stewart resigned as a Director with effect from 27th February 2003.

The closing market price at 31st December 2002 was 385p, during the year the highest and lowest prices were 624p and 355p respectively.

Under ESAS, ISOP, ESOS and The Woolwich ESOP, nothing was paid by a participant on the grant of options.

16

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

		During 2002							
	Number at 1st January 2002	Awarded in respect of the results for 2001	Released (b)	Market price at release date £	Number at 31st December 2002	Nil cost option granted at 3rd anniversary (c)	Date from which exercisable	Latest expiry date	Awarded in 2003 in respect of the results for 2002 (d)

		During 2002							
Chairman									
Sir Peter Middleton	**9,564**		**(9,564)**	**5.27**					
Executive									
MW Barrett	**121,816**	**63,908**			**185,724**				60,225
CJ Lendrum	**73,988**	**22,560**	**(5,384)**	**5.27**	**91,164**	24,896	23/03/01	25/02/04	17,520
JM Stewart (f)		**25,940**			**25,940**				
JS Varley	**213,268**	**28,828**	**(46,392)**	**5.27**	**195,704**	107,740	23/03/01	25/02/04	23,214

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 2002, the trustees released the following accumulated dividend shares 2,720 to Sir Peter Middleton, 1,544 to Chris Lendrum and 11,972 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 2002 and relate to provisional allocations made in 1998 and 1999 except that the figures do not include accumulated dividend shares under option as follows: 1,776 shares for Chris Lendrum and 7,792 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 2002 were made in February 2003. The shares awarded represent shares purchased by the trustees after 18th February 2003 at £3.71 in respect of a recommendation by the Company for an award, including a maximum potential 30% bonus shares, of £223,438 to Matthew Barrett, £65,000 to Chris Lendrum and £86,125 to John Varley.

(e) All the numbers in the table have been restated for the 4 for 1 share split approved by shareholders at the AGM on 25th April 2002.

(f) John Stewart resigned as a Director with effect from 27th February 2003.

Executive Directors: shares under option under Incentive Share Option Plan (ISOP) (a)(b)(e)

	Number held as at 1st January 2002		During the year (c) Granted		Number held as at 31st December 2002					
	Target Award Shares	**Maximum number over which potentially exercisable**	**Target Award Shares**	**Maximum number over which potentially exercisable**	**Target Award Shares**	**Maximum number over which potentially exercisable**	**Shares due to vest in 2003 (d)**	**Exercise price per share £**	**Date from which exercisable**	**Expiry Date**

(£ thousands)

			During the year (c)							
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		5.34	12/03/04	11/03/11
TSR	300	1,200			300	1,200		5.34	12/03/04	11/03/11
2000										
EP	40	80			40	80	80	3.90	18/05/03	17/05/10
TSR	216	864			216	864	432	3.90	18/05/03	17/05/10
CJ Lendrum										
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		5.34	12/03/04	11/03/11
TSR	80	320			80	320		5.34	12/03/04	11/03/11
2000										
EP	40	80			40	80	80	3.90	18/05/03	17/05/10
TSR	68	272			68	272	136	3.90	18/05/03	17/05/10
JM Stewart (f)										
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		5.34	12/03/04	11/03/11
TSR	80	320			80	320		5.34	12/03/04	11/03/11
JS Varley										
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		5.34	12/03/04	11/03/11
TSR	80	320			80	320		5.34	12/03/04	11/03/11
2000										
EP	40	80			40	80	80	3.90	18/05/03	17/05/10
TSR	80	320			80	320	160	3.90	18/05/03	17/05/10

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 11 and 12.

(c)

No options either lapsed or were exercised during the year and therefore are not shown in the table. As there were no options exercised during the year, the table does not show the market price on the exercise date.

(d)

The 2000 grant is due to vest on 18th May 2003. 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 two times the Target Award vesting. The result of the relative TSR performance target against the comparator group of companies placed Barclays in 3rd position with a vesting multiplier of two times the Target Award.

(e)

All the numbers in the table have been restated for the 4 for 1 share split approved by shareholders at the AGM on 25th April 2002.

(f)

John Stewart resigned as a Director with effect from 27th February 2003.

Executive Directors: shares under option under Sharesave (a)(b)(d)

	During 2002		Information as at 31st December 2002				
	Number held at 1st January 2002	Granted	Number at 31st December 2002	Exercise price per share £	Weighted average exercise price £	Date from which exercisable	Latest expiry date
MW Barrett	**3,064**		**3,064**		3.16	01/11/03	30/04/04
CJ Lendrum	**3,912**	**2,714**	**6,626**		2.61	01/11/03	30/04/06
JM Stewart (c)	**5,588**		**5,588**		3.08	01/07/03	31/12/03
JS Varley	**4,096**		**4,096**		4.11	01/11/06	30/04/07

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 12 for details of the Sharesave scheme. No options were either exercised or 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 option held under the Woolwich plc Sharesave Scheme. Mr Stewart resigned as a Director with effect from 27th February 2003.

(d)

All the numbers in the table have been restated for the 4 for 1 share split approved by shareholders at the AGM on 25th April 2002.

Directors: Closed Group incentive schemes (Performance Share Plan (PSP), Executive Share Option Scheme (ESOS) and Woolwich Executive Share Option Plan (ESOP))

In addition, executive Directors continue to have interests under the PSP, ESOS and Woolwich plc 1998 ESOP schemes (as indicated in the table below). No further awards will be made under these schemes. Under PSP, executives were awarded a right to acquire shares, the number of which is determined by the Company's relative TSR performance against a FTSE 100 index comparator group of companies. If ranked in the top 25 positions, awards would vest in full. If ranked below 60th position, none would vest. If between 26th and 60th, vesting would be pro-rata. 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 targets for the 1997, 1998 and 1999 ESOS grants were 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)(e)

	Number at 1st January 2002	During the year: Granted	Exercised	Lapsed	Number at 31st December 2002	Exercise price per share £	Market Price on exercise date £	Weighted average exercise price	Date from which exercisable	Latest expiry date
MW Barrett (b)										
ESOS	**766,628**				**766,628**			4.43	04/10/02	03/10/09
PSP	**191,656**		**(191,656)**			n/a	3.88			
CJ Lendrum										
ESOS	**60,000**		**(60,000)**			1.76	6.06			
PSP (c)	**55,928**		**(55,928)**			n/a	4.39			
JM Stewart (f)										
Woolwich	**536,052**		**(69,420)**		**396,516**	3.85	5.59	3.65	14/12/02	16/02/10
ESOP (d)			**(70,116)**			4.22	5.94			
JS Varley										
PSP (c)	**55,928**		**(55,928)**			n/a	4.39			

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 independent trustee of the Barclays Group (PSP and ESOS) employees' benefit trust granted Matthew Barrett a share award in 1999 comprising (i) an option on similar terms to options granted under ESOS and (ii) an award on similar terms to awards granted under PSP except that no exercise price was payable as the award was granted as a provisional allocation. For convenience these are described as granted under ESOS and PSP in the above table.

(c) Under PSP, a participant pays £1 to exercise an award, irrespective of the number of shares involved.

(d) 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.

(e) All the numbers in the table have been restated for the 4 for 1 share split approved by shareholders at the AGM on 25th April 2002.

(f) John Stewart resigned as a Director with effect from 27th February 2003.

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

	At 1st January 2002(b)(e): Beneficial	Non-beneficial	At 31st December 2002: Beneficial	Non-beneficial
Chairman				
Sir Peter Middleton	154,376	6,000	**163,748**	**6,000**

	At 1st January 2002(b)(e)		At 31st December 2002	
Executive				
MW Barrett	104,356		**263,384**	
CJ Lendrum (f)	169,044		**202,860**	
JM Stewart (c)	4,024		**4,050**	
JS Varley (f)	178,616		**247,448**	
Non-executive				
TDG Arculus	9,764		**11,391**	
HM Cropper	7,972		**9,703**	
Sir Brian Jenkins	2,540	105,200	**3,576**	**105,200**
Sir Nigel Mobbs	44,492	20,000	**46,327**	**20,000**
Sir Nigel Rudd	6,928		**8,604**	
SG Russell	5,084		**7,125**	
GMWallace	2,124		**3,704**	
Dr Jürgen Zech (d)			**2,500**	

Notes

(a) Beneficial interests in the table above represent shares held by Directors, 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 2002, Sir Peter Middleton and the executive Directors together with other senior executives were potential beneficiaries in respect of a total of 70,656,045 Barclays PLC ordinary shares (1st January 2002: 41,920,308) held by the trustees of the Barclays Group Employees' Benefit Trusts. At 12th February 2003, a total of 70,651,234 shares were held by the trustees.

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

(c) At 31st December 2002 John Stewart together with other senior executives from Woolwich plc, was a potential beneficiary in respect of a total of 1,883,196 Barclays PLC ordinary shares held by the trustee of the Woolwich Qualifying Employee Share Ownership Trust. At 12th February 2003 a total of 1,833,196 shares were held by the trustees.

(d) Appointed with effect from 30th July 2002.

(e) Restated for the 4 for 1 share split approved by shareholders at the AGM on 25th April 2002.

(f) Between 31st December 2002 and 12th February 2003, John Varley and Chris Lendrum each purchased 68 ordinary shares through the Share Incentive Plan.

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 2002, 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 24 to 55.

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 93 to 94.

Statement of Directors' responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 96, 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 97 to 189 and 193 to 202, and the additional information contained on pages 10 to 21, 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
12th February 2003

Disclosure controls and procedures

Within the 90-day period prior to the filing of this report with the US Securities and Exchange Commission, an evaluation was carried out under the supervision and with the participation of the Group's management, including the Group Chief Executive and the Group Finance Director, of the effectiveness of the design and operation of the Group's disclosure controls and procedures, 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

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 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 certificates pursuant to Section 302 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. References to operating results "before the impact of the Finance Act" exclude the impact of taxation changes arising from Finance Act 1998.

Statutory accounts

The consolidated accounts of Barclays PLC and its subsidiary undertakings are set out on pages 105 to 110 along with the accounts of Barclays PLC itself on page 111. The consolidated accounts of Barclays Bank PLC and its subsidiary undertakings are set out on pages 193 to 198. The accounting policies on pages 97 to 103 and the notes commencing on page 112 apply equally to both sets of accounts unless otherwise stated.

The financial statements contained in this document, which include the results of Woolwich plc from its acquisition on 25th October 2000, also reflect changes in the Group's management structure which took place in 2002, as explained on pages 60 and 64. The comparative data has been restated, where appropriate.

RISK MANAGEMENT

Risk management and control overview

Barclays aims to employ superior risk practices to optimise financial performance and value.

Risk governance

Barclays manages a variety of risks through various control mechanisms consistent with the requirements of the "Internal control: Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants in England and Wales.

Barclays approach to risk management and control continues to evolve to reflect best practice, informed by new developments derived from risk management research. Barclays seeks to take risks that are commensurate with the returns and within its overall risk appetite. Risk management's objective is to ensure that the variability of the results is within the range anticipated in the business strategy.

Barclays governance framework has been further developed during 2002. The framework is based on the following four principles:

Shareholder value based:

- Internal controls should focus on risks that could prevent the Group achieving its business objectives and the desired shareholder value-added.

- Responsibility for internal controls must be clearly defined and documented.

Embedded in the culture:

- The culture of the Group should reflect the risk appetite approved by the Board at all levels in the organisation.

- Training should be given to staff to ensure that risks can be regularly monitored and that corrective action can be taken in a timely manner.

Assurance:

- Risk management systems should be able to provide management with assurance that risks are being managed appropriately and the system of internal controls over risk systems is adequate.

Board review:

- The Board should undertake an annual review of the effectiveness of the risk management processes and systems of internal control.

- The Group's risk profile should be reviewed on a regular basis.

During 2002, the Board established requirements (Board Governance Standards "Standards") for the management of Barclays most significant areas of risk. From 2003, adherence to these Standards is monitored by the Board through reports that include key risk indicators.

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 maintain 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 of the risks in their businesses and for the management of them;

- 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 profile;

- Group Risk Type Heads and their teams in the Group Centre, who are responsible for the risk control oversight of credit risk, operational risk, regulatory compliance risk and market risk; and

- Other Function Heads in the Group centre, who are responsible for the risk control oversight of other risk types.

The leaders who execute these responsibilities are guided and monitored by:

- The Group's management committees. The main committees and their principal risk management and control responsibilities are shown in the risk governance structure chart on page 26. The committees' roles have been reviewed and updated during 2002.

- 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 in the businesses is the responsibility of business management, who are assisted by Business Risk Directors, with 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 analysis;

- ensuring that risks are properly controlled;

- 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:

- 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

- run risk limit setting systems.

Risk management and measurement

The following are the principal risks managed by Barclays:

- Credit risk;

- Market risk;

- Asset and liability, liquidity and pricing mismatch risks; and

- Other risks (including Operational, Legal and Tax risks, and the risk of non-compliance with the many regulatory regimes applicable to Barclays around the world).

Barclays uses a common metric to ensure that the returns throughout the Group are commensurate with the associated risks. Under this methodology, it allocates economic capital to each business based on its risks. The businesses are expected to optimise the return on the economic capital allocated to them.

The following charts show the relative amounts of capital allocated to the various risks and businesses. The major risks are discussed in subsequent sections of this report.

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.

Credit risk control

Credit is the Group's most significant risk and its approach to managing credit risk varies according to the nature of the business.

In consumer businesses, such as Barclaycard where there are large numbers of accounts, a systems driven environment prevails. Credit decisions are made with the aid of statistically based scoring systems and account management is likewise automated.

Mid-range credits are approved and reviewed according to a hierarchy of discretions, whereby discretionary limits are set according to the skills, experience and seniority of the sanctioning teams, in addition to the quality of the borrower as measured by the credit grading structure.

Large value wholesale loans are referred to the Group Credit Committee or are sanctioned within business risk management departments. Besides loans, these include significant credit exposures arising from money market, foreign exchange, derivatives, securities dealing and other similar products.

The Group Credit Risk Director provides central credit risk review and oversight.

Functional areas assist the Group Credit Risk team and line businesses in setting policy and standards, defining the Group's risk appetite and providing the capability for effective risk management, including the regular review and challenge of business credit risk positions. These central risk functions add value by undertaking reporting, analysis, strategy and portfolio activities that support corporate governance, overall portfolio management, capital allocation for risk, Basel II implementation and credit decisions within business areas.

Credit risk measurement

As part of its credit risk measurement system, the Group uses a model-based methodology to assess the quality of credit across different customer categories. The approach is termed Risk Tendency and applies to all credit exposures in both wholesale and retail sectors, and it provides a statistical estimate of the average losses looking one year ahead based on the current performing loan portfolio. It estimates the average in the range of possible losses from the current performing loan portfolio and as such the actual outcome in any one year is likely to be different. Thus it is not a prediction of specific provisions but it gives management a clear view of the evolution of the quality of the credit portfolio.

Risk Tendency reflects the results of a set of model based calculations, the models having been created using historical data. The models are designed to estimate the loss over the forthcoming 12 months for the current performing loan portfolio, given the current composition and current risk characteristics of the portfolio. Significant variation around this value can occur, due to changes in the economic environment or the business conditions in specific sectors or countries during the year. This applies especially in wholesale portfolios where the default of a small number of large exposures can have a significant impact on the outcome. However, for retail portfolios consisting of a very large number of small exposures, the variation from Risk Tendency is usually much smaller.

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:

- Setting exposure limits to any single counterparty or borrower;
- Establishing the desired aggregate exposure levels to individual sectors;
- Determining pricing policy; and

Setting the level of the general provision for loan losses.

Barclays Internal Rating	Probability of Default (PD) Minimum	Maximum	Mid Point	S&P Equivalent Rating	Moody's Equivalent Rating
1.2	0.02%	0.04%	0.025%	AAA/AA+/AA	Aaa/Aa/A1
1.5	0.05%	0.09%	0.075%	AA-/A+	A2
1.8	0.10%	0.14%	0.125%	A/A-	A3
2.1	0.15%	0.19%	0.175%	BBB+	Baa1
2.5	0.20%	0.24%	0.225%	BBB+	Baa1
2.8	0.25%	0.29%	0.275%	BBB	Baa2
3	0.30%	0.59%	0.450%	BBB/BBB-	Baa2/Baa3
4	0.60%	1.19%	0.900%	BB+/BB/BB-	Ba1/Ba2
5	1.20%	2.49%	1.850%	B+/B	Ba3
6	2.50%	4.99%	3.750%	B-	B1
7	5.00%	9.99%	7.500%	CCC-	B2/B3
8	10.00%+		15.000%	CC/C	Caa/Ca/C

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The models assess the probability of customer default, severity, and exposure in the event of default. These terms are explained below. A consistent approach is used across the organisation. Decision support model outputs are a way of assessing what might happen in the future based on past experience. An increase in the size of the portfolio and/or a decrease in the credit quality will be highlighted to management by an increase in Risk Tendency.

A number of different models are used in the Risk Tendency calculation reflecting 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.

Since Risk Tendency is a point in time calculation looking one year ahead, it does not make any allowance for growth or change in the composition of the loan book after the reporting date nor take account of write-backs and recoveries from specific provisions taken in previous years. In contrast, the provisions process is dynamic where provisions are assessed and allocated throughout the year.

Risk Tendency is used when allocating general provisions for the existing portfolio of fully performing credits as at the calculation date. Excluded from this portfolio is the subset of credit exposures relating to non-performing loans against which specific provisions are held.

Internal ratings

Internal ratings are used to assess the credit quality of borrowers. Each internal rating corresponds to a probability of default (PD), 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 on page 27 shows Barclays internal rating and the associated expected probability of default, together with comparisons with credit rating agency ratings. The rating agency comparisons shown are indicative only and, in practice, will vary over time depending on the position within an economic cycle.

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.

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 prices that can be realised for assets or whether businesses can be refinanced.

Exposure

Exposure in the event of default represents the expected level of usage of the credit facility when default occurs. For example, 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. This cost is monitored on an ongoing basis.

As shown in the table below, based upon the composition of the lending portfolio as at 31st December 2002, Risk Tendency is £1,375m (31st December 2001: £1,245m). The increase is primarily in Barclays Capital (total increase £65m), a reflection of the grade migration of a small number of larger corporate clients, principally in the US, partially offset by some managed exposure reduction in the loan book; and a £35m increase in Barclaycard (total increase £55m) attributable to the acquisition of the UK Providian credit card business. Risk Tendency in Personal Financial Services has fallen by £10m to £370m during 2002 as a result of actions taken to improve the asset quality within the book and an improved collection process.

Risk mitigation

Barclays uses mechanisms such as credit derivatives and securitisations to reduce the uncertainty of returns from the credit portfolio. The cost of these transactions is treated as a deduction from the related category of income. The benefits are reflected in reduced credit risk provisions, reduced volatility of earnings and consequently an improved return on economic capital.

Risk Tendency by Business Cluster

	2002	**2001**	**2000**
		(£ millions)	
Personal Financial Services	**370**	380	335
Barclays Private Clients	**45**	45	45
Barclaycard	**435**	380	300
Business Banking	**280**	260	215
Barclays Africa	**30**	30	20
Barclays Capital	**210**	145	115
South American Corporate Banking	**5**	5	
Total	**1,375**	1,245	1,030

Analysis of loans and advances

Loans and advances grew strongly during 2002. The following section analyses Barclays outstanding credit exposures at the year end. We review the main points, then present more detailed information in a separate section, beginning on page 31.

Loans and advances overview

As indicated in the table below, loans and advances grew over the year increasing by £32.5bn (14%) to £264bn at 31st December 2002.

	2002	**2001**
	(£ millions)	
Retail businesses		
Customers	**90,625**	80,557
Banks	**1,748**	2,588
Total retail businesses	**92,373**	83,145
Wholesale businesses		
Customers	**114,767**	102,675

	2002	2001
Banks	**56,508**	45,353
Total wholesale businesses	**171,275**	148,028
Total	**263,648**	231,173

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 business customers. Similarly, businesses that deal primarily with corporate, institutional and sovereign clients are included in wholesale businesses, even though they may have some small business customers.

	2002	2001
	(£ millions)	
Banking book	**175,667**	161,240
Trading book	**87,981**	69,933
Total	**263,648**	231,173

The amounts shown in the tables above are before deduction of provisions and interest in suspense.

Loans and advances to customers

Geographical analysis

The geographical analysis is based on the location of the office recording the transaction.

The chart below shows that about two thirds of loans and advances to customers have been booked in the UK on the banking book.

Industry analysis

Barclays tracks its global exposure by industry, paying particular attention to industries that might be volatile or pose higher risk. Over recent years it has been apparent that industries are often synchronised globally. For example, when oil prices rise or fall, customers sensitive to such changes will be affected regardless of their location.

A critical element of risk management is to ensure adequate diversification of credit exposures. As the following chart shows, (for banking book only) 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.

Loans and advances to the energy and utility sector were of special interest in 2002 due to financial stress experienced by several companies on both sides of the Atlantic. The majority of Barclays exposure in this sector is to companies that the Group believes remain financially strong, with three-quarters having an investment grade rating at year end.

The communications sector continued to experience stress in 2002. In addition to the lendings categorised as communications, exposure to this sector is also included in the category of overseas customers.

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.

More detail on loans and advances to customers appears on pages 31 to 33.

(1) Industry classifications are defined on page 29.

Loans and advances to banks

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

The majority of loans and advances to banks are placings, amounting to £48,093m at 31st December 2002 (2001: £39,528m) and includes reverse repo transactions. Also included are loans to banks and building societies, balances with central banks (excluding those balances that can be withdrawn on demand), inter-bank settlement accounts and federal funds sold. Total loans and advances to banks increased £10bn to £58bn at 31st December 2002.

Loans and advances to banks

	At 31st December	
	2002	**2001**
	(£ millions)	
Banking business:		
UK	**11,510**	7,116
Other European Union	**2,154**	2,278
United States	**256**	930
Rest of the World	**1,531**	1,924
Total banking business	**15,451**	12,248
Total trading business	**42,805**	35,693
	58,256	47,941

The amounts shown in the table above are before deductions of provisions and interest in suspense.

More detail on loans and advances to banks appears on page 34.

Analysis of loans and advances further information

This section presents more detailed information on loans and advances and includes disclosures that Barclays is required to make. For an overview of loans and advances, see the preceding section.

Loans advances to customers further information

Maturity analysis

The analysis by maturity, shown in the accompanying tables and chart, show that approximately 40% of lendings to customers have a maturity of more than five years, the majority of which are mortgages.

Maturity analysis of loans and advances to customers

	On demand (a)	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
			(£ millions)			
At 31st December 2002						
Banking business:						
UK						
Corporate lending (b)	**8,340**	**7,047**	**5,604**	**14,251**	**10,519**	**45,761**
Other lending from UK offices	**2,416**	**6,693**	**6,135**	**10,919**	**63,976**	**90,139**
Total UK	**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**
	14,460	**60,590**	**17,915**	**31,262**	**81,165**	**205,392**
At 31st December 2001						
Banking business:						
UK						
Corporate lending (b)	8,335	6,344	7,165	11,522	9,588	42,954
Other lending from UK offices	2,533	6,447	6,559	10,155	55,606	81,300
Total UK	10,868	12,791	13,724	21,677	65,194	124,254
Other European Union	1,251	2,475	1,550	2,277	3,155	10,708
United States		1,237	1,541	2,348	1,488	6,614
Rest of the World	1,089	1,820	2,670	823	1,014	7,416
Total banking business	13,208	18,323	19,485	27,125	70,851	148,992
Total trading business	1,977	29,733	2,398	132		34,240

	On demand (a)	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
	15,185	48,056	21,883	27,257	70,851	183,232

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.

Interest rate sensitivity of loans and advances to customers

	At 31st December 2002		
	Fixed rate	Variable rate	Total
		(£ millions)	
Banking business:			
UK	**41,332**	**94,568**	**135,900**
Other European Union	**2,876**	**9,703**	**12,579**
United States	**314**	**5,824**	**6,138**
Rest of the World	**4,351**	**1,248**	**5,599**
Total banking business	**48,873**	**111,343**	**160,216**
Total trading business	**20,204**	**24,972**	**45,176**
	69,077	**136,315**	**205,392**

Geographic and industry analysis

In the analyses below, overseas customers are customers resident outside the country in which the lending business is based.

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

	At 31st December				
	2002	2001	2000	1999	1998
			(£ millions)		
Financial institutions	**6,158**	5,616	4,215	4,118	1,839
Agriculture, forestry and fishing	**1,747**	1,626	1,689	1,693	1,612
Manufacturing	**6,435**	6,766	7,573	6,954	6,840
Construction	**1,825**	1,779	1,666	1,331	1,227

	At 31st December				
Property	**5,695**	5,600	5,130	3,689	3,205
Energy and water	**1,290**	1,153	1,120	613	668
Wholesale and retail distribution and leisure	**7,858**	7,571	7,531	6,455	6,778
Transport	**2,366**	1,894	1,353	1,270	1,164
Communications	**694**	368	180	345	261
Business and other services	**11,693**	10,581	9,894	8,415	7,549
Home loans	**58,436**	50,945	47,235	18,316	16,580
Other personal	**21,357**	19,678	18,200	15,673	14,376
Overseas customers	**6,201**	6,472	5,024	4,711	3,056
	131,755	120,049	110,810	73,583	65,155
Finance lease receivables	**4,145**	4,205	4,504	5,094	5,279
	135,900	124,254	115,314	78,677	70,434

The majority of the growth in the UK occurred in home loans, where balances increased 15% to £58.4bn. Other personal loans in the UK increased in part due to the acquisition of the UK card business of Providian (£470m).

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

	At 31st December				
	2002	**2001**	**2000**	**1999**	**1998**
			(£ millions)		
Financial institutions	**371**	500	436	178	220
Agriculture, forestry and fishing	**165**	240	303	223	109
Manufacturing	**1,422**	1,317	1,420	1,322	975
Construction	**314**	298	261	193	148
Property	**137**	241	182	144	182
Energy and water	**367**	282	372	145	114
Wholesale and retail distribution and leisure	**215**	283	140	207	323
Transport	**252**	318	172	119	133
Communications	**173**	185	83	37	9
Business and other services	**1,648**	1,679	1,284	918	1,433
Home loans	**6,243**	3,871	4,436	1,029	932
Other personal	**721**	661	582	505	500
Overseas customers	**384**	685	381	462	358
	12,412	10,560	10,052	5,482	5,436
Finance lease receivables	**167**	148	151	494	503
	12,579	10,708	10,203	5,976	5,939

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

	At 31st December				
	2002	**2001**	**2000**	**1999**	**1998**

	At 31st December (£ millions)				
Financial institutions	**1,036**	1,053	616	320	527
Agriculture, forestry and fishing	**3**			1	1
Manufacturing	**842**	1,553	1,123	727	592
Construction	**31**	24			12
Property	**15**	21	30	69	80
Energy and water	**2,229**	1,567	1,440	1,168	645
Wholesale and retail distribution and leisure	**141**	160	214	138	323
Transport	**1,248**	931	580	356	53
Communications	**46**	66	88	166	383
Business and other services	**441**	901	2,174	1,000	1,471
Home loans			1	1	1
Other personal		267	6	58	7
Overseas customers	**62**	23	56		27
	6,094	6,566	6,328	4,004	4,122
Finance lease receivables	**44**	48	48	44	42
	6,138	6,614	6,376	4,048	4,164

Loans and advances to customers in offices in the Rest of the World banking business

	At 31st December				
	2002	**2001**	**2000**	**1999**	**1998**
	(£ millions)				
Loans and advances	**5,566**	7,384	8,920	8,316	2,883
Finance lease receivables	**33**	32	30	28	28
	5,599	7,416	8,950	8,344	2,911

£1.4bn of the reduction in the Rest of the World balance arose from the reorganisation of the Group's Caribbean business.

Total loans and advances to customers

	At 31st December				
	2002	**2001**	**2000**	**1999**	**1998**
	(£ millions)				
Banking business	**160,216**	148,992	140,843	97,045	83,448
Trading business	**45,176**	34,240	23,198	21,562	13,611
	205,392	183,232	164,041	118,607	97,059

Of the total loans and advances to customers, reverse repos were £42.5bn (31st December 2001: £29.7bn).

Loans and advances to banks further information

Maturity analysis of loans and advances to banks

	At 31st December 2002					
	On demand	**Not more than three months**	**Over three months but not more than one year**	**Over one year but not more than five years**	**Over five years**	**Total**
	(£ millions)					
Banking business:						
UK	**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**
	1,973	**44,124**	**4,286**	**7,566**	**307**	**58,256**

	At 31st December 2001					
	On demand	**Not more than three months**	**Over three months but not more than one year**	**Over one year but not more than five years**	**Over five years**	**Total**
	(£ millions)					
Banking business:						
UK	723	1,244	1,302	3,766	81	7,116
Other European Union	535	1,397	59	49	238	2,278
United States	12	342	489	87		930
Rest of the World	490	1,202	230	2		1,924
Total banking business	1,760	4,185	2,080	3,904	319	12,248
Total trading business	2,357	31,808	1,517	11		35,693
	4,117	35,993	3,597	3,915	319	47,941

Interest rate sensitivity of loans and advances to banks

	At 31st December 2002		
	Fixed rate	**Variable rate**	**Total**
	(£ millions)		

	At 31st December 2002		
Banking business:			
UK	**6,493**	**5,017**	**11,510**
Other European Union	**1,830**	**324**	**2,154**
United States	**30**	**226**	**256**
Rest of the World	**1,212**	**319**	**1,531**
Total banking business	**9,565**	**5,886**	**15,451**
Total trading business	**24,929**	**17,876**	**42,805**
	34,494	**23,762**	**58,256**

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Country risk

Exposure to countries subject to International Monetary Fund liquidity support programmes

The table below provides data on total country exposure, which includes both cross-border and local currency obligations. Exposure includes amounts outstanding plus commitments, and is net of provisions. The sample of countries is based on those that make significant use of IMF liquidity support programmes, i.e. those drawing more than Special Drawing Rights 2bn.

	At 31st December		
	2002	**2001**	**2000**
		(£ billions)	
Europe			
Turkey	**0.1**	0.2	*
Asia			
Indonesia	**0.1**	0.1	0.1
South Korea	*	*	0.2
Thailand	*	*	0.1
	0.1	0.1	0.4
Latin America			
Argentina	**0.1**	0.3	0.9
Brazil**	**0.2**	0.7	*
	0.3	1.0	0.9
Total	**0.5**	1.3	1.3
Comprising of:			
Banks	**0.2**	0.7	0.8
Governments/sovereigns	**0.1**	0.1	0.1
Corporates and project financings	**0.2**	0.5	0.4
	0.5	1.3	1.3

* Did not make significant use of IMF Liquidity support programmes at the end of the period.

** £0.1 billion of this total relates to local currency exposure.

Loans and advances to borrowers in currencies other than the local currency of the borrower

The world-wide operations of the Group involve significant exposures in non-local currencies. These cross-border exposures are controlled through a well-developed system of country limits, which are frequently reviewed to avoid concentrations of transfer, economic or political risks.

The US SEC 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 2002, the countries where these outstandings exceeded 1% of total Group assets were United States, Germany and France. Exposures to these countries amounted to £32,105m at 31st December 2002 (2001: £20,715m). 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

At 31st December 2002	As % of assets	Total	Banks and other financial institutions	Governments and official institutions	Commercial industrial and other private sector
	%		(£ millions)		
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
At 31st December 2000					
Germany	2.4	7,505	6,829	554	122
United States	1.9	6,104	3,125	5	2,974
Japan	1.1	3,493	2,721	96	676

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 2002, Netherlands and Ireland had cross-currency outstanding of between 0.75% and 1% of total Group assets, amounting to £7,552m. At 31st December 2001, Japan and Netherlands had cross-currency outstandings of between 0.75% and 1% of total Group assets, amounting to £5,774m. At 31st December 2000, Netherlands and France had cross-currency outstandings of between 0.75% and 1% of total Group assets, amounting to £5,745m.

Potential credit risk lendings

Potential credit risk lendings (PCRL's) comprise non-performing loans (NPL's) and potential problem loans (PPL's). NPL's are loans where the customers have failed to meet their commitments, either in part or in whole. PPL's 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.

The tables and charts that follow present an analysis of potential credit risk lendings consistent in total with UK guidelines and practice, although more detail is provided to meet SEC guidelines. Further disclosure is made to record loans where interest is accrued but is being suspended or where specific provisions have been raised. Normal US banking practice would be to place such loans on non-accrual status. 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. The geographical presentation is based on the location of the office recording the transaction.

Non-performing loans

	2002	2001 restated	2000 restated	1999	1998
			(£ millions)		
Non-accrual lendings:					
UK	**1,557**	1,292	1,223	1,007	985
Other European Union	**108**	90	96	122	208
United States	**744**	306	119	47	38
Rest of the World	**133**	235	101	75	36
Accruing lendings where interest is being suspended:					
UK	**472**	386	351	326	266
Other European Union	**44**	30	36	19	26
United States					
Rest of the World	**95**	145	109	91	92
Other accruing lendings against which provisions have been made:					
UK	**606**	660	474	423	457
Other European Union	**27**	20	71	42	74
United States		11	2	38	10
Rest of the World	**44**	43	76	50	50
Subtotals:					
UK	**2,635**	2,338	2,048	1,756	1,708
Other European Union	**179**	140	203	183	308
United States	**744**	317	121	85	48
Rest of the World	**272**	423	286	216	178
Accruing lendings 90 days overdue, against which no provisions have been made:					
UK	**687**	621	695	343	309
Other European Union	**3**		1		2
United States					
Rest of the World		27	17	18	17
Reduced rate lendings:					
UK	**4**	4	6	6	7
Other European Union					
United States					
Rest of the World	**2**	1		2	
Total non-performing loans:					
UK	**3,326**	2,963	2,749	2,105	2,024
Other European Union	**182**	140	204	183	310
United States	**744**	317	121	85	48
Rest of the World	**274**	451	303	236	195

	2002	2001 restated	2000 restated	1999	1998
Total	**4,526**	3,871	3,377	2,609	2,577

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Potential problem loans

	2002	2001	2000	1999	1998
			(£ millions)		
UK	**993**	968	728	648	590
Other European Union	**2**	2	2	23	24
United States	**241**	369	313	5	4
Rest of the World	**68**	63	64	35	68
Total	**1,304**	1,402	1,107	711	686

UK non-performing loans increased by £363m to £3,326m primarily reflecting increases in the large corporate sector. These included loans to foreign borrowers made in the UK and were spread across a number of sectors, with telecommunications and energy being prominent. There were also additions from UK middle market business customers.

US non-performing loans increased by £427m to £744m reflecting the continued difficult economic conditions faced by the telecommunications and energy sectors. US potential problem loans fell by £128m to £241m primarily due to the reclassification of balances into the non-performing categories.

Other European Union non-performing loans increased from £140m to £182m. In the Rest of the World they fell to £274m, a decrease of £177m, primarily reflecting the reorganisation of the Group's Caribbean business in October 2002.

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 2002 was £275m (2001: £279m) of which £209m (2001: £210m) related to domestic lending and £66m (2001: £69m) related to foreign loans.

Interest income of approximately £22m (2001: £50m) from such loans was included in profit, of which £21m (2001: £33m) related to domestic lending and the remainder to foreign lending.

Ratios of provisions to non-performing loans and PCRL's appear in the next section, 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. The provision is made up of two components, a specific provision and a general provision. Risk managers continuously review the quality of the exposures based on their knowledge of the customer or counterparty, and developments in the industry and country of operation.

During 2002, credit conditions were less favourable than for several years and some sectors experienced difficulties. These circumstances are reflected in the bad debt charge for the year as set out in the table below. The net charge rose by 29% to £1,484m, an increase of £335m. New and increased specific provisions were 19% higher at £1,719m. Releases and recoveries together decreased by 15% at £233m.

The greater part of this increase occurred in Barclays Capital (£231m) and in the South American Corporate Banking (£96m) portfolios. The increase in provisions at Barclays Capital reflected difficult economic conditions, mainly in the telecommunications and energy sectors, particularly in the US. The deterioration in the second half of 2002 was largely in existing non-performing loans. The increase in South American Corporate Banking mainly related to Argentina.

Business Banking sustained an 8% increase in its bad debt provision charge, broadly in line with expectations. The charge for Barclaycard was £402m, 7% higher reflecting the acquisition of Providian UK and organic growth in average extended credit balances of 9%. Within Personal Financial Services, the provision charge fell by 13%, reflecting in part improvements in risk management.

Analysis of provision charges for bad and doubtful debts

	As at 31st December				
	2002	**2001**	**2000**	**1999**	**1998**
	(£ millions)				
Net specific provision charge/(release)*					
UK	**1,041**	964	688	568	501
Other European Union	**14**	20	12	1	(4)
United States**	**385**	136	17	34	(10)
Rest of the World	**46**	45	60	32	5
Total net specific provision charge	**1,486**	1,165	777	635	492
General provision charge/(release)	**(2)**	(16)	40	(14)	
	1,484	1,149	817	621	492

* The geographical analysis of provisions is based on the location of the office recording the transaction.

** The US charge includes provisions raised against Argentinean exposures booked in the US.

Analysis of provision balances for bad and doubtful debts

As at 31st December				
2002	**2001**	**2000**	**1999**	**1998**

	As at 31st December				
	(£ millions)				
Specific provision*					
UK	**1,790**	1,605	1,343	1,083	937
Other European Union	**84**	89	112	131	220
United States**	**257**	89	20	23	23
Rest of the World	**130**	188	118	74	35
Total specific provision	**2,261**	1,971	1,593	1,311	1,215
General provision	**737**	745	760	672	728
	2,998	2,716	2,353	1,983	1,943
Average loans and advances for the year					
(excluding trading business)	**174,764**	157,904	122,333	106,488	101,338
(including trading business)	**256,789**	223,221	176,938	147,139	145,749

*
The geographical analysis of provisions is based on the location of the office recording the transaction.

**
The US balance includes provisions held against Argentinean exposures booked in the US.

Provisioning approach

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 of general provisions based on statistical estimates. The general provisions take Risk Tendency (statistically expected losses) into account, based on models that are systematically updated to reflect evolving loss experience.

See Credit risk management on pages 27 to 28 for a fuller description of Risk Tendency.

Specific provisions are raised for:

Individual counterparties when the Group considers that the creditworthiness of a borrower or counterparty has undergone deterioration such that the recovery of the whole or part of an outstanding advance is in serious doubt.

Homogeneous portfolios comprised of large numbers of individually small lendings, where the characteristics of the portfolio permit statistical models to be used in estimating specific provisions. These statistical models are consistent with the Group's policy of raising provision when recovery is doubtful. These provisions are raised in parts of Personal Financial Services, Woolwich, Barclays Private Clients, Barclaycard and Business Banking.

Write-off occurs immediately to the extent that the whole or part of the debt is considered unrecoverable.

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. Any impairment is accounted for as a specific provision.

Bad debt provisions charge ratios

	Year ended 31st December				
	2002	**2001**	**2000**	**1999**	**1998**
			(£ millions)		
Provisions charge as a percentage of average loans and advances for the year (excluding trading business):					
Specific provisions	**0.85**	0.74	0.64	0.60	0.49
General provisions		(0.01)	0.03	(0.02)	
	0.85	0.73	0.67	0.58	0.49
Amounts written off (net of recoveries)	**0.64**	0.53	0.47	0.52	0.40
Provisions charge as a percentage of average loans and advances for the year (including trading business):					
Specific provisions	**0.58**	0.52	0.44	0.43	0.34
General provisions			0.02	(0.01)	
	0.58	0.52	0.46	0.42	0.34
Amounts written off (net of recoveries)	**0.43**	0.37	0.32	0.38	0.28

Provisions balance ratios

	As at 31st December				
	2002	**2001**	**2000**	**1999**	**1998**
			(%)		
Provisions balance at end of year as a percentage of loans and advances at end of year (excluding trading business):					
Specific provision	**1.29**	1.22	1.06	1.19	1.17
General provision	**0.42**	0.46	0.51	0.61	0.70
	1.71	1.68	1.57	1.80	1.87
Provisions balance at end of year as a percentage of loans and advances at end of year (including trading business):					
Specific provision	**0.86**	0.85	0.79	0.83	0.90
General provision	**0.28**	0.32	0.38	0.42	0.54
	1.14	1.17	1.17	1.25	1.44

Movements in provisions for bad and doubtful debts

	Year ended 31st December				
	2002	2001	2000	1999	1998
			(£ millions)		
Provisions balance at beginning of year	**2,716**	2,353	1,983	1,943	1,850
Acquisitions and disposals	**(11)**	46	119	(10)	
Exchange and other adjustments	**(77)**	(1)	4	(13)	6
Amounts written off:					
UK	**(950)**	(814)	(595)	(546)	(520)
Other European Union	**(31)**	(36)	(45)	(44)	(45)
United States	**(215)**	(94)	(26)	(40)	(7)
Rest of the World	**(24)**	(29)	(17)	(21)	(9)
	(1,220)	(973)	(683)	(651)	(581)
Recoveries (analysed below)	**106**	142	113	93	176
Subtotal	**1,514**	1,567	1,536	1,362	1,451
Provisions charged against profit					
New and increased specific provisions:					
UK	**1,210**	1,157	843	768	753
Other European Union	**33**	35	35	27	32
United States	**404**	173	27	45	11
Rest of the World	**72**	75	76	47	23
	1,719	1,440	981	887	819
Releases of specific provisions:					
UK	**(81)**	(87)	(55)	(115)	(96)
Other European Union	**(12)**	(10)	(17)	(22)	(32)
United States	**(10)**	(10)	(6)	(7)	(8)
Rest of the World	**(24)**	(26)	(13)	(15)	(15)
	(127)	(133)	(91)	(159)	(151)
Recoveries:					
UK	**(88)**	(106)	(100)	(85)	(156)
Other European Union	**(7)**	(5)	(6)	(4)	(4)
United States	**(9)**	(27)	(4)	(4)	(13)
Rest of the World	**(2)**	(4)	(3)		(3)
	(106)	(142)	(113)	(93)	(176)
Net specific provisions charge	**1,486**	1,165	777	635	492
General provision charge/(release)*	**(2)**	(16)	40	(14)	
Net charge to profit	**1,484**	1,149	817	621	492
Provisions balance at end of year	**2,998**	2,716	2,353	1,983	1,943

* An analysis of the movement in general provisions is shown in note 17 to the accounts.

Provisions charge for bad and doubtful debts by industry

	Net specific provision for the year					Specific provisions at 31st December				
	2002	**2001**	**2000**	**1999**	**1998**	**2002**	**2001**	**2000**	**1999**	**1998**
						(£ millions)				
UK:										
Banks and other financial institutions	**1**	(2)	7	10	11	**1**	5	7	9	14
Agriculture, forestry and fishing	**(1)**	6	6	4	(5)	**7**	13	11	7	4
Manufacturing	**80**	62	8	4	15	**98**	49	43	48	41
Construction	**41**	12	7	4	(7)	**35**	6	8	7	10
Property	**8**	3	1	(5)	(20)	**9**	8	8	8	12
Energy and water	**22**	1	8			**28**	10	8	2	2
Wholesale and retail distribution and leisure	**37**	44	21	34	(10)	**54**	60	42	42	18
Transport	**7**	6	2	4	(1)	**7**	6	4	4	2
Communications	**16**	1			1	**15**	1	1	1	1
Business and other services	**62**	75	27	14	(7)	**92**	77	40	34	43
Home loans	**4**	8	10	5	(4)	**53**	60	61	39	35
Other personal	**748**	782	577	504	376	**1,343**	1,252	1,041	830	664
Overseas customers (a)	**13**	(34)	6	(22)	152	**39**	52	58	41	88
Finance lease receivables	**3**		8	12		**9**	6	11	11	3
	1,041	964	688	568	501	**1,790**	1,605	1,343	1,083	937
Foreign	**445**	201	89	67	(9)	**471**	366	250	228	278
	1,486	1,165	777	635	492	**2,261**	1,971	1,593	1,311	1,215

Analysis of amounts written off and recovered by industry

	Amounts written off for the year					Recoveries of amounts previously written off				
	2002	**2001**	**2000**	**1999**	**1998**	**2002**	**2001**	**2000**	**1999**	**1998**
						(£ millions)				
UK:										
Banks and other financial institutions	**2**	3	13	14	16		3	4	2	12
Agriculture, forestry and fishing	**4**	7	6	6	2	**2**	2	2	3	7
Manufacturing	**72**	65	30	20	28	**22**	11	16	12	12
Construction	**15**	16	8	12	12	**3**	2	2	3	5
Property	**10**	5	5	9	17	**2**	1	3	7	22
Energy and water	**4**	1	2			**1**				
Wholesale and retail distribution and leisure	**53**	35	34	35	25	**11**	9	12	17	45
Transport	**7**	4	3	4	2	**1**		1	1	1
Communications	**2**			1						
Business and other services	**65**	57	33	43	36	**13**	9	11	12	27
Home loans	**11**	14	15	3	8	**1**	4	3	2	4
Other personal	**692**	599	435	363	254	**31**	29	28	24	21
Overseas customers (a)	**9**	2	7	31	120		35	17	1	

	Amounts written off for the year					Recoveries of amounts previously written off				
Finance lease receivables	**4**	6	4	5		**1**	1	1	1	
	950	814	595	546	520	**88**	106	100	85	156
Foreign	**270**	159	88	105	61	**18**	36	13	8	20
	1,220	973	683	651	581	**106**	142	113	93	176

Note

(a) includes amounts in 1998 in respect of Russian counterparties recorded in the UK.

Total provision coverage of total non-performing loans

	2002	2001	2000	1999	1998
			(%)		
UK	**73.5**	74.9	72.9	81.1	78.4
Other European Union	**71.4**	78.6	72.1	94.5	95.2
United States	**43.7**	61.8	81.0	74.1	104.2
Rest of the World	**65.0**	59.2	64.7	50.4	45.1
Total	**68.0**	72.1	72.4	79.1	78.4

Total provision coverage of total potential credit risk lendings (NPL's and PPL's)

	2002	2001	2000	1999	1998
			(%)		
UK	**56.6**	56.4	57.7	62.0	60.7
Other European Union	**70.7**	77.5	71.4	84.0	88.3
United States	**33.0**	28.6	22.6	70.0	96.2
Rest of the World	**52.0**	51.9	53.4	43.9	33.5
Total	**52.8**	52.9	54.5	62.1	61.9

Geographically, the specific provision is allocated according to the location of the office recording the transaction. Similarly, 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 lendings. The following table provides an analysis of provision balances on this basis.

Ratios of general and specific provision balances

	2002	2001	2000	1999	1998
			(%)		
Specific provisions coverage of non-performing loans					
Specific provisions/Non-performing loans	**50.0**	50.9	47.2	50.2	47.1
General provisions coverage of performing loans					
General provisions/Performing loans	**0.28**	0.33	0.38	0.43	0.55

The ratio of general provisions to performing loans declined in 2001 with the acquisition of Woolwich plc, a portfolio consisting predominantly of secured residential mortgage loans needing comparatively low general provisions. These ratios include both trading and banking books. Performing loans comprise gross loans and advances to banks and customers (banking and trading) less non-performing loans.

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 to the Board Risk Committee. The Group's policy is that exposure to market risk arising from trading activities is concentrated in Barclays Capital and that residual market risk in other parts of the bank is tightly controlled and significantly limited.

The Group Market Risk Director is responsible for the 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 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 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 the DVaR measure 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, only twice in every one hundred 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 rate shock is consistent with the standardised 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 analysis of this risk is provided below.

(ii) Asset and liability management

The Group encounters risks in managing its assets and liabilities. A detailed analysis of these risks is covered in the Treasury asset and liability Management section on pages 51 to 54.

(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 earlier, 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 including 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 pages 49 to 50.

Risk control

In Barclays Capital, the formal process for the management of risk is through the Barclays Capital Risk Management Committee. 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 will present 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 meeting. The attendees at this meeting include the senior management of Barclays Capital, the Group Risk Director, the Group Market Risk Director and the Group Treasurer. The meeting is chaired by the Chief Executive of Barclays Capital.

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 an 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 interest rate DVaR methodology maps interest rate exposures into government and non-governments (six credit grades and interest rate swaps). This allows the measurement process to discriminate between the market risk of holding bonds with different credit qualities, for example AAA 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.

For a non-government interest rate instrument, the total interest rate is separated into the government interest rate for the equivalent maturity and the credit spread. The credit spread is the premium for holding non-government paper, and is the difference between the total interest rate and the appropriate government interest rate. This approach 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 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 2002 compared to 2001, due mainly to interest rate opportunities taken in the second half of 2002. The year-end DVaR for 2002 was £25.8m (2001: £21.3m).

Barclays Capital DVaR: Summary table for 2002 and 2001

	Twelve months to 31st December 2002			**Twelve months to 31st December 2001**		
	Average	**High (b)**	**Low (b)**	**Average restated**	**High (b) restated**	**Low (b) restated**
			(£ millions)			
Interest rate risk	**21.7**	**34.5**	**10.0**	14.9	24.1	7.6
Credit spread risk	**9.4**	**12.5**	**6.0**	8.8	14.7	4.6
Foreign exchange risk	**2.9**	**4.4**	**1.9**	2.3	6.2	0.6
Equities risk	**3.6**	**5.4**	**2.1**	3.3	6.4	2.1
Commodities risk	**1.8**	**3.3**	**0.8**	1.7	4.3	0.6
Diversification effect	**(16.2)**			(12.5)		

	Twelve months to 31st December 2002			Twelve months to 31st December 2001		
Total DVaR	**23.2**	**35.7**	**13.4**	18.5	25.4	11.3

Notes

(a) Restatements of interest rate DVaRs, total DVaRs and diversification effect reflect the move to a methodology that identifies credit spread risk separately.

(b) 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. A corresponding diversification effect cannot be calculated and is therefore omitted from the above table.

Trading revenue and back-testing

The histogram below shows the distribution of market risk daily trading revenue for Barclays Capital in 2002. Market risk daily trading revenue includes all primary (net fees and commissions) and secondary (net interest income and dealing profits) income. The average daily revenue was £8.7m. There were 238 positive revenue days out of 252.

Barclays recognises the importance of assessing the effectiveness of DVaR. 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 two instances in 2002 of a daily trading revenue loss exceeding the corresponding back-testing DVaR. This is the same result as recorded for 2001.

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, Woolwich Life and Barclays Global Investors. This risk is measured 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 44. As at end 2002, the AEaR relating to UK indices was £120m, while the AEaR relating to non-UK indices was

£60m. In both cases, a 25% reduction in stock market prices was assumed. These AEaR numbers were broadly unchanged from the end 2001 AEaR numbers.

Defined benefit pension scheme risk

Defined benefit pension scheme risk arises if the Group has to increase its level of funding for the final salary schemes. This would occur if the value of the assets was insufficient over time to cover the projected liabilities. Information on the current position is given in notes 5 and 62.

Disclosures about certain trading activities including non-exchange traded contracts

The US Securities and Exchange Commission requires disclosures to be provided in relation to certain trading activities, particularly energy trading and commodity trading which covers non-exchange traded contracts.

The Group delivers a fully integrated service to clients for base metals, precious metals, energy products (covering gas, oil and oil-related products) and UK Power 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 commodities. In August 2002, the UK Power team commenced trading in power physical forward contracts.

The Group's commodity business has continued to expand as market conditions allow, both through the addition of new products in the UK Power market, and the continuing growth in the existing metals and energy trading volumes. In 2002, the total commodities business (including exchange trading) contributed £89m to dealing profits (2001: £38m) and resulted in assets of £844m in respect of physical commodity positions as at 31st December 2002 (2001: £1,257m) and net assets of £40m (2001: net liabilities of £45m) relating to the fair value of derivative contracts.

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 are specified in terms of 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 48 analyse the fair value of the commodity derivative contracts at 31st December 2002 by movement over time, source of fair value and investment grade of counterparty.

Movement in fair value of commodity positions

	Total
	(£ millions)
Fair value of contracts outstanding at 31st December 2001	**(45)**
Contracts realised or otherwise settled during the period	**25**
Fair value of new contracts entered into during the period	**50**
Other changes in fair value	**10**
Fair values of contracts outstanding at 31st December 2002	**40**

Source of fair value commodities

	Fair Value of Contracts at 31st December 2002				
	Maturity less than one year	**Maturity one to three years**	**Maturity four to five years**	**Maturity over five years**	**Total fair value**
			(£ millions)		
Prices actively quoted	**(17)**	**13**	**15**	**(1)**	**10**
Prices provided by other external sources		**1**			**1**
Prices based on models and other valuation methods	**8**				**8**
Prices based on other valuation methods				**21**	**21**
Total	**(9)**	**14**	**15**	**20**	**40**

Analysis of fair value by counterparty investment grade commodities

	Total value 2002
	(£ millions)
A to AAA	**(9)**
BBB to BBB+	**68**

	Total value 2002
Below investment grade	**(19)**
Total	**40**

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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 44 to 46.

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 51 to 54.

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.

OTC traded derivatives

The Group 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 97 to 103.

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 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 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 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 page 92.

Commodity derivatives

The Group's principal commodity related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are oil, base metals, precious metals, US and UK natural gas, and UK electricity.

A description of commodity derivatives is provided on page 47.

Treasury asset and liability management

The financial risks relating to the Group's assets and liabilities, comprising liquidity, funding and concentration risks, interest rate risks and exchange rate risks, are actively managed by Group Treasury.

Group policies are set by the Group Treasury Committee, chaired by the Group Finance Director, which also provides governance and oversight of Group Treasury. Group policy is to centralise 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.

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; in particular, its failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group's overall liquidity policy and control is the responsibility of Group Treasury and 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 2002.

Barclays is currently unaware of any terms, conditions or circumstances that could significantly impair the Group's ability to raise short or long-term funding. Where investors have the right to put, or Barclays has the right of call, on debt securities in issue at certain dates, the maturity date is taken to be the first date. Investors do not have the ability to initiate the redemption of undated or dated loan capital or other capital instruments, except where stated in note 35.

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.

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.

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.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider and product. There have been a number of significant market events over recent years including corporate scandals in the United States and the turmoil of the dotcom bubble, all resulting in a short-term flight to quality in financial markets. The Group's liquidity has benefited in all cases. The ability to raise funds is in part dependent on maintaining the bank'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 ambition, is maintaining a strong capital base and strong regulatory ratios.

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.

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.

For further details see contractual cash obligations and commercial commitments of the Group on page 54.

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, which is also responsible for the overall Group position.

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.

Retail market risk is the risk to earnings from retail products (generally in personal and corporate banking), which can be adversely affected by movements in the level or volatility of market rates and prices and/or customer behaviour. The retail market risk embedded within retail contracts 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 the wholesale contract does not replicate the customer product behaviour. This risk is controlled by limits set by Group Market Risk.

Management of the non-trading 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.

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 Management Committees (ALCOs). Guidance on the scope and constitution of ALCOs is provided by Group Treasury, who maintain 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 total Group exposure is shown in the form of an interest rate repricing table. This summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures at 31st December 2002. It includes non-trading hedges. However, Barclays Capital interest rate risk is disclosed within Trading Market Risk and is therefore excluded.

This 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 2002, the Group's expected earnings in 2003 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 are summarised below. The disclosure relates to derivative components of the Group's hedging programme transferred to the market via internal or external counterparties.

Activity	**Risk**	**Type of hedge**
Fixed rate lending and fixed rate investment.	Reduced earnings due to an increase in interest rates.	Pay fixed interest rate swaps and buy interest rate caps.
Fixed rate funding (e.g medium-term note issuance).	Reduced earnings due to a fall in interest rates.	Receive fixed interest rate swaps and buy interest rate floors.
Variable rate assets.	Reduced earnings due to a fall in interest rates.	Receive fixed interest rate swaps and buy interest rate options.
Firm foreign currency commitments (e.g. asset purchases and sales).	Reduced earnings due to changes in exchange rates between arranging a transaction and completion.	Foreign currency transactions.
Managing the Group's risk asset ratios.	Reduced risk asset ratio due to strengthening of foreign currency against sterling.	Currency swaps.

Interest rate swaps and cross currency interest rate swaps that are used in the management of the non-trading exposures (excepting those within Barclays Capital, where the risk is managed by DVaR) are shown in the table below. These figures are the weighted average pay fixed rates and receive fixed rates by maturity date and nominal amount at 31st December 2002. The nominal amounts below include £2,994m and £317m, in respect of sterling and non-sterling basis swaps respectively. Basis swaps are swaps where both payable and receivable legs are variable. 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.

The weighted-average receive fixed and pay fixed rates by reset maturity date and nominal amount at 31st December 2002 were as follows:

	Sterling denominated contracts				Non-sterling denominated contracts			
	Pay fixed		Receive fixed		Pay fixed		Receive fixed	
	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate
	(£m)	(%)	(£m)	(%)	(£m)	(%)	(£m)	(%)
Maturity date:								
Not more than three months	**2,383**	**6.42**	**3,945**	**5.15**	**1,238**	**3.79**	**779**	**3.81**
Over three months but not more than six months	**3,344**	**5.99**	**1,300**	**6.19**	**175**	**5.86**	**607**	**5.50**
Over six months but not more than one year	**3,543**	**6.20**	**2,251**	**5.71**	**1,020**	**3.73**	**355**	**4.59**
Over one year but not more than five years	**8,645**	**5.68**	**18,504**	**5.86**	**2,464**	**6.22**	**2,327**	**4.56**
Over five years	**2,259**	**6.02**	**6,177**	**6.11**	**1,105**	**5.07**	**4,385**	**6.84**
	20,174	**5.95**	**32,177**	**5.82**	**6,002**	**5.07**	**8,453**	**5.74**

The weighted-average receive variable and pay variable rates by reset maturity date and nominal amount at 31st December 2002 were as follows:

	Sterling denominated contracts				Non-sterling denominated contracts			
	Receive variable		Pay variable		Receive variable		Pay variable	
	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate
	(£m)	(%)	(£m)	(%)	(£m)	(%)	(£m)	(%)
Reset maturity date:								
Not more than three months	**15,020**	**3.90**	**25,075**	**4.12**	**5,065**	**2.99**	**8,104**	**2.91**
Over three months but not more than six months	**8,148**	**4.00**	**10,096**	**4.13**	**1,254**	**3.30**	**666**	**2.56**
	23,168	**3.94**	**35,171**	**4.12**	**6,319**	**3.05**	**8,770**	**2.89**

The net effect of the derivative positions, in isolation, on net interest income was a credit of £246m (2001: credit of £122m). This included credits of £242m (2001: £93m) and £4m (2001: £29m) 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. In the case of the international operations, Group Market Risk allocates modest foreign exchange open position limits to facilitate the management of customer originated flows. Exposures are reported daily to Group Market Risk. As at 31st December 2002, 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. The Group's policy is to manage the currency balance of the funding, financing these investments so as to limit the effect of exchange rate movements on the Group's risk asset ratios. The management of funding investments in overseas branches, subsidiaries, associated undertakings and joint ventures is carried out and reviewed by Group Treasury. The principal structural currency exposures of the Group are set out on page 144.

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 109). With the positions in place at 31st December 2002, a hypothetical increase of 10% in the value of sterling against all currencies would have led to a fall of some £36m in reserves (2001: £146m).

Additional information on liquidity management

The tables below give details of the contractual obligations and commercial commitments of the Group as at 31st December 2002.

Contractual cash obligations

	Payments due by period				
	Less than one year	**One to three years**	**Four to five years**	**After five years**	**Total**
			(£ millions)		
Long-term debt	**206**			**4,653**	**4,859**
Capital lease obligations	**18**	**20**	**47**	**55**	**140**
Operating leases	**176**	**361**	**318**	**2,014**	**2,869**
Unconditional obligations to purchase goods and services obligations	**176**	**312**	**76**	**61**	**625**
Total contractual cash obligations	**576**	**693**	**441**	**6,783**	**8,493**

The table above excludes deposits and other liabilities taken in the normal course of banking business and short-term and undated liabilities. The maturity of deposits by banks is given in note 27, customer accounts in note 28, and debt securities in issue in note 29.

Other commercial commitments

	Amount of commitment expiration per period				
	Less than one year	**One to three years**	**Four to five years**	**After five years**	**Total amounts committed**

	Amount of commitment expiration per period				
	(£ millions)				
Acceptances and endorsements	**2,375**	**90**	**124**		**2,589**
Guarantees and assets pledged as collateral security	**12,081**	**2,245**	**1,135**	**582**	**16,043**
Other contingent liabilities	**5,884**	**983**	**668**	**379**	**7,914**
Documentary credits and other short-term trade related transactions	**311**	**27**	**1**	**1**	**340**
Forward asset purchases and forward forward deposits placed	**20**				**20**
Undrawn note issuance and revolving underwriting facilities					
Undrawn formal standby facilities, credit lines and other commitments to lend	**79,518**	**12,454**	**7,358**	**1,688**	**101,018**
Total	**100,189**	**15,799**	**9,286**	**2,650**	**127,924**

Further information on guarantees is provided in note 63 on page 185.

Management of other risks

In addition to credit, market and treasury risk, Barclays faces a number of other risks. These risks are managed within the overall risk management framework.

Non-financial risk management

Non-financial risk, which is inherent in all business activities, is the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It can occur in any of the Group's businesses and includes errors, omissions, natural disasters and deliberate acts such as fraud. This risk is commonly called operational risk, but Barclays uses the term "Non-financial risk" to emphasise the breadth of issues encompassed by this risk category.

The Group has established a comprehensive non-financial risk framework to manage the risks included in this broad category. The framework and policies implement the Non-Financial Risk Governance Standards approved by the Board Risk Committee.

Responsibility for managing non-financial risk is divided between the businesses and the corporate centre. The main responsibility rests with the business units and functional service areas where the risks exist. Business Risk Directors are accountable for the implementation of and compliance with Group standards and policies.

In the corporate centre, the Group Non-Financial Risk unit, which incorporates Group IT Security, Group Operational Risk, Group Business Continuity Management, Group Insurance and Group Security, have the responsibility through the delegated authority of the Non-Financial Risk Director to establish, maintain and exercise governance over the policies and processes that are encompassed in the framework.

Measures of performance (key risk indicators) have been established that give the Group Non-Financial Risk unit the ability to monitor the risks against agreed thresholds and challenge business performance where appropriate. This is enhanced by comprehensive reporting from businesses to the corporate centre of both periodic and event-driven data. Specific quarterly reports are prepared and submitted to the Group Risk Oversight Committee and Board Risk Committee.

The information also feeds into a risk scorecard for each business. During 2003, this will form the basis of an allocation of Economic Capital for non-financial risk, giving each business an incentive to improve its risk control.

Coupled with the non-financial risk framework, this approach forms the basis of the Group's response to the requirements of the Basel II Capital Accord. In this respect, as in others, Barclays aims to qualify for the Advanced Measurement Approach and the lower level of regulatory capital that this implies.

It is recognised that non-financial risk cannot be eliminated and that thresholds can be reached where the cost of minimising these risks outweighs the potential benefits. The Group will continue to assess the risks and invest in appropriate management and mitigation systems.

Assessment of the management of non-financial risk is undertaken by the Group Internal Audit function. This provides executive management and the Board with a view of the adequacy and effectiveness of non-financial risk management, through an avenue outside the hierarchical organisation structure.

Compliance risk management

Compliance or regulatory 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, 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, Europe, the USA, the Asia-Pacific region and in the other countries around the world in which it operates. In these many jurisdictions, specific resources and expertise are needed to assist the Group Chief Executive, the Business Heads and others in management to comply with financial services regulation. This is the responsibility of the Group Compliance Director, the Compliance Directors in each of the businesses and the Group Compliance function.

Legal risk management

The purpose of the legal function is to identify and, in conjunction with business management, manage the legal risks of Barclays. In this context, "Legal risk" includes any of the following types of risk:

- The risk that Barclays businesses will not be conducted in accordance with applicable laws and regulations;
- The risk that contractual arrangements will either not be enforceable as intended or will be enforced against Barclays in an unexpected and adverse way;
- The risk that the tangible and intangible property of Barclays (such as its trade names and copyrights) will not be adequately protected from infringement; and
- The risk that Barclays will 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 has responsibility for providing the support necessary to identify, manage and control legal risk across the Group.

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 these requirements and also of their tax reporting obligations. Whilst managed centrally, taxation staff are co-located with business areas, in the UK and overseas, where this adds to the effectiveness of risk management.

SECTION 2 RESULTS

FINANCIAL DATA BARCLAYS PLC

Consolidated profit and loss account summary (a)

	2002	2001 restated	2000 restated	1999 restated	1998 restated
			(£ millions)		
Interest receivable	**12,044**	13,458	11,788	9,320	9,952
Interest payable	**5,839**	7,492	6,682	4,696	5,644
Profit on redemption/repurchase of loan capital			2	3	3
Net interest income	**6,205**	5,966	5,108	4,627	4,311
Fees and commissions receivable	**4,454**	4,202	3,676	3,201	2,995
Less: fees and commissions payable	**(529)**	(465)	(320)	(275)	(229)
Dealing profits	**833**	1,011	677	556	(42)
Other operating income	**364**	428	353	287	339
Operating income	**11,327**	11,142	9,494	8,396	7,374
Administration expenses staff costs	**3,755**	3,714	3,219	3,057	2,811
Administration expenses other	**2,312**	2,303	1,967	1,807	1,829
Depreciation and amortisation	**557**	537	306	280	275
Operating expenses	**6,624**	6,554	5,492	5,144	4,915

	2002	2001 restated	2000 restated	1999 restated	1998 restated
Operating profit before provisions	**4,703**	4,588	4,002	3,252	2,459
Provisions for bad and doubtful debts	**1,484**	1,149	817	621	492
Provisions for contingent liabilities and commitments	**1**	1	(1)	1	76
Provisions	**1,485**	1,150	816	622	568
Operating profit	**3,218**	3,438	3,186	2,630	1,891
Loss from joint ventures	**(5)**	(1)	(1)	(1)	
(Loss)/income from associated undertakings	**(5)**	(8)	(7)	(13)	22
Loss on sale or restructuring of BZW				(30)	(3)
(Loss)/profit on disposal of other Group undertakings	**(3)**	(4)	214	(108)	4
Write-down of fixed asset investments					(4)
Profit on ordinary activities before tax	**3,205**	3,425	3,392	2,478	1,910
Tax on profit on ordinary activities	**(955)**	(943)	(901)	(655)	(521)
Profit on ordinary activities after tax	**2,250**	2,482	2,491	1,823	1,389
Profit attributable to minority and other non-equity interests	**(20)**	(36)	(46)	(52)	(45)
Profit for the financial year attributable to the members of Barclays PLC	**2,230**	2,446	2,445	1,771	1,344
Dividends	**(1,206)**	(1,110)	(927)	(746)	(646)
Profit retained for the financial year	**1,024**	1,336	1,518	1,025	698

Selected financial statistics

	2002	2001 restated	2000 restated	1999 restated	1998 restated
Earnings per ordinary share	**33.7p**	36.8p	40.4p	29.6p	22.3p
Dividends per ordinary share	**18.35p**	16.625p	14.50p	12.50p	10.75p
Dividend cover (times)	**1.8**	2.2	2.6	2.4	2.1
Attributable profit before tax as a percentage of:					
average shareholders' funds	**21.0%**	23.9%	33.8%	29.2%	23.8%
Attributable profit after tax as a percentage of:					
average shareholders' funds	**14.7%**	17.4%	24.8%	21.5%	17.3%
average total assets (note (b))	**0.5%**	0.6%	0.8%	0.7%	0.6%
Average US dollar exchange rate used in preparing the accounts	**1.50**	1.44	1.52	1.62	1.66
Average euro exchange rate used in preparing the accounts	**1.59**	1.61	1.64	1.52	

See notes on page 59.

Consolidated balance sheet summary (a)

	2002	2001 restated	2000 restated	1999 restated	1998 restated
			(£ millions)		
Assets					

	2002	2001 restated	2000 restated	1999 restated	1998 restated
Loans and advances to banks and customers	**260,572**	228,382	198,536	156,194	132,722
Other assets	**129,195**	113,923	102,489	88,507	77,422
	389,767	342,305	301,025	244,701	210,144
Infrastructure	**6,015**	6,137	6,450	2,089	2,285
	395,782	348,442	307,475	246,790	212,429
Retail life-fund assets attributable to policyholders	**7,284**	8,170	8,711	8,040	7,085
Total assets	**403,066**	356,612	316,186	254,830	219,514
Liabilities					
Deposits by banks, customer accounts and debt securities in issue	**304,817**	273,073	240,607	191,781	161,049
Other liabilities	**64,067**	50,763	45,715	41,567	39,478
	368,884	323,836	286,322	233,348	200,527
Capital resources					
Undated loan capital	**6,678**	5,054	4,022	1,749	1,742
Dated loan capital	**4,859**	4,933	3,698	2,848	1,992
Other subordinated liabilities					
Minority and other interests	**156**	134	250	352	314
Shareholders' funds	**15,205**	14,485	13,183	8,493	7,854
	26,898	24,606	21,153	13,442	11,902
	395,782	348,442	307,475	246,790	212,429
Retail life-fund liabilities attributable to policyholders	**7,284**	8,170	8,711	8,040	7,085
Total liabilities and shareholders' funds	**403,066**	356,612	316,186	254,830	219,514

Weighted risk assets and capital ratios

Weighted risk assets	**172,748**	158,873	147,040	115,878	109,800
Tier 1 ratio	**8.2%**	7.8%	7.2%	7.5%	7.3%
Risk asset ratio	**12.8%**	12.5%	11.0%	11.3%	10.6%

Selected financial statistics

Average shareholders' funds as a percentage of average total assets (note (b))	**3.5%**	3.7%	3.2%	3.4%	3.2%
Net asset value per ordinary share	**231p**	217p	198p	142p	130p
Year-end US dollar exchange rate used in preparing the accounts	**1.61**	1.45	1.49	1.62	1.66
Year-end euro exchange rate used in preparing the accounts	**1.54**	1.64	1.60	1.61	

Notes

(a)

The financial information on pages 58 and 59 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 97). 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 63 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 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. Worldwide, the Barclays Group has 2,579 branches.

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 (including Woolwich)
- Barclays Private Clients
- Barclaycard
- Business Banking
- Barclays Africa
- Barclays Capital
- Barclays Global Investors

Results are also provided for Other operations and Head office functions. 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.

Personal Financial Services

Personal Financial Services provides a wide range of products and services to 14 million personal customers throughout the United Kingdom, including current accounts, savings, mortgages, consumer loans, general insurance and the provision of independent financial advice. These are available to all customers through integrated channels comprising the branch network, telephone banking and online banking.

On 1st January 2002, the Woolwich operations became part of Personal Financial Services in line with integration plans, providing a platform for transformation within the enlarged retail business. Separate brands have been retained to maintain distinctive customer propositions.

Personal Financial Services works closely with other businesses in the Group, in particular Barclays Private Clients, Barclaycard and Business Banking, to provide better customer servicing and to develop cross-selling opportunities.

Key business developments in 2002:

Openplan, which was successfully developed by Woolwich, was launched fully in the Barclays network in April 2002 and now has nearly 2 million customers relative to our target for 2002 of 1.5 million. Balances within Openplan from Barclays grew to £13.2bn, £10.3bn from savings and £2.9bn from mortgages. 55% of customers choosing Openplan from Woolwich are new.

Personal Financial Services has continued to be a net recruiter of current accounts, increasing to 10.5 million (2001: 10.1 million), and the number of value-added accounts (Additions and Platinum) has grown to 1.75 million from 1.38 million.

Online customers increased to 3.9 million, with 20% of all transactions now being undertaken online (2001: 14%).

Total mortgage balances have increased 13% to £58.7bn. Net new mortgage lending grew 60% to £6.9bn with growth being focused in the first half of the year. Market share of net new lending in mortgages has increased to 8.7% from 7.8% in 2001. The latest loan to value ratios within the residential mortgage book averaged 45%.

Total average retail savings balances increased 7% to £28.8 billion, with Barclays branded savings balances increasing 22%.

Margin pressure, particularly within mortgages, has been actively managed with increased balances mitigating some of the compression primarily due to the lower average interest rates in 2002 versus 2001.

Refer to page 69 for further information.

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.

There has been continued progress in the development of an integrated business model during 2002. The focus remained on improving operational efficiency and on the provision of a distinctive customer service and a diverse banking and investment product capability.

Barclays Private Clients works closely with other Group businesses, particularly Personal Financial Services and in areas such as offshore banking and UK mass affluent customers.

Barclays Private Clients completed the acquisition of Charles Schwab Europe, an award-winning execution-only retail stockbroker, on 31st January 2003.

Key business developments in 2002:

Customer numbers in Spain have increased by 36,000 with 40% of those new to Barclays being attracted by Openplan.

In Spain, the average products per customer was 3.2 increasing to 4.5 for Openplan customers.

Globally affluent and high net worth client numbers increased 3% to 970,000, excluding the impact of the Caribbean transaction (see below).

The combination of the Caribbean operations of Barclays and CIBC was completed on 11th October 2002.

Operating income from the closed long-term assurance funds moved from a positive contribution in 2001 of £127m to a negative contribution in 2002 of £51m, a year on year swing of £178m. This was primarily attributable to the fall in stock markets in 2002.

Refer to page 70 for further information.

Barclaycard

Barclaycard is one of the leading credit card businesses in Europe. In addition to its operations in the United Kingdom, it is active in Germany, Spain, Greece, France and Italy. It also operates in Africa. Barclaycard offers a full range of credit card services to individual customers, together with card payment facilities to retailers and other businesses.

Barclaycard acquired the credit card business of Providian UK in April 2002. The acquisition was consistent with Barclaycard's strategy of defending and growing its core UK credit card business.

Key business developments in 2002:

Barclaycard has 10.4 million customers, primarily in the UK and Europe. In the UK alone, one in every five credit cards is a Barclaycard. Barclaycard increased market share of extended credit balances during the year.

Average extended credit balances amounted to more than 75% of total card outstandings. Period end extended credit balances in the UK grew 19% year on year.

UK customer recruitment increased 60% to 1.2 million. In the UK, Barclaycard now has over 400 pricing points with a wide range of annual percentage rates.

In September a new loyalty scheme, called Nectar, was launched in conjunction with Sainsburys, Debenhams and BP and has 11 million active customers. Nectar is the biggest loyalty programme in the UK.

Barclaycard International has 1.28 million cards in issue across continental Europe.

During the year, Barclaycard worked with Banca Woolwich to launch a full range of credit cards in Italy, one of Europe's largest credit card markets.

Refer to page 71 for further information.

Business Banking

Business Banking provides relationship banking to the Group's small, medium and large 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 information and support.

Customers are also offered access to business centres in continental Europe and the United States and to the product suite and expertise of other businesses of the Group including Barclays Capital.

The way that Business Banking does business with its customers continued to evolve. The Value Aligned Performance Measurement (VAPM) system provides the sales teams with customer level risk adjusted profitability data. This enables business targets and rewards to be aligned with the creation of shareholder value. Improving operational efficiency is also an important point of focus in Business Banking.

Key business developments in 2002:

- Business Banking has a relationship with 530,000 customers. Customers rate us first in the market for service and price. Over 4,000 customer facing staff are now using VAPM technology.

- Business Banking implemented its response to the Competition Commission Report at the end of the year, creating segment specific offerings, giving customers a real choice reflecting customers' overwhelming preference for cheaper money transmission over interest bearing business current accounts.

- Medium Business launched a Law Society accredited proposition for solicitors firms.

- Clearlybusiness became 100% owned by Barclays. During 2002 over 10,000 copies of a new product, Clearlybookkeeping, were sold.

- Average lending balances increased 4% to £42.6 billion and average deposit balances increased 3% to £43.9 billion. Lending growth was concentrated towards large business customers whilst lending to the small business sector continued to be affected by weak economic conditions.

Refer to page 72 for further information.

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.

During the year, significant restructuring initiatives were undertaken to reposition the businesses in the light of challenges posed by the deteriorating economic situation in certain African countries.

Key business developments in 2002:

- In November 2002, Barclays acquired the business of BNPI Mauritius.

- The Retail business continued an active refurbishment programme of branches across the continent and expanded Prestige centres to bring the number of Prestige centres opened to 53.

- The Retail business launched telephone banking in many of its businesses and has since recruited 27,000 customers.

- The Corporate segment of Barclays Africa continued to develop its merchant banking activities during the year, winning and executing mandates. Asset Finance was successfully launched in Kenya and Zambia in 2002.

- Operating profit decreased £25m. This decrease was mainly attributable to the situation in Zimbabwe where there was a decline in operating profit of £14m.

Refer to page 73 for further information.

Barclays Capital

Barclays Capital conducts the Group's investment banking business. As the Group's principal point of access to the wholesale markets, it provides 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, derivatives, commodities and money markets sales, trading and research, prime brokerage and equities; and, Credit, which includes origination, sales, trading and research relating to loans, debt capital markets and structured capital markets, and private equity.

Barclays Capital works increasingly with other Group businesses, including 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 2002:

- Barclays Capital remained in first position for issuing sterling denominated debt (Euromoney sterling bonds league table) with a 20% market share; and continued to be the top arranger of European syndicated loans. (Euromoney syndicated loans (Europe, Middle East, Africa) league table).

- Barclays Capital improved its market share in both international bonds and syndicated loans amid lower volumes in both these markets compared to 2001.

- Barclays Capital moved into the top 10 in private placements for the first time 4th position for 2002, with deals in nine countries and significant partnerships with Business Banking.

- Barclays Capital was the only firm in the top 10 of the Euromoney Global All Debt table to increase debt issuance volumes in 2002 versus 2001.

- Barclays Capital led 24 dollar denominated deals for US issuers in 2002 versus one prior to 2001. For most of those companies Barclays Capital had led deals in sterling or euros prior to being mandated for the dollar deal. Barclays Capital is leveraging the relationships built in Europe to gain market share in the US.

Refer to page 73 for further information.

Barclays Global Investors

Barclays Global Investors is a leading global provider of investment management products and services, offering structured investment strategies including indexing, asset allocation, and risk-controlled active strategies.

BGI's investment philosophy focuses on managing all dimensions of performance: return, risk and cost. Asset management is complemented by a range of related financial services including cash management, securities lending and portfolio transition management.

Key business developments in 2002:

- BGI has over 2,300 institutional clients in 44 countries. £56bn net new assets were attracted in 2002. More than half of the net new assets were from new clients. Assets under management are £462bn, a fall of 13% on 2001.

Investment performance in our active strategies continued to be excellent.

The active business accounted for 58% of management fees in 2002.

Growth in Global iShares (Exchange Traded Funds) continued to be strong. Global iShares assets grew to £22bn, up 47% (2001: £15bn).

The launch of the first Fixed Income iShares in the US in the third quarter of the year demonstrated the ongoing commitment to market leading innovation.

Refer to page 74 for further information.

Other operations

Property costs include Barclays Group Property Services, which is responsible for the management of the Group's operational premises, property related services and the central administration of certain operational properties.

Central services includes certain activities which support the operating business and provide central information technology services.

South American Corporate Banking comprises non-core relationships which are now being managed separately with the objective of maximising the recovery from the assets concerned.

Within Management of Group capital there are certain central items including residual balances arising from centrally managed transition businesses. Earnings on centrally held Group capital are allocated to business groups on the basis of economic capital.

Head office functions

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

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, but that the international economy in the aggregate, is unlikely to be significantly more expansionary than in 2002.

Financial markets were volatile and in decline in 2002; they remain so in 2003. This is partly the result of over-excited sentiments stirred up primarily by the dotcom boom. Partly it reflects uncertainty about how the national economic imbalances will unfold, especially with the threat of war in Iraq. Partly it reflects the very competitive and difficult conditions in some sectors.

Group structure

The figures in the business group analyses have been restated to take account of the following changes relative to 2001.

The various constituents of the Woolwich business group have been transferred into other Barclays business groups. Woolwich Plan Managers and Unit Trusts have been transferred into Barclays Global Investors, Woolwich Guernsey and Woolwich Life to Barclays Private Clients and the Woolwich credit card business to Barclaycard. The remainder of the Woolwich business is reported within Personal Financial Services.

Following a Group review of its South American corporate banking activities, a number of non-strategic relationships have been identified within Barclays Capital and Business Banking which did not fit their strategic business models. As a result, a number of non-performing lendings, that are not expected to be of long-term interest to the Group and which are being managed separately with the objective of maximising the recovery from the assets concerned, are now reported within Other operations.

Changes in accounting presentation

Following the issue of UITF Abstract 33, "Obligations in capital instruments", Reserve Capital Instruments (RCIs) are now treated as forming part of the undated loan capital of the Bank, rather than as Minority interests non-equity. The coupon on the RCIs is now reported in Interest payable, rather than as Minority non-equity interests. Comparatives have been restated accordingly. Profit after tax for the year to 31st December 2001 has been reduced by £97m with no impact on retained profit. Liabilities have been increased and Minority interests have been reduced at 31st December 2001 by £1,872m.

The prior period presentation has, where appropriate, been restated to conform with current year classification.

Accounting developments in UK GAAP are described on page 103, those under US GAAP are described on page 171.

Other information

The Competition Commission published its report into the provision of banking services to small and medium sized enterprises (SMEs) on 14th March 2002. Barclays Bank PLC and certain other banks have given undertakings to the Secretary of State for Trade and Industry and the Chancellor of the Exchequer regarding the implementation of the transitional pricing remedy contained in the Report. As a result, from 1st January 2003 Barclays now offers each of its SME customers either interest on current accounts or free money transmission services or a choice between the two in accordance with the terms of such undertakings. Also, in October 2002, Barclays agreed certain behavioural remedies with the Secretary of State and the Chancellor and is taking the necessary measures forward.

Recent developments

On 31st January 2003, Barclays PLC announced the acquisition of Charles Schwab Europe, an execution only retail stockbroker.

FINANCIAL REVIEW

Profit/(loss) before tax and total assets and weighted risk assets

Profit/(loss) before tax

	2002	2001 restated	2000 restated
		(£ millions)	

	2002	2001 restated	2000 restated
Personal Financial Services	**867**	803	557
Barclays Private Clients	**281**	553	553
Barclaycard	**615**	504	429
Business Banking	**1,219**	1,050	1,006
Barclays Africa	**89**	123	93
Barclays Capital	**581**	655	517
Barclays Global Investors	**110**	78	59
Other operations (1)	**(179)**	(28)	79
Head office functions	**(121)**	(80)	(64)
Goodwill amortisation	**(254)**	(229)	(51)
Exceptional items	**(3)**	(4)	214
Profit before tax	**3,205**	3,425	3,392

(1) Other operations now include South American Corporate Banking activities previously included in Barclays Capital and Business Banking, prior periods have been restated accordingly.

Total assets and weighted risk assets

	Total assets			Weighted risk assets		
	2002	2001 restated	2000 restated	2002	2001 restated	2000 restated
	(£ millions)					
Personal Financial Services	**71,871**	64,314	60,993	**41,100**	36,154	34,156
Barclays Private Clients	**14,016**	13,886	14,098	**11,713**	9,197	8,390
Barclaycard	**10,669**	9,404	9,867	**10,647**	9,467	9,685
Business Banking	**47,315**	44,132	41,344	**50,449**	46,272	43,636
Barclays Africa	**2,632**	2,756	2,291	**1,892**	1,943	1,661
Barclays Capital	**236,472**	201,301	167,197	**53,496**	51,943	45,380
Barclays Global Investors	**494**	308	259	**666**	563	653
Other operations and head office functions	**8,379**	8,250	7,157	**2,785**	3,334	3,479
Goodwill	**3,934**	4,091	4,269			
Retail life-fund assets	**7,284**	8,170	8,711			
	403,066	356,612	316,186	**172,748**	158,873	147,040

Summary statutory profit and loss account

Summary statutory profit and loss account

	2002	2001 restated	2000 restated
	(£ millions)		

	2002	2001 restated	2000 restated
Operating income	**11,327**	11,142	9,494
Operating expenses	**(6,624)**	(6,554)	(5,492)
Operating profit before provisions	**4,703**	4,588	4,002
Provisions for bad and doubtful debts	**(1,484)**	(1,149)	(817)
Provisions for contingent liabilities and commitments	**(1)**	(1)	1
Operating profit	**3,218**	3,438	3,186
Loss from joint ventures	**(5)**	(1)	(1)
Loss from associated undertakings	**(5)**	(8)	(7)
(Loss)/profit on disposal/termination of Group undertakings	**(3)**	(4)	214
Profit on ordinary activities before tax	**3,205**	3,425	3,392

Introduction

The Group's profit before tax reduced by 6% to £3,205m (2001: £3,425m). This reduction reflected an adverse movement of £178m attributable to the impact of the 24% decline in the FTSE 100 Index on income from the life assurance funds and a 29% increase in credit risk provisions to £1,484m (2001: £1,149m). Statutory earnings per share reduced by 8% to 33.7p.

To facilitate a better understanding of profit trends the business analysis of operating profit below excludes the impact of the restructuring charge, costs directly associated with the integration of Woolwich plc, Woolwich fair value adjustments and goodwill amortisation.

Personal Financial Services increased operating profit by 8% to £1,027m (2001: £949m). Income was up 1% at £2,968m (2001: £2,952m). Costs which totalled £1,606m fell 1% (2001: £1,624m) while provisions were down 13% at £334m (2001: £382m).

Barclays Private Clients operating profit decreased by 44% to £333m (2001: £596m) largely reflecting the impact of the sharp reduction in income from the closed long-term assurance funds. Costs increased to £944m (2001: £915m) although were lower than last year when excluding the £72m (2001: £31m) of costs attributable to the change in treatment of the regulated sales force.

Barclaycard increased operating profit by 21% to £628m (2001: £520m) driven by strong income growth of 14% to £1,582m (2001: £1,386m). Excluding the acquisition of Providian UK, income grew 10% and costs 6%. Provisions increased by 7% to £402m (2001: £374m).

Business Banking increased operating profit by 15% to £1,262m (2001: £1,100m) reflecting volume growth and the benefits of tight cost management. Income grew by 5% to £2,508m (2001: £2,382m) and costs fell by 4% to £1,018m (2001: £1,061m). Provisions increased to £226m (2001: £210m).

Barclays Africa operating profit decreased 19% to £105m (2001: £130m) with the fall in profit being mainly attributable to Zimbabwe. All businesses, including Zimbabwe, remained profitable in local currencies.

Barclays Capital operating profit fell by 10% to £593m (2001: £662m). Income was up 7% to £2,239m (2001: £2,087m), benefiting from increased market share through a broadening business mix and further progress in building the client franchise. Costs fell 1% to £1,312m (2001: £1,322m). Provisions rose to £334m (2001: £103m) reflecting continued difficult economic conditions (particularly in the US)primarily in the telecommunications and energy sectors.

Barclays Global Investors operating profit increased 41% to £110m (2001: £78m). Income increased by 5% to £550m (2001: £523m) and costs were down 1% at £439m (2001: £444m).

Total Group provisions of £1,484m comprised £132m (2001: £36m) in respect of South American Corporate Banking and £1,352m (2001: £1,113m) of other provisions.

Non-performing lendings increased by £655m to £4,526m. Potential problem loans decreased by £98m to £1,304m. Coverage of non-performing lendings reduced from 72.1% to 68.0% while the coverage of total potential credit risk was broadly unchanged at 52.8% (2001: 52.9%).

Shareholders' funds increased by £720m primarily due to profit retentions. Weighted risk assets increased by £13.9bn (9%) to £173bn. The tier 1 ratio increased from 7.8% to 8.2% while the total risk asset ratio increased from 12.5% to 12.8%. Total assets increased by £46bn to £403bn, including a £35bn increase within Barclays Capital.

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.

Operating profit, where applicable, excludes Woolwich fair value adjustments, costs associated with the integration of Woolwich plc and the restructuring charge relating to staff displacement and related costs. Goodwill amortisation is not reflected in the business analysis.

The following results incorporate, where applicable, those of the Woolwich plc business from its acquisition on 25th October 2000. The primary impact is reflected in Personal Financial Services.

Comparative figures have been restated as a result of the changes in accounting policy and accounting presentation as set out on pages 102 and 103.

Personal Financial Services

Financial performance

	2002	**2001**	**2000**
		(£ millions)	
Net interest income	**1,892**	1,954	1,396
Net fees and commissions	**794**	806	559
Other operating income	**282**	192	143
Operating income	**2,968**	2,952	2,098
Operating costs	**(1,606)**	(1,624)	(1,176)
Provisions for bad and doubtful debts	**(334)**	(382)	(277)
(Loss)/profit from joint ventures and associated undertakings	**(1)**	3	
Operating profit	**1,027**	949	645
Restructuring costs	**(39)**	(37)	(76)
Integration costs	**(70)**	(76)	(6)
Fair value adjustment	**(51)**	(33)	(6)
Profit before tax and exceptional items	**867**	803	557

Personal Financial Services operating profit increased 8% (£78m) to £1,027m (2001: £949m).

There was a strong focus on managing the risk profile of the business and tight control of costs. There was also significant progress in the change programme that involved major restructuring, investment in infrastructure and improvements to the customer offering. Woolwich integration synergies were realised ahead of plan, providing support to this investment and helping the business absorb the impact of a lower interest rate environment.

Operating income was up 1% at £2,968m (2001: £2,952m).

Net interest income decreased by 3% (£62m) to £1,892m (2001: £1,954m). Margin pressures, particularly within mortgages, have been actively managed with increased balances mitigating some of the compression. Growth of Openplan, a proposition in which customer retention and product penetration are high, also resulted in some self induced margin pressure.

Total UK mortgage balances increased 13%, in line with market growth, to £58.7bn (2001: £51.9bn). Openplan from Barclays attracted a total of £2.9bn of mortgage balances, of which over 80% were new to Barclays. Net new lending of £6.9bn (2001: £4.3bn) represented an increase of 60% and a market share of 8.7% (2001: 7.8%). Significant volume growth was achieved in the first half of the year. Growth slowed in the second half reflecting a tightening of risk policies in uncertain economic conditions and as a response to more aggressive pricing evident in the market. The sharp increase in volume, primarily generated through the Barclays branches and intermediary channels, resulted in a short term drag on profit of £53m caused mainly by incentives combined with additional mortgage origination and servicing costs. Despite slower growth in the second half of the year, pipeline mortgage balances at the 31st December 2002 stood at £3.1bn (31st December 2001: £3.5bn).

Average retail savings balances increased 7% to £28.8bn (2001: £27.0bn). Barclays branded savings balances increased 22%, a leading market position in new business generation. Openplan from Barclays attracted a total of £10.3bn of savings balances of which 44% were new to Barclays.

Average retail consumer lending balances increased 8% to £6.4bn (2001: £5.9bn). The volume of lending continued to be managed actively and resulted in growth lower than the market. Ongoing improvements in risk management and lending quality has improved net revenues. Consumer lending margins have increased on the core portfolio during the year.

Net fees and commissions decreased 1% (£12m) to £794m (2001: £806m). In difficult market conditions, income from independent financial advice was £15m lower.

The number of current accounts increased 4% to 10.5 million (2001: 10.1 million), with Additions and Platinum accounts rising 27% to 1.75 million (2001: 1.38 million). Higher fees have been generated through these value-added current accounts.

Other operating income increased 47% (£90m) to £282m (2001: £192m). 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 costs were down 1% (£18m), to £1,606m (2001: £1,624m), despite significant continued investment in infrastructure and the higher costs associated with increased business volumes. Improved productivity and the implementation of a new organisation design underpinning the business transformation resulted in a reduction in non-customer facing staff of 1,100. The cost income ratio improved to 54% (2001: 55%).

Provisions decreased by 13% (£48m) to £334m (2001: £382m) 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. Credit quality remained strong with a reduction in potential problem loans. Coverage ratios improved during the second half of the year for both the secured and unsecured portfolios, despite the reduction in provisions.

Latest loan to value ratios within the mortgage book averaged 45%. Buy to let balances represented less than 5% of the total mortgage book and the latest loan to value ratios for these loans averaged 57%. Lending criteria for buy to let mortgages were tightened in the second half of the year.

The Openplan proposition continued to be highly successful in attracting new customers and retaining existing customers. Fully launched in April 2002, Openplan from Barclays attracted 778,000 customers across the UK (2001: 10,000). Product penetration was 4.3, well above the average of 2.5 outside Openplan. Openplan from The Woolwich customer numbers rose to 1,206,000 (2001: 960,000) and product penetration increased to 3.25 (2001: 3.08). There is evidence that Openplan facilitates the development of a deeper and more enduring customer relationship through higher product penetration and lower attrition rates.

Personal Financial Services operating profit in 2001 was £949m (2000: £645m). The year on year comparison is impacted by the inclusion of a significant element of the Woolwich plc business which was acquired on 25th October 2000.

Net interest income in 2001 was £1,954m (2000: £1,396m) primarily reflecting the inclusion of Woolwich where the contribution from mortgage and other lending activities compensated for margin pressure on deposit income. In other parts of the business, increased net interest income was driven by strong growth in deposit balances and by continued growth in consumer lending balances.

Net fees and commissions in 2001 were £806m (2000: £559m) primarily reflecting the inclusion of Woolwich where there was a good performance from IFA operations and fees from mortgage related activities. Additional current account and overdraft lending activity, and higher income from the fee-based Additions current account also contributed to the increase.

Other operating income in 2001 was £192m (2000: £143m).In addition to the impact of the inclusion of Woolwich the increase reflects higher levels of payment protection insurance and underwriting which benefited from improved volumes relating to customer lending and credit card borrowing.

Operating costs in 2001 were £1,624m (2000: £1,176m). Apart from the inclusion of Woolwich, where the level of costs was impacted by increased business, costs were maintained not withstanding the growth in business volumes.

Provisions in 2001 were £382m (2000: £277m). In addition to the inclusion of Woolwich, provisions also rose in other consumer lending portfolios albeit at a rate below the growth in consumer lending balances.

Barclays Private Clients

Financial performance

	2002	**2001**	**2000**
		(£ millions)	
Net interest income	**766**	829	788
Net fees and commissions	**594**	567	579
Income from the long-term assurance business	**(51)**	127	114
Other operating income	**14**	24	36
Operating income	**1,323**	1,547	1,517
Operating costs	**(944)**	(915)	(895)
Provisions for bad and doubtful debts	**(37)**	(36)	(23)
Loss from joint ventures and associated undertakings	**(9)**		
Operating profit	**333**	596	599
Restructuring costs	**(44)**	(34)	(46)
Integration costs	**(8)**	(9)	
Profit before tax and exceptional items	**281**	553	553

Barclays Private Clients operating profit fell 44% (£263m) to £333m (2001: £596m), with a large part of the decrease attributable to the impact of falling equity markets affecting the income of the closed long-term assurance funds.

On 11th October 2002, the Caribbean businesses of Barclays and Canadian Imperial Bank of Commerce were combined to form FirstCaribbean International Bank Ltd, generating a one-off economic profit contribution of £206m. The gain is recognised in the statement of total recognised gains and losses and in the economic profit for the year of Barclays Private Clients. From 11th October 2002, the interest in FirstCaribbean was accounted for as an associated undertaking.

Excluding the impact of the closed long-term assurance funds and adjusting for the change to the Caribbean business, the operating profit decline was 10%.

Operating income decreased 14% (£224m) to £1,323m (2001: £1,547m) mainly reflecting the impact of the fall in income from the closed long-term assurance funds. Income from long-term assurance business was also impacted by the cost of customer redress for endowment policies. Income was resilient in a difficult market environment.

Net interest income decreased 8% (£63m), to £766m (2001: £829m). The increased income generated from higher average customer deposits, up 2%, and average loans, up 3%, was offset by margin compression and the effects of lower interest rates.

Net fees and commissions increased 5% (£27m), to £594m (2001: £567m). On a comparative basis, this included £72m (2001: £31m) of commission income associated with the regulated sales force and previously offset against costs and borne within the life assurance fund. Excluding this and the Caribbean income, net fees and commissions decreased by 2% reflecting the impact of market conditions on the appetite for investment products. Average daily deal volumes in UK retail stockbroking were slightly down on 2001, at 6,300 (2001: 6,400). The stockbroking business continued to maintain its leading UK position with a 12% (2001: 11%) market share of retail stockbroking, as measured by retail client orders.

Operating costs were up 3% (£29m), to £944m (2001: £915m). 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 as detailed above. Headcount was tightly managed with a net reduction of 600 in the year, excluding the impact of the Caribbean transaction. Strategic investment spend at £87m, almost 10% of operating costs, was maintained at a level similar to 2001, despite the challenging market environment.

Total customer funds, comprising customer deposits and assets under management (including assets now managed by Legal & General under the strategic alliance), fell by £8bn to £85bn (31st December 2001: £93bn). This included a reduction of £4bn as a result of the Caribbean transaction and the sale of the US based Americas private banking business to the Royal Bank of Canada in June 2002.

Despite the volatile markets, 2002 witnessed a net increase in customer numbers of 1% and higher volumes of business with existing customers. In the UK, regulated product sales volumes increased 43%. Openplan was launched for UK affluent customers, building on the successful launch in Spain in September 2001. In the UK, 95,000 affluent customers joined Openplan, which attracted £3.7bn of savings and £1.6bn of mortgage balances. In Spain, 36,000 new customers were attracted to the bank in 2002 with 40% of the new customer flow choosing Openplan. In Spain, our market share of net new mortgage business increased to 5.0% in 2002 from 0.5% at the point of launch of Openplan in September 2001.

Sales of Legal & General life and pension products were maintained at levels broadly similar to 2001, but sales of funds and bonds were impacted by poor market sentiment for investment products. With the success of the Legal & General strategic alliance in the UK, similar arrangements in France with Axa and Fidelity were established during 2002.

Operating profit in 2001 of £596m was at a similar level to that in 2000 (£599m). Operating income in 2001 increased by 2% compared to 2000 benefiting from the diversity of the product, geography and client mix, despite difficult market conditions.

Net interest income in 2001 increased by 5% to £829m (2000: £788m). Increased lending volumes and average deposits were partially offset by margin compression in deposits, due to reduced interest rates.

Net fees and commissions in 2001 decreased by 2% to £567m (2000: £579m), primarily due to lower fund management and brokerage fees. This was partially offset by commission income of £35m from the sale of Legal & General products.

Income from long-term assurance in 2001 increased by 11% to £127m (2000: £114m).

Operating costs in 2001 increased by 2% to £915m (2000: £895m). This increase includes the £31m relating to the regulated sales force and field sales managers following the Legal & General strategic alliance where costs were previously borne within the long-term assurance fund.

Barclaycard

Financial performance

	2002	2001	2000

	2002	2001	2000
		(£ millions)	
Net interest income	**886**	807	681
Net fees and commissions	**696**	579	518
Operating income	**1,582**	1,386	1,199
Operating costs	**(552)**	(489)	(454)
Provisions for bad and doubtful debts	**(402)**	(374)	(304)
Loss from joint ventures		(3)	(2)
Operating profit	**628**	520	439
Restructuring costs	**(12)**	(13)	(9)
Integration costs	**(1)**	(3)	(1)
Profit before tax and exceptional items	**615**	504	429

Barclaycard's operating profit increased 21% (£108m) to £628m (2001: £520m).

Operating income increased 14%. Excluding the impact of the acquisition of Providian UK, the increase was 10%.

Net interest income increased 10% (£79m) to £886m (2001: £807m). This was mainly due to good growth in average UK extended credit balances, up 9% to £6.5bn (2001: £6.0bn), and to continued cardholder rate management coupled with falling interest rates. Period end extended credit balances were 19%, or £1.1bn, higher (at £7.1bn) than at 31st December 2001, of which Providian UK contributed £434m. Recruitment of UK customers reached a record 1,218,000 (2001: 763,000) in the period, up 60%, driven by the continued application of Information Based Customer Management (IBCM) capabilities. Despite strong competition in the market throughout 2002, Barclaycard increased its market share of new cards issued.

Net fees and commissions increased 20% (£117m) to £696m (2001: £579m), principally as a result of replacing UK annual fees with fees based on account activity.

Operating costs increased 13% (£63m) to £552m (2001: £489m). Excluding Providian UK, costs grew 6%. The cost income ratio was maintained at 35% (2001: 35%).

Provisions, which increased 7% (£28m) to £402m (2001: £374m), rose in line with the growth in average extended credit balances and broadly tracked Risk Tendency. The provisions impact of strong customer recruitment was mitigated by a number of new risk management initiatives primarily focused on collections.

Barclaycard International businesses recorded an operating loss of £13m (2001: loss £20m). Operating profits were recorded for the last four months of 2002, delivering profitability ahead of schedule. Income increased 30% and average extended credit balances rose by 29%.

Operating profit in 2001 increased by 18% to £520m (2000: £439m).

Net interest income in 2001 increased by 19% to £807m (2000: £681m). This was mainly as a result of good growth in average UK extended credit balances which rose 9% to £6.0bn (2000: £5.5bn), and improved cardholder rate management coupled with lower interest rates.

Fees and commissions in 2001 increased by 12% to £579m (2000: £518m) principally reflecting the impact of replacing UK annual account fees with fees based on account behaviour.

Operating costs in 2001 increased 8% to £489m (2000: £454m). This was largely attributable to higher strategic investment costs arising from increased recruitment of customers outside the UK and investment in capacity to facilitate the growing number of online users.

Provisions in 2001 increased 23% to £374m (2000: £304m) and was mainly attributable to growth in lending across the UK and international businesses and the continuing high levels of recruitment during the last two years.

Business Banking

Financial performance

	2002	2001	2000
		(£ millions)	
Net interest income	**1,620**	1,553	1,488
Net fees and commissions	**864**	833	787
Other operating income	**24**	(4)	8
Operating income	**2,508**	2,382	2,283
Operating costs	**(1,018)**	(1,061)	(1,078)
Provisions for bad and doubtful debts	**(226)**	(210)	(120)
Loss from associated undertakings	**(2)**	(11)	(1)
Operating profit	**1,262**	1,100	1,084
Restructuring costs	**(42)**	(49)	(78)
Integration costs	**(1)**	(1)	
Profit before tax and exceptional items	**1,219**	1,050	1,006

Business Banking operating profit increased 15% (£162m) to £1,262m (2001: £1,100m), reflecting improved income growth and tight cost management.

Net interest income increased 4% (£67m) to £1,620m (2001: £1,553m) partly as a result of increased volumes. Average lending balances increased 4% to £42.6bn and average deposit balances increased 3% to £43.9bn. Lending margins continued to ease modestly, but stabilised in the second half of the year. Deposit margins improved slightly, reflecting good growth in higher margin products combined with changes in the product mix.

Lending growth was concentrated towards large business customers. The strategy for the large business sector is to take advantage of profitable market opportunities and to increase industry focus and expertise within the relationship management teams. Lending volumes to medium business customers showed encouraging signs of growth in the second half of the year, while lending to the small business sector continued to be affected by weak economic conditions. The Sales Financing product range remained a high growth area with turnover volume up 57%. The overall lending portfolio remained well diversified by industrial classification.Net fees and commissions increased 4% (£31m) 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.

Other operating income mainly represented income from a restructuring of the leasing portfolio.

Operating costs fell 4% (£43m) to £1,018m (2001: £1,061m), reflecting continued management focus on operational cost efficiency. Business as usual costs fell by 1% as a result of a reduction in headcount but also reflected the impact of the discontinuation of the BarclaysB2B customer proposition in the first half of 2002. The cost income ratio improved to 41% (2001: 45%).

Provisions increased 8% (£16m) to £226m (2001: £210m), broadly in line with expectations. Conditions in a number of industries were weaker, although the composition of the lending stock and flow by risk grade for end 2002 against end 2001 remained steady. Provisions remained below Risk Tendency.

Operating profit in 2001 increased by 1% to £1,100m (2000: £1,084m).

Net interest income in 2001 increased 4% to £1,553m (2000: £1,488m) reflecting increased lending and deposit balances partly offset by a slight reduction in the overall margin.

Net fees and commissions in 2001 increased 6% to £833m (2000: £787m). Lending related fees growth was driven by good activity levels in Large Business. Money transmission income fell with higher volumes offset by the impact of competitve pressures on fee levels. Foreign exchange related income increased strongly as a result of higher turnover.

Operating costs in 2001 fell 2% to £1,061m (2000: £1,078m).

Provisions in 2001 increased 75% to £210m (2000: £120m) this reflected weaker economic conditions especially in the manufacturing sector.

Barclays Africa

Financial performance

	2002	2001	2000
		(£ millions)	
Net interest income	**160**	176	179
Net fees and commissions	**114**	130	126
Other operating income	**1**	6	7
Operating income	**275**	312	312
Operating costs	**(143)**	(157)	(156)
Provision for bad and doubtful debts	**(27)**	(25)	(47)
Operating profit	**105**	130	109
Restructuring costs	**(16)**	(7)	(16)
Profit before tax and exceptional items	**89**	123	93

Operating profit decreased 19% (£25m) to £105m (2001: £130m). This decrease was mainly attributable to the situation in Zimbabwe, where there was a decline in operating profit of £14m. All businesses remained profitable in local currencies.

Net interest income fell 9% (£16m) to £160m (2001: £176m) primarily attributable to the effects of Zimbabwe. Excluding Zimbabwe, net interest income increased 2% (£3m) to £151m (2001: £148m) reflecting growth in customer balances, with lending up 29% to £1.5bn and deposits rising 25% to £2.5bn. Net interest margins fell due to the impact of lower interest rates, particularly affecting deposit margins.

Net fees and commissions decreased 12% (£16m) to £114m (2001: £130m), mainly due to Zimbabwe.

Operating costs declined 9% (£14m) to £143m (2001: £157m) largely as a result of the impact of Zimbabwe. The cost income ratio increased marginally to 52% (2001: 50%) with tight control of costs offsetting increased strategic investment spend.

Provisions increased by 8% (£2m) to £27m (2001: £25m).

Operating profit in 2001 increased by 19% to £130m (2000: £109m), primarily as a result of a £22m reduction in the net provisions charge to £25m.

Barclays Capital

Financial performance

	2002	2001	2000

	2002	2001	2000
		(£ millions)	
Net interest income	**889**	639	474
Dealing profits	**827**	1,006	680
Net fees and commissions	**463**	389	453
Other operating income	**60**	53	39
Operating income	**2,239**	2,087	1,646
Operating costs	**(1,312)**	(1,322)	(1,061)
Provisions for bad and doubtful debts	**(334)**	(103)	(66)
Operating profit	**593**	662	519
Restructuring costs	**(12)**	(7)	(2)
Profit before tax and exceptional items	**581**	655	517

Operating profit fell 10% to £593m (2001: £662m), due to increased provisions as the difficult economic conditions affected specific sectors. Operating income grew 7% to £2,239m (2001: £2,087m). This reflects the underlying strength of the Barclays Capital business model and continued progress in building the client franchise. Weighted risk assets grew 3% to £53bn (2001: £52bn). The average daily value at risk (DVaR) remained relatively low at £23m (2001: £19m).

Secondary income, comprising net interest income and dealing profits, primarily arises from market activities including client risk management and financing solutions. The increase to £1,716m (2001: £1,645m) reflected strong growth in net interest income to £889m (2001: £639m), in particular from money markets and structured capital markets. Dealing profits fell to £827m (2001: £1,006m). The fall resulted from poor conditions in the credit and equity markets partially offset by strong gains in fixed income and commodities.

Primary income, net fees and commissions, increased to £463m (2001: £389m). This growth was driven by the Credit business with strong performances from primary bonds and structured capital markets. This reflected both increasing market share and the depth and quality of client relationships. Net fees and commissions included £87m (2001: £61m) of internal fees for structured capital market activities arranged by Barclays Capital.

Operating costs fell 1% to £1,312m (2001: £1,322m). There was continued strategic investment in product, client coverage and distribution capabilities, offset by focused cost reduction in other areas. Revenue related costs fell in line with performance. Staff costs were maintained at 53% (2001: 53%) of operating income less provisions. Headcount remained flat at 5,500.

Provisions increased to £334m (2001: £103m). The increase reflected continued difficult economic conditions (particularly in the US), primarily in the telecommunications and energy sectors. In the second half, provisions largely arose from the further deterioration of existing non performing loans.

Operating profit in 2001 increased 28% to £662m (2000: £519m).

Secondary income in 2001 increased 43% to £1,645m (2000: £1,154m) reflecting strong growth in net interest income and dealing profits. Both the Rates and Credit businesses performed well.

Primary income in 2001 fell 14% to £389m (2000: £453m) mainly due to lower financing volumes in syndicated loans.

Operating costs in 2001 rose 25% to £1,322m (2000: £1,061m), largely due to variable revenue related costs increasing in line with performance.

Provisions in 2001 increased to £103m (2000: £66m). There was an increase in new and increased provisions in the US, primarily relating to a small number of large loans.

Barclays Global Investors

Financial performance

	2002	2001	2000
		(£ millions)	
Net interest income	**12**	5	6
Net fees and commissions	**538**	518	435
Other operating income			(1)
Operating income	**550**	523	440
Operating costs	**(439)**	(444)	(381)
Loss from associated undertakings	**(1)**	(1)	
Operating profit before tax and exceptional items	**110**	78	59

Barclays Global Investors operating profit increased 41% (£32m) to £110m (2001: £78m) 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 increased by 4% (£20m) to £538m (2001: £518m) despite significantly lower stock market levels. Within an increasingly diverse set of business lines, this increase reflected the continued expansion in the advanced active business and growth of Global iShares (Exchange Traded Funds). These more than offset the impact of the decline in the stock market levels and lower securities lending fee spreads (which were the result of a more stable interest rate environment) and the impact of exchange rate translation movements.

New business from strong asset gathering coupled with a shift in asset mix towards higher margin active products drove growth in management fees. Performance fees benefited from strong advanced active product investment performance and new assets within incentive contracts. A change in the timing of the recognition of management fees has contributed £11m to the growth in fees. 58% of management fees are derived from active asset management.

Operating costs of £439m were down 1% relative to 2001. Increased performance related pay was offset by improved efficiency and the impact of exchange rate translation movements. The cost income ratio improved to 80% (2001: 85%).

Total assets under management decreased 13% (£68bn) to £462bn (2001: £530bn). This was the net result of an increase of £56bn attributable to new assets being more than offset by £52bn due to exchange rate translation movements and £72bn attributable to adverse market movements. Assets under management comprised £338bn (73%) of indexed assets, £41bn (9%) of managed cash assets and £83bn (18%) of active assets.

Growth in Global iShares (Exchange Traded Funds) continued to be strong. Global iShares assets grew to £22bn, up 47% (2001: £15bn). The launch of the first Fixed Income iShares in the US in the third quarter of the year demonstrated the ongoing commitment to market leading innovation.

Operating profit in 2001 increased 32% to £78m (2000: £59m) in a year of significantly lower stock market levels.

Fees and commissions in 2001 increased by 19% to £518m (2000: £435m). The increase was driven by a large increase in performance fees as a result of strong active product performance, increased securities lending revenues as a result of increases in stock lending volumes and spreads, and by higher transition fees due to increased business in client portfolio restructuring.

Operating costs in 2001 increased by 17% to £444m (2001: £381m) primarily reflecting higher performance related staff costs.

Other operations

Financial performance

	2002	2001	2000

	(£ millions)		
Property costs	**12**	14	31
Central services	**(17)**	(10)	2
Management of Group capital	**(37)**	5	15
South American Corporate Banking	**(127)**	(18)	25
Operating (loss)/profit	**(169)**	(9)	73
Restructuring costs	**(10)**	(19)	6
(Loss)/profit before tax and exceptional items	**(179)**	(28)	79

The loss in South American Corporate Banking for the full year 2002 of £127m (2001: £18m) reflected provisions relating to various Latin American exposures primarily in Argentina.

The Management of Group capital includes the internal fees charged by Barclays Capital for structured capital markets activities. In 2002, these fees amounted to £87m (2001: £61m).

The reduced property surplus in 2001 reflects decreased disposal activity. The increased deficit in Central services reflects additional investment in core technology and operational infrastructure.

The decreased surplus in 2001 in Management of Group capital was attributable to reduced credits arising in centrally managed transition businesses partially offset by lower internal fees payable The loss in South American Corporate Banking reflected the higher level of provisions relating to various Latin American exposures primarily in Argentina.

Head office functions

Financial performance

	2002	2001	2000
	(£ millions)		
Operating costs	**(109)**	(75)	(53)
Restructuring costs	**(12)**	(5)	(11)
Total	**(121)**	(80)	(64)

The increase in operating costs of £34m primarily reflects increased expenditure relating to marketing and central systems costs.

The increase in 2001 operating costs reflected expenditure on various group initiatives, the cost of which were held centrally.

Results by nature of income and expense

In the tables below, statutory basis refers to the presentation of the Group's results in the statutory profit and loss account on page 105. In addition, income and cost totals are shown excluding, where appropriate, Woolwich fair value adjustments and costs associated with the integration of Woolwich plc, the restructuring charge relating to staff displacement and related costs and goodwill amortisation, to assist in the analysis of the ongoing business performance.

Consideration of the results for 2001 and 2002 as compared to 2000 is materially impacted by the acquisition of Woolwich plc on 25th October 2000.

Comparative figures have been restated as a result of the changes in accounting policy and accounting presentation as set out on pages 102 to 103.

Net interest income

	2002	2001	2000
		(£ millions)	
Interest receivable	**12,044**	13,458	11,788
Interest payable	**(5,839)**	(7,492)	(6,682)
Profit on redemption/repurchase of loan capital			2
Statutory basis	**6,205**	5,966	5,108
Excluding Woolwich fair value adjustments	**6,257**	6,001	5,115

Group net interest income increased by 4% to £6,205m, reflecting growth in balances which more than offset a 16 basis point fall in the Group net interest margin to 2.75%.

Average interest earning assets increased by 10% to £225bn, primarily due to a £6bn increase in UK mortgage balances within Personal Financial Services and increases of £4bn in holdings of debt securities and £5bn of lending to banks in Barclays Capital.

Domestic average interest earning assets increased by 8% to £152bn (2001: £141bn), predominantly driven by the £6bn increase in mortgage balances in Personal Financial Services. International average interest earning assets increased by 15% to £73bn (2001: £64bn), primarily driven by an increase in Barclays Capital wholesale activities.

The reduction in the Group net interest margin reflected decreases in both the domestic and international margins.

The domestic margin has shown a decrease of 14 basis points reflecting active management of margins across the UK businesses in competitive market conditions, particularly in the mortgage market, and a low interest rate environment. The international margin has fallen by 11 basis points mainly as a result of managing down the higher yielding South American Corporate Banking business and an increase in non performing loans in the US.

The benefit of free funds fell 0.08% to 0.33% as a result of the reduction in interest rates.

The overall benefit of free funds on a hedged basis rose to 0.55% (2001: 0.53%) reflecting an increase in the effective rate of the hedge more than offsetting the fall in the liability interest rates.

Net interest income of £5,966m in 2001, including the impact of the inclusion of Woolwich for the whole year, was 17% higher than 2000 (£5,108m).

In 2001, overall banking margins were 17 basis points down on the level recorded in 2000 (3.08%) The adverse impact on the margin of the acquisition of Woolwich plc was mitigated in part by the benefit of a gain on closure of a surplus hedge following the acquisition of Woolwich plc. Increased margins in Barclaycard in part offset margin pressure in Personal Financial Services, Barclays Private Clients and Business Banking.

In 2001, the benefit of free funds fell 0.09% from its 2000 level of 0.50%. The fall in short term market rates increased the contribution to the net margin from the central management of Group interest rate exposure to 0.11% from 0.05%.

Prevailing average interest rates

	2002	2001	2000
		(%)	
UK:			
Barclays Bank PLC base rate	**4.00**	5.12	5.96
London Inter-Bank Offered Rate (LIBOR):			
three month sterling	**4.06**	5.04	6.10
three month eurodollar	**1.80**	3.78	6.47
United States prime rate	**4.68**	6.92	9.24

Average interest earning assets and liabilities banking business

	2002	2001	2000
		(£ millions)	
Average interest earning assets:			
Group	**225,178**	205,017	166,200
Domestic	**151,810**	141,087	104,845
International	**73,368**	63,930	61,355
Average interest bearing liabilities:			
Group	**199,708**	184,105	147,949
Domestic	**130,045**	122,422	89,712
International	**69,663**	61,683	58,237

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Yields, spreads and margins banking business (a)

	2002	2001	2000
		(%)	
Gross yield (b)			
Group	**5.35**	6.56	7.09
Domestic	**5.97**	7.10	7.90
International	**4.06**	5.38	5.71
Interest spread (c)			
Group	**2.42**	2.50	2.58
Domestic	**3.22**	3.23	3.51
International	**0.80**	0.91	1.01
Interest margin (d)			
Group	**2.75**	2.91	3.08
Domestic	**3.61**	3.75	4.15
International	**0.96**	1.07	1.25

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 82 to 83.

Net fees and commissions

	2002	2001	2000
		(£ millions)	
Fees and commissions receivable	**4,454**	4,202	3,676
Less: fees and commissions payable	**(529)**	(465)	(320)
Statutory basis	**3,925**	3,737	3,356

Group net fees and commissions increased by £188m (5%) to £3,925m, predominantly reflecting increases in Barclaycard and Barclays Capital.

In Barclaycard, the impact of replacing annual fees with fees based on account activity was the principal factor fuelling growth in net fees and commissions of 20% to £696m (2001: £579m).

Barclays Capital net fees and commissions increased 19% to £463m (2001: £389m). This growth was driven by the Credit business with strong performances from primary bonds and structured capital markets.

In Business Banking, net fees and commissions increased by 4% to £864m (2001: £833m).

Barclays Private Clients and Barclays Global Investors contributed increases totalling £47m. 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.

Net fees and commissions in 2001, including the impact of the inclusion of Woolwich for the whole year, were 11% higher than in 2000 (£3,356m).

In addition to the inclusion of Woolwich plc there were strong performances in a number of areas in 2001. In Personal Financial Services net fees and commissions increased by 44% to £806m reflecting a good performance from IFA operations, fees from lending activities and higher fee income from fee-based Additions accounts. Barclaycard net fees and commissions increased by 12% to £579m, principally as a result of replacing UK annual account fees with fees based on account behaviour.

Barclays Global Investors net fees and commissions increased £83m to £518m largely driven by a large increase in performance fees.

In Barclays Capital net fees and commissions fell 14% to £389m (2000: £453m) mainly due to lower financing volumes in syndicated loans. In Barclays Private Clients net fees and commissions were £12m lower than in 2000 (£579m) primarily due to lower fund management and brokerage fees.

Dealing profits

	2002	**2001**	**2001**
		(£ millions)	
Rates related business	**876**	823	635
Credit related business	**(43)**	188	42
Statutory basis	**833**	1,011	677

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

Dealing profits fell to £833m (2001: £1,011m). The fall resulted from poor conditions in the credit and equity markets with losses in the credit related financing business and in equity related activities partially offset by strong gains in fixed income and commodities in the Rates business.

Total foreign exchange income was £496m (2001: £490m) 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 2001 were 49% higher than in 2000 (£677m). The strong performance was underpinned by increased customer business, with client transaction volumes increasing by 77% and improved contributions from the US and Europe.

Other operating income

	2002	**2001**	**2000**
		(£ millions)	

	2002	2001	2000
Dividend income from equity shares	**7**	8	14
Profits on disposal of investment securities	**58**	37	45
Loss/income from the long-term assurance business	**(51)**	127	114
Property rentals	**20**	30	22
Premium income on insurance underwriting	**178**	158	126
Other income	**152**	68	32
Statutory basis	**364**	428	353

Other operating income decreased by £64m (15%) to £364m (2001: £428m).

Virtually all 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 reported loss of £51m for 2002 compared with an income contribution of £127m in 2001. The result mainly reflected the impact of movements in the stockmarkets. The FTSE 100 index declined 24% in 2002.

Income from the sale of Legal & General products following the alliance in 2001 is included in net fees and commissions.

The cost of redress for customers of Barclays Life and Woolwich Life who have claimed for the misselling of endowment policies was £19m for the year (2001: £3m).

Premium income on insurance underwriting rose by £20m to £178m as a result of increased payment protection income related to consumer lending activities.

Other income increased by £84m to £152m. An increase of £59m resulted from a revision of 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. The increase also reflects income of £39m from a restructuring of the leasing portfolio.

Other operating income in 2001, including the impact of the inclusion of Woolwich plc for the whole year, was 21% higher than in 2000 (£353m).

In addition to the inclusion of Woolwich plc, the increase was primarily fuelled by a £32m increase in premium income on insurance underwriting reflecting increased volumes relating to consumer lending and credit card borrowings.

Administrative expenses staff costs

	2002	2001	2001
		(£ millions)	
Salaries and accrued incentive payments	**3,159**	3,149	2,655
Social security costs	**240**	243	178
Pension costs	**(27)**	(17)	(31)
Post-retirement health care	**15**		1
Other staff costs	**368**	339	416
Statutory basis	**3,755**	3,714	3,219
Included above:			
Restructuring charge	**(124)**	(114)	(171)
Woolwich integration costs	**(2)**	(24)	(1)
Woolwich fair value adjustments	**1**	2	
Excluding Woolwich integration costs, Woolwich fair value adjustments and restructuring charges	**3,630**	3,578	3,047

Staff numbers (a)

	2002	2001	2000
Personal Financial Services (b)	**29,600**	32,100	30,600
Barclays Private Clients (c)	**8,900**	11,100	10,800
Barclaycard (d)	**4,700**	4,200	4,000
Business Banking	**9,600**	9,800	9,500
Barclays Africa (e)	**7,500**	8,000	8,000
Barclays Capital	**5,500**	5,500	4,900
Barclays Global Investors	**2,100**	2,100	2,100
Other operations (f)	**6,300**	5,400	5,900
Head office functions	**500**	400	400
Total Group permanent and contract staff worldwide	**74,700**	78,600	76,200
Temporary and agency staff worldwide	**3,700**	4,600	4,800
Total including temporary and agency staff	**78,400**	83,200	81,000

Notes

(a) Staff numbers are on a full time equivalent basis. United Kingdom permanent and contract staff are 59,000 (31st December 2001: 60,400).

(b) Includes 800 regulated sales force (31st December 2001: 1,100) whose costs, following the strategic alliance with Legal & General in 2001, are included in administrative expenses staff costs. During 2002, staff numbers in Personal Financial Services decreased by 600 as a result of restructuring. A further 700 staff relating to a mortgage call centre were outsourced to an associated undertaking while an additional 1,000 staff were transferred to shared service units reported within Other operations.

(c) Excludes 200 administrative staff (31st December 2001: 500) whose costs are borne within the long-term assurance funds. Staff numbers at 31st December 2001 included 1,600 staff employed by the Barclays Caribbean business now part of FirstCaribbean, which is an associated undertaking and whose staff are not included in the table above. A further reduction of 500 resulted from restructuring.

(d) Staff numbers at 31st December 2002 included 600 arising from the acquisition of the Providian UK credit card business.

(e) During 2002, staff numbers in Africa decreased by 400 as a result of restructuring.

(f) Staff numbers at 31st December 2002 included 1,000 transferred from Personal Financial Services.

Staff costs

Staff costs, excluding the restructuring charge together with the integration costs and fair value adjustments arising from the acquisition of Woolwich plc, increased by 1% to £3,630m.

Salaries and accrued incentive payments were broadly flat. The impact of the annual UK pay award was offset by a reduction in Group staff numbers and in payments to temporary staff. In addition, staff costs included £55m (2001: £25m) relating to the regulated sales force following the formation of the strategic alliance with Legal & General from August 2001. Increased costs in Barclays Global Investors were in line with improved performance but were more than offset by a reduction in Barclays Capital.

Pension costs, calculated in accordance with SSAP 24, included a credit of £72m (2001: £72m) in respect of the Group's main UK pension schemes. Pension assets at the end of September 2002 were £9.5bn (2001: £10.7bn). Based on a valuation date of 30th September 2002, there was an actuarial funding ratio of 104% (2001: 110%).

Under FRS 17, there would have been a charge of £130m in respect of the Group's main UK pension scheme in 2002 and a deficit of £1.3bn. This compares with the surplus of £544m under SSAP 24 for 2002.

Permanent and contract staff numbers fell by 3,900 of which 1,600 were attributable to the treatment of the Caribbean business as an associated undertaking. The implementation of restructuring programmes resulted in a decrease of 2,600. This was primarily in Personal Financial Services, Barclays Private Clients and Barclays Africa, but it was spread across the businesses. A further 1,000 came from outsourcing, (of which 700 staff were outsourced to an associated undertaking), mainly of mortgage production administration. This was partly offset by an increase in Barclaycard of 500, mostly attributable to the acquisition of Providian UK and growth in other business areas of 800.

Staff costs in 2001, including the impact of the inclusion of Woolwich plc for the whole year except for costs of integration but excluding the restructuring charge, were £531m higher than in 2000 (£3,047m).

In addition to the inclusion of Woolwich, the increase in salaries and accrued incentive payments in 2001 largely reflects increased performance related payments and the cost of enhancing the product and distribution platform in Barclays Capital. Salaries and accrued incentive payments in 2001 include the cost of the Performance Incentive Plan (PIP) which was launched in that year. The PIP combines the previous bonus and profit sharing schemes into a single bonus scheme. In addition, staff costs in 2001 included £31m relating to the regulated sales force and field sales managers following the alliance with Legal & General from 1st August 2001.

Administrative expenses other

	2002	2001	2000
		(£ millions)	

	2002	2001	2000
Property and equipment expenses			
Hire of equipment	**12**	16	20
Property rentals	**180**	183	157
Other property and equipment expenses	**793**	775	641
	985	974	818
Other administrative expenses			
Stationery, postage and telephones	**294**	318	261
Advertising and market promotion	**238**	212	221
Travel, accommodation and entertainment	**136**	143	123
Subscriptions and publications	**86**	83	65
Securities clearing and other operational expenses	**29**	36	26
Sundry losses, provisions and write-offs	**121**	141	115
Consultancy fees	**85**	133	158
Professional fees	**161**	137	106
Other expenses	**177**	126	74
Statutory basis	**2,312**	2,303	1,967
Included above:			
Restructuring charge	**(63)**	(57)	(61)
Woolwich Integration costs	**(78)**	(65)	(6)
Excluding Woolwich integration costs and restructuring charges	**2,171**	2,181	1,900

Administrative expenses other were broadly flat. Property and equipment expenses were £11m higher, reflecting higher external information technology costs.

Other administrative expenses reduced by £2m. Increased advertising and market promotion expenditure, including costs relating to the launch of Barclaycard Direct, Openplan from Barclays and other campaigns, was offset by reductions in other areas.

In 2001, Administrative expenses other, including the impact of Woolwich plc for the whole year, were £336m higher than in 2000 (£1,967m). In addition to the inclusion of Woolwich the increase was mainly attributable to higher levels of business and increased strategic investment.

Depreciation and amortisation

	2002	2001	2000
		(£ millions)	
Property depreciation	**93**	105	85
Equipment depreciation	**198**	194	166
Loss on sale of equipment	**12**	9	4
	303	308	255
Goodwill amortisation			
Woolwich plc	**206**	206	38
other	**48**	23	13
Statutory basis	**557**	537	306

	2002	2001	2000
Included above:			
Goodwill amortisation	**(254)**	(229)	(51)
Woolwich fair value adjustments			1
Excluding goodwill amortisation and Woolwich fair value adjustments	**303**	308	256

The increase in other goodwill amortisation results from the acquisition of the Providian UK credit card business and an increase in the goodwill charge for the Group's Brazilian subsidiary, Banco Barclays SA.

The acquisition of Woolwich plc resulted in goodwill of £4,121m with an estimated life of 20 years. This results in an annual charge of £206m against the £38m charged in the year of acquisition.

Other goodwill amortisation in 2001 was £10m higher than in 2000 (£13m). This arose in relation to the Group's Brazilian operation, Banco Barclays e Galicia SA, which was accounted for as a subsidiary from 1st January 2001.

Provisions for bad and doubtful debts

	2002	2001	2000
		(£ millions)	
Specific charge	**1,486**	1,165	777
General (release)/charge	**(2)**	(16)	40
Statutory basis	**1,484**	1,149	817

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) and in the South American Corporate Banking (£96m) portfolios. The increase in provisions at Barclays Capital reflected difficult economic conditions, mainly in the telecommunications and energy sectors, particularly in the US. The deterioration in the second half of 2002 was largely in existing non performing loans. The increase in provisions in South American Corporate Banking mainly related to Argentina.

Business Banking sustained an 8% increase in its bad debt provision charge, broadly in line with expectations. The charge for Barclaycard was £402m, 7% higher reflecting the acquisition of Providian UK and the growth in average extended credit balances of 9%. Within Personal Financial Services, the provision charge fell by 13%, reflecting in part improvements in risk management.

In 2001, the net provisions charge, including the impact of Woolwich for the whole year, was £332m higher than in 2000 (£817m). New and increased provisions were 47% higher at £1,440m while releases and recoveries of £275m were £71m higher. During 2001 there was a £40m reclassification from general provision to specific provision in Personal Financial Services based on the introduction of a statistical methodology enabling earlier recognition of specific impairment. This is reflected as a new and increased specific provision and a release of general provision.

Loss from joint ventures and associated undertakings

	2002	2001	2000
		(£ millions)	
Loss from joint ventures	**(5)**	(1)	(1)

	2002	2001	2000
Loss from associated undertakings	**(5)**	(8)	(7)
Statutory basis	**(10)**	(9)	(8)

In 2002 the loss from joint ventures relates primarily to an entity within Personal Financial Services.

The loss from associated undertakings includes a loss of £9m relating to FirstCaribbean (see page 125) which was due to integration and restructuring costs following the creation of the new enlarged business. It also includes £1m relating to the amortisation of the goodwill arising on completion of the Caribbean transaction.

The loss from associated undertakings in 2001 is attributable to start up costs of new ventures in Business Banking. The loss from associated undertakings in 2000 largely arose from the Group's then associated undertaking Banco Barclays e Galicia SA.

(Loss)/profit on disposal/termination of Group undertakings

	2002	2001	2000
		(£ millions)	
Profit on disposal of other Group undertakings	**8**	(4)	214
Loss on termination of Group activities	**(11)**		
Statutory basis	**(3)**	(4)	214

The profit on disposal of Group undertakings in 2002 relates primarily to a £7m release of provisions in connection with a transaction in previous years which are no longer required. The gross gain on the sale of the US based Americas private banking business was broadly offset by goodwill written off.

The net loss on disposal of Group undertakings in 2001 represented losses of £19m offset by gains of £15m. The net loss included goodwill written off of £1m.

In 2000, the profit on disposal of Group undertakings includes a £186m profit on the sale of Dial and £18m profit on the sale of Barclays Property Investment Management in October 2000.

Tax

The overall tax charge is explained in the following table:

	2002	2001	2000
		(£ millions)	
Tax charge at average UK corporation tax rate of 30% (2001: 30%, 2000: 30%)	**961**	1,027	1,017
Prior year adjustments	**(25)**	34	9
Effect of change in non-allowable general provisions	**(2)**	(11)	24
Effect of non-allowable property write-downs and depreciation	**12**	17	6
Net effect of differing tax rates overseas	**(70)**	(65)	(43)
Net effect of overseas losses not available for relief in the UK	**(40)**	(17)	(5)
Other non-allowable expenses	**8**	(21)	16
Gains covered by capital losses brought forward	**(3)**	(49)	(53)
Goodwill	**69**	67	11
Other items	**45**	(39)	(81)
Overall tax charge	**955**	943	901

	2002	2001	2000
Effective tax rate %	**29.8**	27.5	26.6

The charge for the year assumes a UK corporation tax rate of 30% for the year 2002 (2001: 30%). The effective rate of tax is 29.8% (2001: 27.5%). The increase in the rate from last year is primarily due to the absence of tax-free disposals, coupled with a reduction in the payments made to the qualifying employee trust reflecting the reduced share price and a reduction in the benefit generated by the utilisation of overseas losses.

Included in the charge is a credit of £38m (2001: £11m charge) tax on the decrease in shareholders' interest in the long-term assurance funds.

Restructuring charge

The total restructuring charge is £187m, with the main elements relating to Business Banking (£42m), Barclays Private Clients (£44m), Personal Financial Services (£39m), Barclays Africa (£16m) and Barclaycard (£12m).

Accrued provisions at 31st December 2002 for restructuring and closure costs amounted to £117m (31st December 2001: £130m). Expenditure of £85m was incurred during the year against provisions raised as at 31st December 2001 and £122m in respect of the 2002 programme.

In 2001 the Group incurred a restructuring charge of £171m (2000: £232m).

Total assets and liabilities

The Group's balance sheet grew by 13% (£46bn) to £403bn. Weighted risk assets rose by 9% to £173bn.

Within Personal Financial Services, total assets grew by 12% to £72bn. Weighted risk assets increased by 14% to £41bn primarily as a result of strong growth in UK mortgage balances, up 13% to £58.7bn (31st December 2001: £51.9bn), and good growth in other secured and unsecured lending.

Barclays Private Clients total assets of £14bn were at a similar level to 2001, with the increase in assets resulting from the growth of Openplan in Spain being offset by the effect of the Caribbean transaction. Weighted risk assets increased by £2.5bn reflecting the growth in Openplan assets and the inclusion of 100% of the weighted risk assets of the Caribbean associate, FirstCaribbean International Bank (see Capital ratios on pages 86 and 87).

Within Barclaycard, total assets increased by £1.3bn in the year to £10.7bn. Weighted risk assets increased by 12% to £10.6bn. The increase reflected higher extended credit balances and the inclusion of the Providian UK business.

Within Business Banking, total assets grew by 7% to £47bn. Weighted risk assets increased by 9% during the same period. Growth was predominantly in lending to larger business customers.

Barclays Capital total assets increased by 17% (£35bn) to £236bn during 2002 due to increases in reverse repo balances and government securities. Reverse repo balances, which are fully collateralised, increased £22bn, driven by growth in money markets and prime brokerage. There were also increases in government debt securities within the fixed income business of £9bn. Total weighted risk assets increased by only 3% to £53bn (2001: £52bn), reflecting the higher quality and therefore lower risk weightings associated with reverse repos and government backed securities.

Repo transactions

Under a repo (sale and repurchase agreement), an asset is sold to a counterparty with a commitment to repurchase it at a future date at an agreed price. The Group engages in repos and also in reverse repos, which are the same transaction in the opposite direction, i.e. the Group buying an asset with a fixed commitment to resell. The Group aims to earn spread and trading income from these activities as well as funding its own holdings of securities.

The following amounts were included in the balance sheet for repos and reverse repos and are reported on a net basis where permitted:

	2002	2001	2000
		(£ millions)	
Reverse repos (assets)			
Loans and advances to banks	**41,001**	32,042	25,595
Loans and advances to customers	**42,505**	29,731	20,758
	83,506	61,773	46,353
Repos (liabilities)			
Deposits by banks	**37,857**	25,048	16,275
Customer accounts	**24,580**	16,204	17,053
	62,437	41,252	33,328

The average and maximum amount of reverse repos for 2002 were £76,215m and £103,895m (2001: £95,849m and £119,942m, 2000: £48,952m and £60,356m) respectively. The average and maximum amount of repos for 2002 were £61,416 and £92,219m (2001: £88,311 and £116,458m, 2000: £40,462m and £52,163).

Average balance sheet

Average balance sheet and net interest income (year ended 31st December)

	2002			2001			2000		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(£m)	(£m)	(%)	(£m)	(£m)	(%)	(£m)	(£m)	(%)
Assets									
Treasury bills and other eligible bills:									

	2002			2001			2000		
in offices in the UK	4,496	158	3.5	3,952	189	4.8	4,491	146	3.3
in offices outside the UK	960	66	6.9	1,114	89	8.0	844	88	10.4
Loans and advances to banks:									
in offices in the UK	12,560	561	4.5	7,615	346	4.5	6,579	355	5.4
in offices outside the UK	5,535	161	2.9	5,827	265	4.5	6,361	397	6.2
Loans and advances to customers:									
in offices in the UK	126,306	7,712	6.1	116,279	8,406	7.2	83,651	6,810	8.1
in offices outside the UK	25,896	1,132	4.4	23,573	1,498	6.4	20,693	1,298	6.3
Lease receivables:									
in offices in the UK	4,245	209	4.9	4,384	245	5.6	4,683	316	6.7
in offices outside the UK	222	15	6.8	226	18	8.0	366	39	10.6
Debt securities:									
in offices in the UK	40,115	1,790	4.5	36,858	2,069	5.6	26,973	1,630	6.0
in offices outside the UK	4,843	240	5.0	5,189	333	6.4	11,559	709	6.1
Average assets of banking business	225,178	12,044	5.3	205,017	13,458	6.6	166,200	11,788	7.1
Average assets of trading business	160,647	4,372	2.7	132,904	5,437	4.1	98,156	4,808	4.9
Total average interest earning assets	385,825	16,416	4.2	337,921	18,895	5.6	264,356	16,596	6.3
Provisions	(2,808)			(2,513)			(2,115)		
Non-interest earning assets	46,753			48,796			43,148		
Total average assets and interest income	429,770	16,416	3.8	384,204	18,895	4.9	305,389	16,596	5.4
Percentage of total average assets in offices outside the UK	27.2%			27.5%			31.4%		
Average interest earning assets and net interest income:									
Banking business	225,178	6,188	2.7	205,017	5,970	2.9	166,200	5,114	3.1
Trading business	160,647	75	0.0	132,904	(387)	(0.3)	98,156	(216)	(0.2)
Non margin interest		17			(4)			(6)	
Total average interest earning assets and net interest income	385,825	6,280	1.6	337,921	5,579	1.7	264,356	4,892	1.9
Total average interest earning assets related to:									
Interest income		16,416	4.2		18,895	5.6		16,596	6.3
Interest expense		(10,153)	(2.6)		(13,312)	(3.9)		(11,698)	(4.4)
Adjustment for non margin interest		17			(4)			(6)	
		6,280	1.6		5,579	1.7		4,892	1.9

	2002			2001			2000		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(£m)	(£m)	(%)	(£m)	(£m)	(%)	(£m)	(£m)	(%)
Liabilities and shareholders' funds									
Deposits by banks:									
in offices in the UK	31,880	987	3.1	27,547	1,144	4.2	21,465	932	4.3
in offices outside the UK	8,908	200	2.2	10,548	366	3.5	13,736	545	4.0
Customer accounts demand deposits:									
in offices in the UK	16,260	164	1.0	14,646	209	1.4	13,302	220	1.7

	2002			2001			2000		
in offices outside the UK	**1,846**	**27**	**1.5**	1,734	37	2.1	1,707	50	2.9
Customer accounts savings deposits:									
in offices in the UK	**41,722**	**982**	**2.4**	37,341	1,153	3.1	27,349	1,005	3.7
in offices outside the UK	**1,262**	**32**	**2.5**	1,297	50	3.9	1,312	62	4.7
Customer accounts other time deposits retail:									
in offices in the UK	**40,075**	**1,303**	**3.3**	38,521	1,906	4.9	28,639	1,634	5.7
in offices outside the UK	**5,479**	**139**	**2.5**	5,611	251	4.5	5,785	316	5.5
Customer accounts other time deposits wholesale:									
in offices in the UK	**35,607**	**1,175**	**3.3**	31,474	1,316	4.2	22,596	1,165	5.2
in offices outside the UK	**7,959**	**231**	**2.9**	7,240	340	4.7	10,005	553	5.5
Debt securities in issue:									
in offices in the UK	**28,596**	**1,061**	**3.7**	30,378	1,546	5.1	19,904	1,057	5.3
in offices outside the UK	**11,728**	**339**	**2.9**	11,083	522	4.7	7,279	457	6.3
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**11,012**	**645**	**5.9**	9,165	601	6.6	5,225	382	7.3
Internal funding of trading business	**(42,626)**	**(1,429)**	**(3.4)**	(42,480)	(1,953)	(4.6)	(30,355)	(1,704)	(5.6)
Average liabilities of banking business	**199,708**	**5,856**	**2.9**	184,105	7,488	4.1	147,949	6,674	4.5
Average liabilities of trading business	**162,858**	**4,297**	**2.6**	134,609	5,824	4.3	98,297	5,024	5.1
Total average interest bearing liabilities	**362,566**	**10,153**	**2.8**	318,714	13,312	4.2	246,246	11,698	4.8
Interest free customer deposits:									
in offices in the UK	**11,614**			10,282			9,468		
in offices outside the UK	**2,132**			2,151			1,858		
Other non-interest bearing liabilities	**38,172**			38,828			37,673		
Minority and other interests and shareholders' funds	**15,286**			14,229			10,144		
Total average liabilities, shareholders' funds and interest expense	**429,770**	**10,153**	**2.4**	384,204	13,312	3.5	305,389	11,698	3.8
Percentage of total average non-capital liabilities in offices outside the UK	**25.5%**			26.4%			30.4%		

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.

Changes in net interest income volume and rate analysis

The following table allocates 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.

	2002/2001 Change due to increase/(decrease) in:			2001/2000 Change due to increase/(decrease) in:		
	Total change	Volume	Rate	Total change	Volume	Rate
	(£ millions)					
Interest receivable						
Treasury bills and other eligible bills:						
in offices in the UK	**(31)**	**24**	**(55)**	43	(19)	62
in offices outside the UK	**(23)**	**(11)**	**(12)**	1	24	(23)
	(54)	**13**	**(67)**	44	5	39
Loans and advances to banks:						
in offices in the UK	**215**	**221**	**(6)**	(9)	52	(61)
in offices outside the UK	**(104)**	**(13)**	**(91)**	(132)	(31)	(101)
	111	**208**	**(97)**	(141)	21	(162)
Loans and advances to customers:						
in offices in the UK	**(694)**	**685**	**(1,379)**	1,596	2,425	(829)
in offices outside the UK	**(366)**	**137**	**(503)**	200	183	17
	(1,060)	**822**	**(1,882)**	1,796	2,608	(812)
Lease receivables:						
in offices in the UK	**(36)**	**(8)**	**(28)**	(71)	(19)	(52)
in offices outside the UK	**(3)**		**(3)**	(21)	(13)	(8)
	(39)	**(8)**	**(31)**	(92)	(32)	(60)
Debt securities:						
in offices in the UK	**(279)**	**172**	**(451)**	439	562	(123)
in offices outside the UK	**(93)**	**(21)**	**(72)**	(376)	(407)	31
	(372)	**151**	**(523)**	63	155	(92)
Total banking business interest receivable:						
in offices in the UK	**(825)**	**1,094**	**(1,919)**	1,998	3,001	(1,003)
in offices outside the UK	**(589)**	**92**	**(681)**	(328)	(244)	(84)
	(1,414)	**1,186**	**(2,600)**	1,670	2,757	(1,087)
Total trading business interest receivable	**(1,065)**	**989**	**(2,054)**	629	1,512	(883)
Total interest receivable	**(2,479)**	**2,175**	**(4,654)**	2,299	4,269	(1,970)

	2002/2001 Change due to increase/(decrease) in:	2001/2000 Change due to increase/(decrease) in:

	2002/2001 Change due to increase/(decrease) in:			2001/2000 Change due to increase/(decrease) in:		
	Total change	Volume	Rate	Total change	Volume	Rate
	(£ millions)					
Interest payable						
Deposits by banks:						
in offices in the UK	**(157)**	**162**	**(319)**	212	254	(42)
in offices outside the UK	**(166)**	**(51)**	**(115)**	(179)	(116)	(63)
	(323)	**111**	**(434)**	33	138	(105)
Customer accounts demand deposits:						
in offices in the UK	**(45)**	**21**	**(66)**	(11)	21	(32)
in offices outside the UK	**(10)**	**2**	**(12)**	(13)	1	(14)
	(55)	**23**	**(78)**	(24)	22	(46)
Customer accounts savings deposits:						
in offices in the UK	**(171)**	**125**	**(296)**	148	326	(178)
in offices outside the UK	**(18)**	**(1)**	**(17)**	(12)	(1)	(11)
	(189)	**124**	**(313)**	136	325	(189)
Customer accounts other time deposits retail:						
in offices in the UK	**(603)**	**74**	**(677)**	272	510	(238)
in offices outside the UK	**(112)**	**(6)**	**(106)**	(65)	(9)	(56)
	(715)	**68**	**(783)**	207	501	(294)
Customer accounts other time deposits wholesale:						
in offices in the UK	**(141)**	**159**	**(300)**	151	400	(249)
in offices outside the UK	**(109)**	**31**	**(140)**	(213)	(138)	(75)
	(250)	**190**	**(440)**	(62)	262	(324)
Debt securities in issue:						
in offices in the UK	**(485)**	**(86)**	**(399)**	489	535	(46)
in offices outside the UK	**(183)**	**29**	**(212)**	65	198	(133)
	(668)	**(57)**	**(611)**	554	733	(179)
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**44**	**113**	**(69)**	219	261	(42)
Internal funding of trading businesses	**524**	**(7)**	**531**	(249)	(596)	347
Total banking business interest payable:						
in offices in the UK	**(1,034)**	**561**	**(1,595)**	1,231	1,711	(480)
in offices outside the UK	**(598)**	**4**	**(602)**	(417)	(65)	(352)
	(1,632)	**565**	**(2,197)**	814	1,646	(832)
Total trading business interest payable	**(1,527)**	**1,055**	**(2,582)**	800	1,655	(855)

	2002/2001 Change due to increase/(decrease) in:			2001/2000 Change due to increase/(decrease) in:		
Total interest payable	**(3,159)**	**1,620**	**(4,779)**	1,614	3,301	(1,687)
Movement in net interest income						
(Decrease)/increase in interest receivable	**(2,479)**	**2,175**	**(4,654)**	2,299	4,269	(1,970)
Decrease/(increase) in interest payable	**3,159**	**(1,620)**	**4,779**	(1,614)	(3,301)	1,687
	680	**555**	**125**	685	968	(283)
Movement in non margin interest	**21**			2		
	701			687		

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Capital resources

The Group continues to manage actively both its debt and equity capital. Total capital resources increased in the year by £2,292m.

	2002	2001	2000
		(£ millions)	
Barclays PLC Group			
Shareholders' funds	**15,205**	14,485	13,183
Minority & other interests	**156**	134	250
	15,361	14,619	13,433
Undated loan capital	**6,678**	5,054	4,022
Dated loan capital	**4,859**	4,933	3,698
Total capital resources	**26,898**	24,606	21,153

	2002	2001	2000
		(£ millions)	
Barclays Bank PLC Group			
Shareholders' funds	**15,205**	14,485	13,325
Minority interests	**156**	134	108
	15,361	14,619	13,433
Undated loan capital	**6,678**	5,054	4,022
Dated loan capital	**4,859**	4,933	3,698
Total capital resources	**26,898**	24,606	21,153

The Group manages both its debt and equity capital actively. The Group's authority to buy back equity was renewed at the 2002 AGM to provide additional flexibility in the management of the Group's capital resources.

Total capital resources increased in the period by £2,292m.

Equity shareholders' funds increased by £720m primarily reflecting profit retentions of £1,024m, net proceeds of share issues of £87m and the gain on the disposal of the Group's Caribbean business of £206m (see page 155) offset by share repurchases of £546m and exchange rate movements of £61m.

Loan capital rose by £1,550m, reflecting raisings of £2,173m. This was offset by redemptions of £376m, amortisation of issue expenses of £1m and exchange rate movements of £246m.

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

	2002	2001
	(£ millions)	
Weighted risk assets		
Banking book		
on-balance sheet	**128,691**	120,113
off-balance sheet	**21,999**	20,368
Associated undertakings and joint ventures	**3,065**	499
Total banking book	**153,755**	140,980
Trading book market risks	**7,988**	7,801
counterparty and settlement risks	**11,005**	10,092
Total trading book	**18,993**	17,893
Total weighted risk assets	**172,748**	158,873

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The following table analyses capital resources at 31st December 2002, as defined for regulatory purposes:

	2002		2001	
	Barclays PLC Group	Barclays Bank PLC Group	Barclays PLC Group	Barclays Bank PLC Group
	(£ millions)			

	2002		2001	
Capital resources				
Tier 1				
Called up share capital	**1,641**	**2,293**	1,668	2,286
Eligible reserves	**13,409**	**12,757**	12,775	12,157
Minority interests equity	**522**	**522**	203	203
Reserve Capital				
Instuments (a)	**1,771**	**1,771**	1,867	1,867
Tier One Notes (a)	**1,019**	**1,019**		
Less: goodwill	**(4,158)**	**(4,158)**	(4,108)	(4,108)
Total qualifying tier 1 capital	**14,204**	**14,204**	12,405	12,405

	2002	2001
	(£ millions)	
Tier 2		
Revaluation reserves	**25**	31
General provisions	**737**	745
Qualifying subordinated liabilities (b)		
Undated loan capital	**3,854**	3,147
Dated loan capital	**4,573**	4,466
Other (c)	**2**	8
Total qualifying tier 2 capital	**9,191**	8,397
Tier 3: short-term subordinated liabilities (b)	**203**	392
Less: Supervisory deductions		
Investments not consolidated for supervisory purposes (d)	**(1,288)**	(1,233)
Other deductions	**(119)**	(62)
Total deductions	**(1,407)**	(1,295)
Total net capital resources	**22,191**	19,899

	2002		2001	
	Barclays PLC Group	**Barclays Bank PLC Group**	**Barclays PLC Group**	**Barclays Bank PLC Group**
	(%)			
Capital ratios				
Tier 1 ratio	**8.2**	**8.2**	7.8	7.8
Risk asset ratio	**12.8**	**12.8**	12.5	12.5

Notes

(a) Reserve Capital Instruments and Tier One Notes 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)

(d) Comprises reserve capital instruments £nil (2001: £5m) and revaluation reserves attributable to minorities £2m (2001: £3m).

Includes £867m (2001: £884m) of shareholders' interest in the life-fund.

Capital ratios have increased as a result of a £2.3bn (11%) growth in net capital resources which more than offset the impact of a £13.9bn (9%) growth in weighted risk assets. The net impact on the risk asset ratio was an increase of 0.3% to 12.8% and on the tier 1 ratio an increase of 0.4% to 8.2%.

Within tier 1 capital, equity shareholders' funds increased by £0.6bn (see "Capital resources" above) and the issues of Tier One Notes (TONs) added a further £1bn. In addition, equity minority interests increased by £0.3bn, mainly reflecting the inclusion of capital attributable to other shareholdings in FirstCaribbean which is fully consolidated for supervisory purposes. These gains are partly offset by exchange losses on reserve capital instruments and additional goodwill in FirstCaribbean.

Loan capital increased by £0.6bn (see "Capital resources" above). Within this, capital eligible for inclusion in tier 2 increased by £0.8bn, and £0.2bn of tier 3 capital was repaid.

The increase in supervisory deductions relates mainly to equity in other banks that is held by FirstCaribbean.

Deposits

	Average: year ended 31st December		
	2002	**2001**	**2000**
		(£ millions)	
Deposits by banks			
Offices in the UK	**31,880**	27,547	21,465
Offices outside the UK:			
Other European Union	**1,889**	3,313	3,996
United States	**2,201**	2,667	4,618
Rest of the World	**4,818**	4,568	5,122
	40,788	38,095	35,201

Customer accounts

	Average: year ended 31st December		
Offices in the UK	**145,278**	132,264	101,354
Offices outside the UK:			
Other European Union	**5,423**	5,231	5,050
United States	**3,976**	3,550	5,201
Rest of the World	**9,279**	9,252	10,416
	163,956	150,297	122,021

Average deposits (excluding trading balances) are analysed by type in the average balance sheet on page 83 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 customers is given in note 27 and note 28 to the accounts on pages 128 and 129.

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.

	2002	2001	2000
		(£ millions)	
Year-end balance	**48,751**	45,837	32,445
Average balance	**40,788**	38,095	35,201
Maximum balance	**56,414**	53,621	45,923
Average interest rate during year	**2.9%**	4.0%	4.2%
Year-end interest rate	**2.6%**	3.3%	4.5%

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.

2002	2001	2000

	2002	2001	2000
		(£ millions)	
Year-end balance	**5,192**	3,268	2,209
Average balance	**4,818**	2,669	2,001
Maximum balance	**5,234**	4,419	3,668
Average interest rate during year	**2.0%**	3.0%	6.6%
Year-end interest rate	**1.6%**	2.0%	6.4%

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.

	2002	2001	2000
		(£ millions)	
Year-end balance	**30,045**	28,258	22,413
Average balance	**27,111**	30,209	20,918
Maximum balance	**36,780**	37,686	29,125
Average interest rate during year	**3.3%**	4.7%	5.2%
Year-end interest rate	**2.8%**	3.0%	6.3%

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Securities

The following table analyses the book value and valuation of securities.

	2002		2001		2000	
	Book value	Valuation	Book value	Valuation	Book value	Valuation
			(£ millions)			
Investment securities						
Debt securities:						
UK government	**1,465**	**1,496**	1,500	1,499	1,496	1,571
Other government	**18,963**	**19,564**	15,152	15,330	12,117	12,378
Other public bodies	**3,699**	**3,710**	1,144	1,150	1,194	1,193
Other issuers	**16,141**	**16,207**	13,248	13,265	14,913	14,929
Equity shares	**505**	**509**	194	215	244	295
	40,773	**41,486**	31,238	31,459	29,964	30,366
Other securities						
Debt securities:						
UK government	**1,025**	**1,025**	1,284	1,284	845	845
Other government	**25,385**	**25,385**	15,659	15,659	15,555	15,555
Other public bodies	**2,438**	**2,438**	1,091	1,091	1,280	1,280
Bank and building society certificates of deposit	**12,027**	**12,027**	15,376	15,376	13,837	13,837
Other issuers	**13,086**	**13,086**	14,470	14,470	9,533	9,533
Equity shares	**2,628**	**2,628**	2,924	2,924	3,818	3,818
	97,362	**98,075**	82,042	82,263	74,832	75,234

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 18 and 19 to the accounts.

In addition to UK government securities shown above, at 31st December 2002 and 2001 the Group held the following government securities which exceeded 10% of shareholders' funds:

	2002		2001	
	Book value	**Valuation**	**Book value**	**Valuation**
		(£ millions)		
US government securities	**12,728**	**12,811**	4,849	4,846
Italian government securities	**7,944**	**8,090**	6,068	6,122
Japanese government securities	**7,060**	**7,080**	6,012	6,014
German government securities	**3,026**	**3,048**	5,880	5,889
Spanish government securities	**2,890**	**2,988**	630	645

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	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Total Yield**
	(£m)	(%)	(£m)	(%)	(£m)	(%)	(£m)	(%)	(£m)	(%)
Government	**4,753**	**4.3**	**7,541**	**5.0**	**6,676**	**3.2**	**1,458**	**5.0**	**20,428**	**4.3**
Other public bodies	**24**	**4.2**	**3,625**	**1.5**	**50**	**2.0**			**3,699**	**1.6**
Other issuers	**4,581**	**3.6**	**10,433**	**3.7**	**1,003**	**3.7**	**124**	**7.3**	**16,141**	**3.8**
Total book value	**9,358**	**4.0**	**21,599**	**3.8**	**7,729**	**3.3**	**1,582**	**5.2**	**40,268**	**4.2**
Total valuation	**9,434**		**21,893**		**8,026**		**1,624**		**40,977**	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2002 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 basic.

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 cashflows. 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, migration, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements. For example, the continued difficult economic conditions in the telecommunications and energy sector in the US has resulted in an increase to the required credit risk provision level.

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 on a case-by-case basis.

Within the retail businesses, where the portfolio comprises large numbers of homogeneous assets, statistical techniques are used to raise specific provisions on a portfolio basis, based on historical recovery rates.

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 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 score-sheets or computer driven models validated by an analysis of the Group's own historic data. The 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, the expected severity at default (which depends, for example, on the level of security held in relation to each category or counterparty), and the expected exposure at default (the last two of which are statistically derived values). 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.

Further information on credit risk provisioning is set out on page 38.

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.

Financial instruments entered into as trading transactions, together with any associated hedging thereof, 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.

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. This would also include an estimation of the likely occurence of future events which could affect the cashflows of the financial instrument. 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 and market data 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 should not be 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 47 on pages 152 and 153.

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 US GAAP 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 cashflows at a relevant discount factor, the determination of both of which require the exercise of judgement.

Pensions

The Group operates defined benefit pension schemes, details of which are given in note 5 on page 113 and note 62 on page 163. 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 the 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 2002 pension credit are described on page 113.

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.

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 97 to 103.

Special purpose entities

Special purpose entities (SPEs) are entities that are typically 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.

An important feature of financial accounts prepared under UK GAAP is that they 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 60 on page 159.

Under US GAAP, entities are consolidated if they are under control of the reporting entity as described in ARB 51. In addition, unless an SPE meets the qualifying criteria under FAS 140, the sponsor of the SPE shall consider it for consolidation. Consolidation can be avoided if the requirements of EITF Topic D-14 are met.

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 acquired by the conduits, which totalled £16,090m (2001: £17,624m) at 31st December 2002, 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 £319m (2001: £608m) and have been reported on the Group's balance sheet. 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 2002. 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 £40m (2001: £34m). Under US GAAP, certain of these entities are consolidated by the Group. This has minimal impact on net income, although assets increase by £2,767m (2001: £2,792m). The commitments to provide liquidity to these vehicles are a maximum of £12,271m, which would be required to be provided in the event of the conduits' access to funding markets being restricted.

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 FRS 5, the Group does not recognise the assets and liabilities of these entities in its balance sheet once the securities that represent subtstantially all the risks and rewards associated with the SPE have been sold to third parties. Otherwise these are recognised in full. As at 31st December 2002, the Group had recognised assets of £3,663m (2001: £2,973m) in respect of these transactions. Assets within these structures not recognised amounted to £638m (2001: £1,212m) at that date. The Group's net income for 2002 included £3m loss (2001: £2m) generated by the relationship with these entities. Under US GAAP, all of the assets are recognised, but due to different measurement bases total assets are lower by £29m (2001: £45m). There is no impact on net income of consolidating these entities. The summarised combined results of these entities are given in note 60 on page 159.

Financing transactions

The Group has relationships with numerous SPEs to provide financing to clients or to enable the placing of clients' surplus funds with the Group. These surplus funds are in all cases included as liabilities in the balance sheet. These relationships include arrangements to fund the purchase or construction of specific assets (most common in the property industry). The use of an SPE to isolate cash flows and assets is common in the banking industry to enable the client to minimise its funding cost or maximise its investment returns and for the bank to have access to specific collateral. Any financing relationships are entered into under normal lending criteria, and subject to the Group's credit sanctioning process. The exposures arising from the lendings are included in either loans and advances to customers and banks or debt securities and equity shares. Exposures in the form of guarantees or undrawn credit lines are included within commitments.

The Group has used SPEs to securitise some of its retail lending portfolio. Securitisation primarily involves the sale of receivables originated by the lending business. The SPEs concerned have been consolidated for UK and US GAAP and details are included in notes 16 and 60 on pages 120 and 159.

Fund management

As one of the world's largest institutional asset managers, 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 £653m (2001: £1,078m). The Group has acquired interests in these entities, which are included within debt securities or equity shares, but the entities are not consolidated because the Group does not own either a significant portion of the equity, or the risks and rewards inherent in the assets. Some £9m (2001: £4m) of net income relates to transactions with these entities.

Under the new US GAAP requirement FIN 46, further disclosure of the Group's involvement with entities of this and similar nature are given in note 63 on pages 182 and 183.

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 has contributed to the development of, and supports the conclusions arising from, the British Bankers' Association and Association for Payment Clearing Services' UK Banking Industry Outline Euro Blueprint published in June 2002.

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 retail systems and operations.

Barclays incurred minimal expenditure during 2002 with respect to any decision to introduce the euro in the UK.

Supervision and regulation

UK

The Financial Services Authority (FSA) is responsible for supervising the full range of financial business, including deposit-taking business, securities and other investment business and life insurance business in the UK. However, HM Treasury has recently announced its intention that from October 2004, the FSA will also assume responsibility for the regulation of mortgage advice and from January 2005 the sale of general insurance products. The cornerstone of the regulatory regime is the Financial Services and Markets Act 2000 (FSMA 2000) which came into force on 1st December 2001 (a date known as N2). The FSMA 2000 replaced much of the previous legislation, including the Financial Services Act 1986, the Banking Act 1987 and the Insurance Companies Act 1982 under which banks, insurance companies and other financial services firms had been authorised and supervised.

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.

In addition to pursuing these statutory objectives, the FSA is required to take into account a number of factors 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 minimising adverse effects on competition between those subject to regulation by the FSA.

The FSA has also issued a new unified Handbook of rules and guidance for all financial services firms. While certain parts of the Handbook have yet to be finalised (in particular some of the specialist sourcebooks, such as mortgages), the majority of the new rules and regulations came into force at N2.

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 ensuring, the protection of customers. Barclays Bank PLC is authorised under the FSMA 2000 to carry on regulated activities within the UK and is subject to consolidated supervision by the FSA.

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 banks 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 homogenous 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 86), 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-N2 schemes, including the Deposit Protection Scheme, the Investors Compensation Scheme and the Policyholders Protection Scheme.

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 the areas of distance marketing, market abuse and insurance regulation which once coming into effect will further shape and influence the UK regulatory agenda.

With effect from February 2003, the Group has become subject to The Proceeds of Crime Act 2002 which further strengthens the law with regard to anti-money laundering, and which is complimentary to the existing rules and guidance fond in the FSA's Handbook, the 1993 Money Laundering Regulations and the JMLSG 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. 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 capital adequacy 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, and 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 asociated undertakings are subject to reserve and reporting requirements and controls imposed by the relevant central banks and regulatory authorities.

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," "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 further 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 reader should also note the references to liquidity risk (page 51) and non-financial, compliance, legal and tax risk (page 55). 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 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.

A continued 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 Groups 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. 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, 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;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political 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 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.

AUDITORS' REPORT

US audit report of the independent accountants 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 97 to 188 and Barclays Bank PLC and its subsidiary undertakings on pages 193 to 201. 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 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 2002 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. The application of the latter would have affected the determination of consolidated net income for each of the three years in the period ended 31st December 2002 and the determination of the consolidated shareholders' equity at 31st December 2002 and 2001 to the extent summarised in note 63 and note g to the consolidated financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom, 12th February 2003

CONSOLIDATED ACCOUNTS BARCLAYS PLC

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 2001 Annual report are set out on pages 102 to 103.

(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 44. 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 venturer. 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 performed using either 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 hyper-inflation 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. On- and off-balance sheet 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 in respect of high loan to value UK residential secured loans representing an insurance premium, 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*	10%
Equipment installed in freehold and leasehold property*	10%
Computers and similar equipment	20%-33%
Fixtures and fittings and other equipment	20%

* 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 generates 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) Bad and doubtful debts

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 mid-market prices and 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 a funded defined benefit scheme and a money purchase scheme for new joiners since July 1997. Staff do not make contributions for basic pensions. Other UK staff are covered by broadly comparable schemes and 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 5 on page 113. The Group also provides post-retirement health care to certain staff and pensioners in the UK and US, the cost of which has been accrued on a similar basis. Provisions for post-retirement benefits are raised to cover the expected cost of providing the benefits.

(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 cashflows.

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 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 thereof, 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 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

A change in accounting policy has arisen from the adoption in 2002 of Financial Reporting Standard 19 "Deferred tax" (FRS 19). Previously, deferred tax was only provided on timing differences where it was considered probable that a liability to tax would crystallise. As explained in accounting policy (p) above, deferred tax is now provided in full in respect of timing differences that have originated but not reversed at the balance sheet date.

The change in policy has resulted in a prior year adjustment, and the profit and loss accounts and balance sheets for the previous years have been restated. This has resulted in a net credit to shareholders' funds of £14m as at 1st January 2002 comprising the cumulative impact of prior year reductions in deferred tax recognised in the profit and loss account and balance sheet. Comparative figures have been restated with the effect that shareholders' funds have been increased by £14m at 1st January 2002. Profit after tax for the year ended 31st December 2002 has been reduced by £10m. Profit after tax for the years ending 31st December 2001 and 2000 have been increased by £14m and £13m respectively.

A change in accounting policy has also been made by adopting the recent guidelines of the Association of British Insurers on the calculation of income from the long-term assurance business. This guidance encourages companies providing results calculated using the achieved profits methodology to use actual, rather than smoothed, fund values. In view of the similarity between the achieved profits and embedded value methodologies and in order to ensure comparability to the results of listed insurers, the Group has decided to change its policy on the calculation of embedded values to use actual fund values at the balance sheet date. This has resulted in a net reduction to shareholders' funds of £37m as at 1st January 2002 comprising the cumulative impact of the prior year reductions in shareholders' interest in long-term assurance funds. Comparative figures have been restated with the effect that Other operating income in 2002, 2001 and 2000 has been increased by £8m and reduced by £45m and £57m respectively.

There have been no other significant changes to the accounting policies as described in the 2001 Annual report.

Future UK accounting developments

The Group is currently considering the implications of the recent decision by the ASB to extend the transitional provisions of Financial Reporting Standard 17 "Retirement Benefits" until 2005.

The European Commission issued a Regulation in 2002 requiring all listed companies to adopt International Accounting Standards in their consolidated financial statements by 2005. The Group is considering the implications of such a requirement and would expect first to prepare financial statements in accordance with International Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board for the year ended 31st December 2005.

US GAAP

Significant differences exist between accounting principles generally accepted in the UK and those generally accepted in the United States, and the effect on attributable profit and shareholders' funds of Barclays PLC is set out in note 63.

Accounting presentation

Changes in accounting presentation

Following the issue of UITF Abstract 33, "Obligations in capital instruments", Reserve Capital Instruments (RCIs) are now treated as forming part of the undated loan capital of the Bank, rather than as Minority interests non-equity. The coupon on the RCIs is now reported in Interest payable, rather than as Minority non-equity interests. Comparatives have been restated accordingly. Profit after tax for the year to 31st December 2001 has been reduced by £97m with no impact on retained profit. Liabilities have been increased and Minority interests have been reduced at 31st December 2001 by £1,872m.

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 April 2002, Barclaycard acquired the UK Providian credit card business at a cost of £446m.

In October 2002, Barclays and Canadian Imperial Bank of Commerce (CIBC) 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 is being accounted for as an Associated undertaking. The transaction resulted in an economic profit 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.

Disposals

The significant disposal in 2002 related to the disposal 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 total recognised gains and losses on page 106.

The effect of other disposals on the profit for the year is reflected in note 9 to the accounts.

Consolidated profit and loss account
For the year ended 31st December 2002

	Note	2002	2001 restated	2000 restated
			(£ millions)	
Interest receivable:				
Interest receivable and similar income arising from debt securities		**2,030**	2,383	2,339
Other interest receivable and similar income		**10,014**	11,075	9,449
		12,044	13,458	11,788
Interest payable		**5,839**	7,492	6,682
Profit on repurchase of loan capital	1			2
Net interest income		**6,205**	5,966	5,108
Fees and commissions receivable		**4,454**	4,202	3,676
Less: fees and commissions payable		**(529)**	(465)	(320)
Dealing profits	2	**833**	1,011	677
Other operating income	3	**364**	428	353
Operating income		**11,327**	11,142	9,494
Administrative expenses staff costs	4	**3,755**	3,714	3,219
Administrative expenses other	6	**2,312**	2,303	1,967
Depreciation and amortisation	7	**557**	537	306
Operating expenses		**6,624**	6,554	5,492

	Note	2002	2001 restated	2000 restated
Operating profit before provisions		**4,703**	4,588	4,002
Provisions for bad and doubtful debts	17	**1,484**	1,149	817
Provisions for contingent liabilities and commitments	8	**1**	1	(1)
Provisions		**1,485**	1,150	816
Operating profit		**3,218**	3,438	3,186
Loss from joint ventures		**(5)**	(1)	(1)
Loss from associated undertakings		**(5)**	(8)	(7)
(Loss)/profit on disposal/termination of Group undertakings	9	**(3)**	(4)	214
Profit on ordinary activities before tax		**3,205**	3,425	3,392
Tax on profit on ordinary activities	10	**(955)**	(943)	(901)
Profit on ordinary activities after tax		**2,250**	2,482	2,491
Minority interests equity	11	**(20)**	(31)	(22)
Minority interests non-equity	11		(5)	(24)
Profit for the financial year attributable to the members of Barclays PLC		**2,230**	2,446	2,445
Dividends	12	**(1,206)**	(1,110)	(927)
Profit retained for the financial year		**1,024**	1,336	1,518
Basic earnings per 25p ordinary share	13	**33.7p**	36.8p	40.4p
Diluted earnings per 25p ordinary share	13	**33.4p**	36.4p	40.0p

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 a modified historical cost basis.

The Board of Directors approved the accounts set out on pages 97 to 188 on 12th February 2003.

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Statement of total recognised gains and losses
For the year ended 31st December 2002

	2002	2001 restated	2000 restated
		(£ millions)	
Profit for the financial year attributable to the members of Barclays PLC	**2,230**	2,446	2,445
Exchange rate translation differences	**(61)**	3	15
Gain arising from transaction with third parties	**206**		
Other items	**8**	(24)	8
Joint ventures and associated undertakings	**2**	(15)	6

	2002	2001 restated	2000 restated
Total recognised gains relating to the period	**2,385**	2,410	2,474
Prior period adjustment (see pages 102 and 103)	**(23)**		
Total recognised gains including prior period adjustment	**2,362**	2,410	2,474

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Consolidated balance sheet
As at 31st December 2002

	Note	2002		2001 restated	
		(£ millions)			
Assets					
Cash and balances at central banks			**2,032**		1,281
Items in course of collection from other banks			**2,335**		2,444
Treasury bills and other eligible bills	14		**7,645**		7,417
Loans and advances to banks:					
banking		**15,369**		12,196	
trading		**42,805**		35,693	
	15		**58,174**		47,889
Loans and advances to customers:					
banking		**157,222**		146,253	
trading		**45,176**		34,240	
	16		**202,398**		180,493
Debt securities	18		**94,229**		78,924
Equity shares	19		**3,133**		3,118
Interests in joint ventures:					
share of gross assets		**242**		230	
share of gross liabilities		**(184)**		(174)	
	20		**58**		56
Interests in associated undertakings	20		**397**		32
Intangible fixed assets	21		**3,934**		4,091
Tangible fixed assets	22		**1,626**		1,958
Other assets	24		**16,839**		18,186
Prepayments and accrued income	26		**2,982**		2,553
			395,782		348,442
Retail life-fund assets attributable to policyholders	25		**7,284**		8,170
Total assets			**403,066**		356,612

Sir Peter Middleton GCB Chairman

Matthew Barrett Group Chief Executive

John Varley Group Finance Director

Consolidated balance sheet
As at 31st December 2002

Liabilities					
Deposits by banks:					
banking		**48,751**		45,837	
trading		**38,683**		21,543	
	27		**87,434**		67,380
Customer accounts:					
banking		**144,078**		139,863	
trading		**27,420**		23,984	
	28		**171,498**		163,847
Debt securities in issue	29		**45,885**		41,846
Items in course of collection due to other banks			**1,416**		1,550
Other liabilities	30		**56,564**		42,930
Accruals and deferred income	31		**4,352**		4,377
Provisions for liabilities and charges deferred tax	32		**461**		616
Provisions for liabilities and charges other	33		**486**		562
Dividend			**788**		728
Subordinated liabilities:					
Undated loan capital convertible to preference shares	34		**310**		345
Undated loan capital non-convertible	34		**6,368**		4,709
Dated loan capital convertible to preference shares	35		**11**		
Dated loan capital non-convertible	35		**4,848**		4,933
			380,421		333,823
Minority and other interests and shareholders' funds					
Minority interests equity			**156**		134
Called up share capital	36	**1,645**		1,668	
Share premium account		**5,277**		5,149	
Capital redemption reserve		**262**		232	
Other capital reserve		**617**		617	
Revaluation reserve		**24**		30	
Profit and loss account		**7,380**		6,789	
Shareholders' funds equity	38		**15,205**		14,485
			15,361		14,619
			395,782		348,442
Retail life-fund liabilities to policyholders	25		**7,284**		8,170
Total liabilities and shareholders' funds			**403,066**		356,612

	Note	2002	2001
		(£ millions)	
Memorandum items	45		

	Note	2002	2001
Contingent liabilities:			
Acceptances and endorsements		2,589	2,460
Guarantees and assets pledged as collateral security		16,043	14,826
Other contingent liabilities		7,914	7,313
		26,546	24,599
Commitments standby facilities, credit lines and other		101,378	99,917

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Consolidated statement of changes in reserves
For the year ended 31st December 2002

	2002	2001 restated	2000 restated
		(£ millions)	
Share premium account			
At beginning of year	**5,149**	4,950	1,583
Premium arising on shares issued	**128**	199	3,367
At end of year	**5,277**	5,149	4,950
Capital redemption reserve			
At beginning of year	**232**	227	207
Repurchase of ordinary shares	**30**	5	20
At end of year	**262**	232	227
Other capital reserve			
At beginning of year	**617**	469	320
Repurchase of preference shares		148	149
At end of year	**617**	617	469
Revaluation reserve			
At beginning of year	**30**	35	37
Exchange rate translation differences		(1)	(2)
Released on transaction with third parties	**(6)**		
Other items		(4)	
At end of year	**24**	30	35
Profit and loss account			
At beginning of year	**6,812**	5,844	4,841
Prior year adjustment	**(23)**	(4)	10
At beginning of year as restated	**6,789**	5,840	4,851
Profit retained	**1,024**	1,336	1,518
Exchange rate translation differences	**(61)**	4	19
Repurchase of ordinary shares	**(516)**	(96)	(291)

	2002	2001 restated	2000 restated
Transfer to capital redemption reserve	**(30)**	(5)	(20)
Goodwill written back on disposals	**10**		
Shares issued to employee trusts (see below)	**(48)**	(107)	(114)
Transfer to other capital reserve		(148)	(149)
Gain arising from transaction with third parties	**212**		
Other items		(35)	26
At end of year	**7,380**	6,789	5,840
Total reserves	**13,560**	12,817	11,521

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 2002 totalled £1,038m (2001: £1,190m, 2000: £965m). 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 (2001: £215m, 2000: £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 2002 the Group received from the trustees of the QUEST £122m (2001: £195m, 2000: £183m) on the issue of shares in respect of the exercise of options awarded under SAYE. Of the amount received from the trustees, employees paid £76m (2001: £90m, 2000: £69m) and the balance of £46m (2001: £105m, 2000: £114m) comprised contribution to the QUEST from Group Companies. Additionally, the Barclays Group (PSP & ESOS) Employee Share Ownership Trust (ESOT) is 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 2002, the Group received from the trustees of this trust £8m (2001: £6m and 2000: £nil) on the issue of shares in respect of the exercise of options awarded under WESOP. Of the amount received from the trustees, employees paid £6m (2001: £4m and 2000: £nil) and the balance of £2m (2001: £2m and 2000: £nil) comprised contribution to the trust from Group Companies.

Accumulated exchange rate translation differences included in reserves are £539m debit (2001: £478m, 2000: £481m both debit).

Consolidated cash flow statement
For the year ended 31st December 2002

	Note	2002		2001 restated		2000 restated	
				(£ millions)			
Net cash inflow from operating activities	50		**7,391**		3,799		8,486
Dividends received from joint ventures and associated undertakings			**1**		3		1
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(607)**		(598)		(370)	
Preference dividends paid by subsidiary undertaking				(5)		(24)	
Dividends paid to minority shareholders		**(23)**		(17)		(10)	
Net cash outflow from returns on investment and servicing of finance			**(630)**		(620)		(404)
Tax paid			**(828)**		(1,004)		(636)

	Note	2002		2001 restated		2000 restated	
Capital expenditure and financial investment:							
Capital expenditure		**(301)**		(351)		(365)	
Sale of property and equipment		**289**		152		112	
Purchase of investment securities		**(28,128)**		(20,173)		(14,490)	
Redemption of investment securities		**10,247**		5,704		5,666	
Sale of investment securities		**11,137**		13,338		4,115	
Net cash outflow from capitalexpenditure and financial investment			**(6,756)**		(1,330)		(4,962)
Acquisitions and disposals:							
Net cash outflow from formation of FirstCaribbean International Bank Ltd	51	**(160)**					
Acquisition of Group undertakings	54	**(451)**		(36)		(2,421)	
Sale of associated undertakings						13	
Sale of other Group undertakings	51	**(1)**		42		307	
Net cash (outflow)/inflow from acquisitions and disposals			**(612)**		6		(2,101)
Equity dividend paid			**(1,146)**		(1,014)		(779)
Net cash outflow before financing			**(2,580)**		(160)		(395)
Financing:	52						
Issue of loan capital and other subordinated liabilities (net of expenses)		**2,173**		3,019		2,211	
Redemption/repurchase of loan capital and other subordinated liabilities		**(376)**		(715)		(212)	
Repurchase of ordinary shares		**(546)**		(101)		(311)	
Issue of ordinary shares (net of contribution to the QUEST)		**87**		103		81	
Redemption of preference shares				(148)		(149)	
Issue of shares to minority interest		**35**					
Net cash inflow from financing			**1,373**		2,158		1,620
(Decrease)/Increase in cash	53		**(1,207)**		1,998		1,225

Parent company accounts

	2002	2001 restated	2000 restated
		(£ millions)	
Profit and loss account and changes in reserves for the year ended 31st December			
Interest income	**6**	5	4
Operating expenses:			
Management charge from subsidiary undertaking	**(6)**	(5)	(4)
Operating profit			
Dividends from subsidiary undertaking	**1,798**	1,317	1,352
Profit on ordinary activities before tax	**1,798**	1,317	1,352
Tax on profit on ordinary activities			
Profit on ordinary activities after tax	**1,798**	1,317	1,352
Dividends	**(1,206)**	(1,110)	(927)

	2002	2001 restated	2000 restated
Profit retained by Barclays PLC	**592**	207	425
Profit retained by subsidiary undertakings	**443**	1,143	1,105
Loss retained by associated undertakings and joint ventures	**(11)**	(14)	(12)
Profit retained for the financial year	**1,024**	1,336	1,518
Premium arising on shares issued	**128**	199	3,367
Reduction in reserves arising from repurchase of shares	**(516)**	(96)	(291)
Shares issued to the QUEST in relation to share option schemes for staff	**(46)**	(105)	(114)
Other movements in investment in Barclays Bank PLC	**153**	(38)	43
Profit and loss account and other reserves brought forward	**12,817**	11,521	6,998
Profit and loss account and other reserves carried forward	**13,560**	12,817	11,521

	Note	2002	2001 restated
		(£ millions)	
Balance sheet as at 31st December			
Fixed assets			
Investment in Barclays Bank PLC	39	**15,205**	14,485
Current assets			
Amounts falling due within one year:			
Due from subsidiary undertaking		**788**	728
		788	728
Current liabilities			
Amounts falling due within one year dividend		**(788)**	(728)
Net current assets			
Assets less current liabilities		**15,205**	14,485
Capital and reserves			
Called up share capital	36	**1,645**	1,668
Share premium account		**5,277**	5,149
Capital redemption reserve		**262**	232
Revaluation reserve		**7,140**	6,555
Profit and loss account		**881**	881
Shareholders' funds equity	38	**15,205**	14,485

Prior year shareholders' funds has been restated for a reduction of £23m in 2001 (2000: £4m) arising from changes in accounting policy as described on pages 102 and 103.

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 a modified historical cost basis.

Sir Peter Middleton GCB Chairman

Matthew Barrett Group Chief Executive

John Varley Group Finance Director

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Notes to the accounts

For the year ended 31st December 2002

1 Profit on repurchase of loan capital

In 2000, $17m of undated loan capital was repurchased at a discount of £2m.

2 Dealing profits

	2002	2001	2000
		(£ millions)	
Rates related business	**876**	823	635
Credit related business	**(43)**	188	42
	833	1,011	677

Dealing profits include the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income earned from these instruments and the related funding cost.

Of the total dealing profit, £325m was earned on securities (2001: £345m, 2000: £229m).

Rates related business includes sales and trading relating to government bonds, money markets, foreign exchange, commodities and their related derivative instruments. Credit related business includes origination, sales and trading relating to loans, securitised assets, corporate bonds and their related derivative instruments, equity derivatives and private equity investment.

3 Other operating income

	2002	2001 restated	2000 restated
		(£ millions)	
Dividend income from equity shares	**7**	8	14
Profits on disposal of investment securities	**58**	37	45
(Loss)/Income from the long-term assurance business	**(51)**	127	114
Property rentals	**20**	30	22
Premium income on insurance underwriting	**178**	158	126
Other income	**152**	68	32
	364	428	353

4 Administrative expenses staff costs

	2002	2001	2000
		(£ millions)	
Salaries and accrued incentive payments	**3,159**	3,149	2,655
Social security costs	**240**	243	178

	2002	2001	2000
Pension costs	**(27)**	(17)	(31)
Post-retirement health care	**15**		1
Other staff costs	**368**	339	416
	3,755	3,714	3,219

Staff costs reported above for 2002 include £124m (2001: £114m, 2000: £171m) of costs relating to staff reductions and relocations under previous restructuring plans.

The following amounts, relating to the administration staff, (2001 and 2000 additionally the regulated sales force of Barclays Financial Management Limited), including temporary staff whose remuneration is reflected in the valuation of the long-term assurance fund, are not included in staff costs reported above:

	2002	2001	2000
		(£ millions)	
Salaries and accrued incentive payments	**12**	47	67
Social security costs	**1**	5	7
Other staff costs		18	27
	13	70	101

Average number of employees

The average number of persons employed by the Group worldwide during the year, excluding agency staff, was 77,200 (2001: 77,100, 2000: 73,000). All staff fall within a single structure. The average number of administration staff (2001 and 2000 additionally the regulated sales force of Barclays Financial Management Limited), whose remuneration is reflected in the valuation of the long-term assurance fund, was 370 (2001: 1,600, 2000: 2,100).

5 Pensions, post-retirement benefits, and other staff costs

Pensions

The UK Fund (UKRF) comprises three sections:

The 1964 Pension Scheme

Most employees recruited before July 1997 are members of this non-contributory defined benefit scheme. Pensions are calculated by reference to service and pensionable salary and are normally subject to a deduction from State pension age.

The Retirement Investment Scheme (RIS)

A defined contribution plan for most new joiners. Between 5.5% and 13.5% of pensionable pay is credited to members' retirement accounts in addition to contributions paid by the members themselves; precise amounts are dependent upon each member's age and contribution decision.

The Pension Investment Plan (PIP)

A defined contribution plan created from 1st July 2001 to provide benefits for certain employees of Barclays Capital. 10% of pay is credited to members' retirement accounts.

In addition, the costs of ill-health retirements and death in service benefits are generally borne by the UK Fund for each of the three sections.

Formal actuarial valuations of the UK Fund are carried out triennially by a professionally qualified independent actuary. The most recent valuation was conducted as at 30th September 2001 and expresses the assets and liabilities at market values. However, in light of changing market conditions and changes in the investment strategy of the scheme, which resulted in a significant reduction in the equity holding of the UK Fund, an interim actuarial review was conducted as at 30th September 2002. The market value of the assets at the interim review date was £9,553m and the valuation revealed a surplus of assets over the accrued liabilities of 4% after allowing for expected future salary increases. This surplus was estimated to be sufficient to allow the Bank to continue its contribution holiday, which commenced in January 1998, for all sections until 2004, and a further interim review will be conducted as at 30th September 2003. Protected Rights contributions in respect of RIS and PIP members have been paid as required by the contracting-out regulations. The principal financial assumptions underlying the 2002 interim actuarial review were:

Price inflation	2.5%	Earnings growth	4.0%
Dividend growth	4.0%	Return on new investments	6.5%
Pension increases	2.5%		

In calculating the surplus of assets over accrued liabilities, assets were taken at their market value and a discount rate of 6.8% p.a. at 30th September 2002 was used to value the 1964 Pension Scheme accrued liabilities. This rate of 6.8% was derived by taking a weighted average of the market yields on the day, weighting by reference to the UK Fund's strategic asset allocation; for the equity component, allowance was made for future dividend growth.

It is the Bank's policy to allow for the results of a new valuation in its pension charge in the year following the valuation date. Therefore, the figures shown below reflect the 2001 formal actuarial valuation, with the pensions charge in the accounts being reduced over the remaining service lives of the members to take account of the surplus.

Without the benefit of the surplus, the 1964 Pension Scheme charge, based on the 2001 valuation, would be 17.4% of pensionable salaries (on the projected unit method) assessed using the assumption regarding return on new investments, while contributions to the RIS and PIP would equal the contributions described above plus the costs of ill-health and death in service benefits.

	2002	**2001**	**2000**
		(£ millions)	
Pensions costs vary from regular costs as follows (UKRF):			
Regular costs	**197**	181	161
Variation from regular costs (including interest)	**(266)**	(250)	(226)
	(69)	(69)	(65)

Of the total regular cost in 2002 of £197m, £146m relates to the 1964 Pension Scheme, £32m to the RIS and £19m to the PIP.

The approach taken to calculating the pensions charge in the accounts for the 1964 Pension Scheme is to take assets and liabilities at market values with effect from 1st January 2002. The assumptions used to derive the 1964 Pension Scheme pensions charge differ from those shown above in that returns on new investments are assumed to be 7.5% p.a. and dividend growth is assumed to be 4.5% p.a. A discount rate at 1st January 2002 of 6.7% was used to value the accrued liabilities, derived as explained above. This resulted in an accounting surplus of assets over the accrued liabilities of 23%, allowing for expected future salary increases. Spreading this surplus using the straight line method over the future remaining service lives of the active members would be sufficient to produce a variation from regular cost of £266m including interest.

Total pension costs of the Group are summarised as follows:

	2002	**2001**	**2000**
		(£ millions)	
The Barclays Bank UK Retirement Fund	**(69)**	(69)	(65)
Other UK pension schemes	**20**	24	9

	2002	2001	2000
Overseas pension schemes	**22**	28	25
	(27)	(17)	(31)

The Bank also operates a defined benefit scheme for overseas employees of the Bank similar in design to the 1964 Pension Scheme, the Barclays Bank (1951) Pension Fund, which had a formal valuation as at 30th September 2002. The creation of FirstCaribbean affected a significant proportion of the active members of this fund as at 11th October 2002 so the pension charge for this fund allows for the results of this valuation for the last three months of 2002. The pension charge has been assessed using consistent assumptions to those used for the 1964 Pension Scheme and a credit of £3m (2001: £3m, 2000: £9m) is included in Other UK pension schemes.

Note 62 contains the disclosures required by FRS 17. Note 63 provides additional disclosures required by US Statement of Financial Accounting Standards No. 132.

Post-retirement benefits

Some 11,000 UK and US pensioners are provided with private health care on similar terms to current employees. In addition, 5,900 members of staff and a further 1,000 Barclays Bank PLC pensioners who have retired since 30th June 1999 and have satisfied the qualification criteria may also become eligible for this benefit, which is being progressively withdrawn for these pensioners over the period to 30th June 2008.

Other staff costs

Other staff costs comprise medical healthcare costs, social welfare taxes, staff transfer costs, redundancy payments and other sundry employee costs.

6 Administrative expenses other

Property and equipment expenses	2002	2001	2000
		(£ millions)	
Hire of equipment	**12**	16	20
Property rentals	**180**	183	157
Other property and equipment expenses	**793**	775	641
Other administrative expenses	**1,327**	1,329	1,149
	2,312	2,303	1,967

Other property and equipment expenses include £27m of exceptional costs relating to the restructuring in 2002 (2001: £38m, 2000: £27m). Other administration expenses include £36m of exceptional costs relating to the restructuring in 2002 (2001: £19m, 2000: £34m).

Fees paid to the Group's main auditors, PricewaterhouseCoopers LLP and its worldwide associates, were as follows:

	2002	2001	2000
		(£ millions)	
Audit Related			
Group statutory	**5**	5	5
Regulatory	**4**	6	8
Accounting and Audit related	**5**	6	7

	2002	2001	2000
	14	17	20
Non-Audit			
Transaction Services	**3**	3	2
Taxation Services	**5**	5	4
Other		1	
Non-audit fees	**8**	9	6
Total fees	**22**	26	26

The figures shown in the above table include amounts paid in the United Kingdom to both PricewaterhouseCoopers and PricewaterhouseCoopers LLP. Audit related fees include all amounts paid to the Group's auditors in their capacity as such.

In addition to the fees included in the above table, amounts paid to PwC Consulting, the management consultancy arm of PricewaterhouseCoopers, amounted to £6m up to its sale to the IBM Corporation on 1st October 2002 (2001: £12m, 2000: £6m).

7 Depreciation and amortisation

	2002	2001	2000
		(£ millions)	
Property depreciation	**93**	105	85
Equipment depreciation	**198**	194	166
Goodwill amortisation	**254**	229	51
Loss on sale of equipment	**12**	9	4
	557	537	306

8 Provisions for contingent liabilities and commitments

	2002	2001	2000
		(£ millions)	
	1	1	(1)

9 (Loss)/profit on disposal/termination of Group undertakings

	2002	2001	2000
		(£ millions)	
Net profit/(loss) on disposal of Group undertakings	**8**	(4)	214
Loss on termination of Group activities	**(11)**		
	(3)	(4)	214

The net profit on disposal of Group undertakings comprised profits on disposal of £14m (2001: £15m, 2000: £222m) and losses on disposal of £6m (2001: £19m, 2000: £8m).

Goodwill previously written off to reserves on disposals amounted to £10m (2001: £nil, 2000: £nil). No tax credit is attributable to the losses on disposal in 2002, 2001 and 2000 and no tax was payable on the 2002, 2001 and 2000 gains.

Up to the date of sale, the businesses sold in 2002 contributed £3m profit to Group profit before tax (2001: £8m loss, 2000: £20m loss).

10 Tax

The charge for tax assumes an effective UK corporation tax rate of 30% (2001: 30%, 2000: 30%) and comprises:

	2002	**2001 restated**	**2000 restated**
		(£ millions)	
Current tax:			
UK	**806**	792	689
Overseas	**184**	149	219
Total current tax	**990**	941	908
Deferred tax (credit)/charge:			
UK	**(32)**	13	1
Overseas	**(2)**	(9)	(7)
Total deferred tax	**(34)**	4	(6)
Associated undertakings and joint ventures, including overseas tax of (£1m) (2001: (£2m), 2000: (£1m))	**(1)**	(2)	(1)
Total charge	**955**	943	901
Analysis of deferred tax (credit)/charge:			
Leasing transactions	**57**	24	13
Short-term and other timing differences	**(91)**	(20)	(19)
	(34)	4	(6)

Current tax includes a credit of £38m (2001: £11m charge, 2000: £32m charge) on the shareholders' interest in the long-term assurance fund. Included within current tax are prior year adjustments to UK of (£12m) (2001: £26m, 2000: 4m) and overseas of £3m (2001: £2m, 2000: £8m).

Available overseas tax credits of £221m (2001: £232m, 2000: £194m) have been applied to reduce UK tax in accordance with UK legislation.

The tax for the year is lower (2001 and 2000 lower) than the standard rate of corporation tax in the UK (30%) (2001 and 2000 30%). The differences are set out below:

	2002	**2001 restated**	**2000 restated**
		(£ millions)	
Tax charge at average UK corporation tax rate of 30% (2001: 30%, 2000: 30%)	**961**	1,027	1,017

	2002	2001 restated	2000 restated
Prior year adjustments	**(9)**	28	12
Effect of change in non-allowable general provisions	**(2)**	(11)	24
Effect of non-allowable property write-downs and depreciation	**12**	17	6
Net effect of differing tax rates overseas	**(70)**	(65)	(43)
Net effect of overseas losses not available for relief in the UK	**(40)**	(17)	(5)
Other non-allowable expenses	**8**	(21)	16
Gains covered by capital losses brought forward	**(3)**	(49)	(53)
Goodwill	**69**	67	11
Other items	**63**	(37)	(78)
Current tax charge	**989**	939	907
Deferred tax charge	**(34)**	4	(6)
Overall tax charge	**955**	943	901
Effective tax rate %	**29.8**	27.5	26.6

The charge for the year assumes a UK corporation tax rate of 30% for the year 2002 (2001: 30%, 2000: 30%). The effective rate of tax is 29.8% (2001: 27.5%, 2000: 26.6%). The increase in the rate from last year is primarily due to the absence of tax-free disposals, coupled with a reduction in the payments made to the qualifying employee trust reflecting the reduced share price and a reduction in the benefit generated by the utilisation of overseas losses.

11 Minority and other interests Barclays PLC

Equity minority interests in the balance sheet represent the interests of third parties in the equity shares of the Group subsidiary undertakings.

12 Dividends Barclays PLC

Dividends per ordinary share	2002	2001	2000
		(£ millions)	
Interim	**419**	383	295
Final	**787**	727	632
	1,206	1,110	927
		(pence per share)	
Interim	**6.35**	5.750	5.0
Final	**12.00**	10.875	9.5
	18.35	16.625	14.5

Dividends amounting to £0.2m (2001: £0.2m, 2000: £0.2m) are payable on the staff shares, which carry a fixed dividend of 20% per annum unless no dividend is paid for the year on the ordinary shares.

13 Earnings per 25p ordinary share Barclays PLC

	2002	2001 restated	2000 restated

		(£ millions)	
Basic and diluted earnings	**2,230**	2,446	2,445
Basic weighted average number of shares	**6,626**	6,651	6,055
Add potential ordinary shares	**47**	67	62
Diluted weighted average number of shares	**6,673**	6,718	6,117

Basic and diluted earnings are based upon the results after deducting tax, profit attributable to minority interests and dividends on staff shares.

Certain shares held by incentive plans have been excluded from the calculation of earnings per share in line with UITF 13, on the grounds that the trustee has waived all dividend and voting rights.

The recognition of potential ordinary shares for the purposes of calculating diluted earnings per share is in accordance with FRS 14 "Earnings per Share".

See note 63 for earnings per 25p ordinary share calculated in accordance with the accounting principles generally accepted in the United States.

14 Treasury bills and other eligible bills

	2002	2001
	(£ millions)	
Treasury bills	**5,389**	5,500
Other eligible bills	**2,256**	1,917
	7,645	7,417
Treasury bills and other eligible bills comprise:		
Banking business	**4,759**	5,723
Trading business	**2,886**	1,694
	7,645	7,417

Treasury bills and other eligible bills are mainly short term in maturity with a book value not materially different from market value.

The total amount of treasury bills and other eligible bills included above, which are subject to sale and repurchase agreements, was £10m at 31st December 2002 (2001: £11m).

15 Loans and advances to banks

	2002	2001
	(£ millions)	
Repayable		
on demand	**1,973**	4,117

	2002	2001
not more than three months	**44,124**	35,993
over three months but not more than one year	**4,286**	3,597
over one year but not more than five years	**7,566**	3,915
over five years	**307**	319
	58,256	47,941
Less:		
Provisions	**(82)**	(52)
	58,174	47,889

	2002	2001
	(£ millions)	
By geographical area		
Banking business:		
UK	**11,510**	7,116
Other European Union	**2,154**	2,278
United States	**256**	930
Rest of the World	**1,531**	1,924
Total banking business	**15,451**	12,248
Total trading business	**42,805**	35,693
	58,256	47,941

At 31st December 2002, there were loans and advances to banks of £9m (2001: £nil) outstanding from associated undertakings and joint ventures.

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £565m at 31st December 2002 (2001: £711m).

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 29 to 43.

The geographic analysis of the banking business is based on the location of the office from which the lendings are made. The trading business, which is largely carried out in the UK, the United States and Japan, is more international in nature and has not been analysed geographically. It primarily constitutes settlement and reverse repo balances.

Provisions include specific provisions of £77m (2001: £11m) and general provisions of £5m (2001: £41m).

16 Loans and advances to customers

	2002	2001
	(£ millions)	
Repayable		

	2002		2001	
on demand		**14,460**		15,185
not more than three months		**60,590**		48,056
over three months but not more than one year		**17,915**		21,883
over one year but not more than five years		**31,262**		27,257
over five years		**81,165**		70,851
		205,392		183,232
Less:				
Provisions	**(2,916)**		(2,664)	
Interest in suspense	**(78)**		(75)	
		(2,994)		(2,739)
		202,398		180,493
By geographical area				
Banking business:				
UK		**135,900**		124,254
Other European Union		**12,579**		10,708
United States		**6,138**		6,614
Rest of the World		**5,599**		7,416
Total banking business		**160,216**		148,992
Total trading business		**45,176**		34,240
		205,392		183,232

At 31st December 2002, there were loans and advances to customers of £249m (2001: £163m) outstanding from associated undertakings and joint ventures.

Mortgage incentive costs of £86m (2001: £115m, 2000: £22m) have been charged to net interest income.

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 29 to 43.

The geographical analysis of the banking business is based on the location of the office from which the lendings are made. The trading business, which is largely carried out in the UK, the United States and Japan, is more international in nature and has not been analysed geographically. It primarily constitutes settlement and reverse repo balances.

Provisions include specific provisions of £2,184m (2001: £1,960m) and general provisions of £732m (2001: £704m).

Banking business loans and advances to customers include finance lease receivables of £4,389m (2001: £4,433m) which are stated in the balance sheet after deducting £2,993m (2001: £2,318m) of unearned charges and interest. Assets acquired in the year for letting under finance leases amounted to £401m (2001: £898m).

The following residual values are included in finance lease receivables:

	2002	2001
	(£ millions)	
Recoverable:		
not more than one year	**17**	18
over one year but not more than two years	**4**	9
over two years but not more than five years	**6**	8
over five years	**11**	11

	2002	2001
	38	46

Securitised transactions

Loans and advances to customers include balances which have been securitised. In accordance with Financial Reporting Standard 5 (FRS 5), "Reporting the Substance of Transactions", these balances are either accounted for on the basis of linked presentation or separate recognition of the gross assets and related funding.

Linked presentation

Banking business loans and advances to customers include loans subject to non-recourse finance arrangements which at 31st December 2002 and 2001 comprised a portfolio of mortgage loans. The principal benefits of these loans were acquired from the Bank by a special purpose securitisation vehicle which was funded primarily through the issue of floating rate notes. Barclays PLC and its subsidiary undertakings are not obliged to support any losses that may be suffered by the floating rate noteholders and do not intend to provide such support. Additionally, the floating rate notes were issued on the basis that noteholders are only entitled to obtain payment, as to both principal and interest, to the extent that the securitisation company's available resources, including funds due from customers in respect of the securitised loans, are sufficient and that noteholders have no recourse whatsoever to the Group.

The securitisation company involved is Millshaw SAMS (No. 1) Limited. All the shares in Millshaw SAMS (No. 1) Limited are held beneficially by Millshaw SAMS Holdings Limited. All the shares in Millshaw SAMS Holdings Limited are held by Royal Exchange Trust Company Limited. The Group does not own, directly or indirectly, any of the share capital of Millshaw SAMS (No. 1) Limited or its parent companies. The Bank has made an interest bearing subordinated loan to Millshaw SAMS (No. 1) Limited repayable on final redemption of the floating rate notes.

The Bank received payments from the securitisation companies in respect of fees for loan administration services, and also under the terms of the subordinated loan agreement. The Bank has no right to repurchase the benefit of any of the securitised loans and no obligation to do so, other than in certain circumstances where the Bank is in breach of warranty. The personal mortgage loans subject to non-recourse finance are as follows:

	Outstanding at 31st December 2002			Outstanding at 31st December 2001		
	Customer loans	Non-returnable finance	Funding provided by the Bank*	Customer loans	Non-returnable finance	Funding provided by the Bank*
	(£ millions)					
	84	**83**	**1**	88	87	1

* Funding provided by the Bank includes £1m (2001: £1m) of subordinated loans.

Linked presentation has been applied for these loans and the net of the loans and finance is included within loans and advances to customers on the balance sheet. The amounts involved in the linked presentation have not been shown on the face of the balance sheet because they are not deemed to be significant.

Gross assets presentation

During 2002, a proportion of the Barclaycard personal credit and charge card receivables portfolio in the UK was securitised. The noteholders in this securitisation have a proportionate interest in each balance in the portfolio and at 31st December 2002, the sterling equivalent of this interest was £644m. The securitisation does not qualify for linked presentation under FRS 5 and therefore the total portfolio is included within gross loans and in note 60 on page 159. The funding giving rise to the noteholders interest is included within Debt securities in issue. During 2002, an earlier series of notes was redeemed, the sterling equivalent of those notes was £607m.

17 Provisions for bad and doubtful debts

	2002			2001		
Movements in provisions for bad and doubtful debts	**Specific**	**General**	**Total**	**Specific**	**General**	**Total**
			(£ millions)			
Provisions at beginning of year	**1,971**	**745**	**2,716**	1,593	760	2,353
Acquisitions and disposals	**(25)**	**14**	**(11)**	50	(4)	46
Exchange and other adjustments	**(57)**	**(20)**	**(77)**	(6)	5	(1)
	1,889	**739**	**2,628**	1,637	761	2,398
Provision for the year	**1,486**	**(2)**	**1,484**	1,165	(16)	1,149
Amounts written off, net of recoveries of £106m (2001: £142m)	**(1,114)**		**(1,114)**	(831)		(831)
Provisions at end of year	**2,261**	**737**	**2,998**	1,971	745	2,716

Provisions at 31st December	**2002**	**2001**
	(£ millions)	
Specific provisions		
UK	**1,790**	1,605
Other European Union	**84**	89
United States	**257**	89
Rest of the World	**130**	188
	2,261	1,971
General provisions	**737**	745
	2,998	2,716

Non performing advances	**2002**	**2001**
	(£ millions)	
Loans and advances on which interest is in suspense or is not being applied	**3,153**	2,484
Specific provisions	**(1,634)**	(1,457)
	1,519	1,027

18 Debt securities

	2002				2001			
	Balance Sheet	Gross unrealised gains	Gross unrealised losses	Valuation	Balance Sheet	Gross unrealised gains	Gross unrealised losses	Valuation
	(£ millions)							
Investment securities:								
UK government	**1,465**	**31**		**1,496**	1,500		(1)	1,499
other government	**18,963**	**601**		**19,564**	15,152	205	(27)	15,330
other public bodies	**17**			**17**	3			3
mortgage-backed securities	**4,693**	**11**		**4,704**	244	11		255
corporate issuers	**12,601**	**81**	**(16)**	**12,666**	12,977	17	(7)	12,987
other issuers	**2,529**	**1**		**2,530**	1,168	2		1,170
	40,268	**725**	**(16)**	**40,977**	31,044	235	(35)	31,244
Other debt securities:								
UK government	**1,025**			**1,025**	1,284			1,284
other government	**25,385**			**25,385**	15,659			15,659
other public bodies	**2,438**			**2,438**	1,091			1,091
bank and building society certificates of deposit	**12,027**			**12,027**	15,376			15,376
other issuers	**13,086**			**13,086**	14,470			14,470
	94,229	**725**	**(16)**	**94,938**	78,924	235	(35)	79,124

	2002		
Movements in investment securities	**Cost**	**Provisions**	**Balance Sheet**
	(£ millions)		
At beginning of year	**31,084**	**(40)**	**31,044**
Exchange and other adjustments	**(153)**	**3**	**(150)**
Acquisitions and transfers	**30,726**		**30,726**
Redemption of Investment securities	**(10,247)**		**(10,247)**
Sale of Investment securities	**(11,002)**		**(11,002)**
Provisions raised		**(18)**	**(18)**
Amortisation of discounts and premiums	**(85)**		**(85)**
At end of year	**40,323**	**(55)**	**40,268**

The total value of debt securities at 31st December 2002 includes securities which are subject to sale and repurchase agreements of £5,839m (2001: £3,446m), and unamortised net discount on investment securities of £2m (2001: premium of £24m). The value of securities due within one year at 31st December 2002 was £22,281m (2001: £23,478m). At 31st December 2002, there were debt securities of £1,112m (2001: £nil) issued by associated undertakings or joint ventures.

During 1999, the Group securitised a portfolio of investment debt securities. Linked presentation under FRS 5 is not available and therefore the portfolio with a sterling equivalent book value of £318m at 31st December 2002 (2001: £605m) is included within the total above. The funding from this transaction is reported in Other liabilities (note 30 on page 130).

During 2002, the Group purchased a portfolio of investment debt securities, a large portion of which were subject to limited recourse financing. Linked presentation under FRS 5 is not available and therefore the portfolio with a sterling equivalent book value of £457m is included in the total above, with the financing reported in Deposits by banks. At 31st December 2002, the Group's net exposure to these investment debt securities, after taking into account the limited recourse financing, was £97m.

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m (2001: £0.1m). As part of its normal market-making activities, Barclays Capital holds positions in Barclays Bank PLC's loan capital.

Gross gains of £5m (2001: £37m, 2000: £6m) and gross losses of £37m (2001: £13m, 2000: £9m) were realised on the sale and redemption of investment securities.

The cost of Other debt securities is not available and would be unreasonably expensive to obtain.

Of the total debt securities disclosed above, £56,290m (2001: £56,814m) were listed on a recognised exchange. These listed debt securities had a market value of £56,991m (2001: £57,039m).

Under US GAAP all Investment securities are classified as "available for sale' unless the Group has a clear intention and ability to hold them to maturity. Other debt securities are classified as "trading securities".

See page 89 of the Financial review for the valuation and maturity analysis of Investment securities.

19 Equity shares

	2002		**2001**	
	Balance Sheet	**Valuation**	**Balance Sheet**	**Valuation**
	(£ millions)			
Investment securities	**505**	**509**	194	215
Other securities	**2,628**	**2,628**	2,924	2,924
	3,133	**3,137**	3,118	3,139

	2002		
Movements in Investment securities	**Cost**	**Provisions**	**Balance Sheet**
	(£ millions)		
At beginning of year	**199**	**(5)**	**194**
Acquisitions and transfers	**406**		**406**
Sale of Investment securities	**(89)**		**(89)**
Provisions raised		**(6)**	**(6)**
At end of year	**516**	**(11)**	**505**

Gross unrealised gains on equity shares amounted to £14m (2001: £21m). Gross unrealised losses amounted to £10m (2001: £nil).

Gross gains of £91m (2001: £68m, 2000: £54m) and gross losses of £12m (2001: £8m, 2000: £1m) were realised on the sale of Investment securities.

The cost of Other securities is not available and would be unreasonably expensive to obtain.

As part of its normal operations, the equity derivatives business of Barclays Capital holds shares in Barclays PLC.

Of the total equity securities disclosed above, £2,273m (2001: £2,963m) were listed on a recognised exchange. These listed equity securities had a market value of £2,277m (2001: £2,979m).

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20 Interests in associated undertakings and joint ventures

	Associates		Joint Ventures	
Share of net assets	**2002**	**2001**	**2002**	**2001**
	(£ millions)			
At beginning of year	**32**	60	**56**	62
Exchange and other adjustments	**(2)**	(30)		(3)
New investments/acquisitions	**373**	13	**7**	3
Disposals				(3)
Loss retained	**(6)**	(11)	**(5)**	(3)
At end of year	**397**	32	**58**	56
Interest in FirstCaribbean International Bank				
share of gross assets	**2,671**			
share of gross liabilities	**(2,444)**			
goodwill	**130**			
Other associates share of net assets	**40**	32		
Total	**397**	32		

Associated undertakings and joint ventures included £357m in respect of banks (2001: £nil). Dividend income from associated undertakings and joint ventures amounted to £1m (2001: £3m). On an historical cost basis, the Group's interests in associated undertakings and joint ventures at 31st December 2002 amounted to £455m (2001: £87m). Of the above interests in associated undertakings and joint ventures, only FirstCaribbean International Bank is listed on a recognised exchange. FirstCaribbean International Bank is listed on the Barbados, Trinidad and Tobago and Jamaican Stock Exchanges. The Group's share of the total operating income of joint ventures is £17m (2001: £44m, 2000: £8m).

The Group's share of the total operating income of FirstCaribbean International Bank is £31m.

Included within Barclays share of associates assets is goodwill as follows:

	2002	2001
	(£ millions)	
Goodwill		
Additions	**131**	
Cost at end of year	**131**	
Accumulated amortisation		
Amortisation charge for year	**1**	
At end of year	**1**	
Net book value	**130**	

The table below provides summarised financial information of associated undertakings and joint ventures, in which the Group has an interest (the entities' entire financial position and results of operations are presented, not Barclays share).

	2002			
	FirstCaribbean International Bank	Other Associates	Joint Ventures	Total
	(£ millions)			
Fixed assets	**79**	**281**	**360**	**720**
Debt and equity securities	**564**	**803**		**1,367**
Loans to banks and customers	**4,386**	**116**	**128**	**4,630**
Other assets	**271**	**201**	**31**	**503**
Total assets	**5,300**	**1,401**	**519**	**7,220**
Deposits from banks and customers	**4,718**	**219**	**120**	**5,057**
Other liabilities	**130**	**801**	**297**	**1,228**
Shareholders' funds	**452**	**381**	**102**	**935**
Total liabilities	**5,300**	**1,401**	**519**	**7,220**
(Loss)/profit before tax	**(18)**	**22**	**(15)**	**(11)**
Taxation	**2**	**(13)**		**(11)**
(Loss)/profit after tax	**(16)**	**9**	**(15)**	**(22)**

The amounts included above are based on accounts made up to 31st December 2002 with the exception of FirstCaribbean International Bank and certain undertakings included within the Other Associates category for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

21 Intangible fixed assets

	2002	2001
	(£ millions)	
Goodwill		
At beginning of year	**4,416**	4,365
Additions	**113**	52
Disposals		(10)
Exchange and other adjustments	**(27)**	9
At end of year	**4,502**	4,416
Accumulated amortisation		
At beginning of year	**325**	96
Disposals		(3)
Amortisation charge for year	**254**	229
Exchange and other adjustments	**(11)**	3
At end of year	**568**	325

	2002	2001
Net book value	**3,934**	4,091

Goodwill is amortised to the profit and loss account over its useful economic life, generally estimated to be 20 years. Goodwill arising on the acquisitions in 2001 of Banco Barclays e Galicia SA and in 2002 of Providian is being amortised over their expected useful economic lives of five years.

22 Tangible fixed assets

	2002			2001		
	Total	Property	Equipment	Total	Property	Equipment
	(£ millions)					
Cost or valuation						
At beginning of year	**4,038**	**2,257**	**1,781**	4,041	2,329	1,712
Acquisitions and disposals of Group undertakings	**(66)**	**(38)**	**(28)**	(12)	(2)	(10)
Exchange and other adjustments	**(24)**	**(24)**		23	5	18
Additions at cost	**284**	**119**	**165**	352	43	309
Sale of assets	**(533)**	**(331)**	**(202)**	(333)	(117)	(216)
Fully depreciated assets written off	**(27)**	**(15)**	**(12)**	(33)	(1)	(32)
At end of year	**3,672**	**1,968**	**1,704**	4,038	2,257	1,781
Accumulated depreciation and impairment						
At beginning of year	**2,080**	**850**	**1,230**	1,982	775	1,207
Acquisitions and disposals of Group undertakings	**(36)**	**(13)**	**(23)**	(8)	(1)	(7)
Exchange and other adjustments	**(18)**	**(27)**	**9**	19	17	2
Charge for year	**291**	**93**	**198**	299	105	194
Sale of assets	**(244)**	**(91)**	**(153)**	(179)	(45)	(134)
Fully depreciated assets written off	**(27)**	**(15)**	**(12)**	(33)	(1)	(32)
At end of year	**2,046**	**797**	**1,249**	2,080	850	1,230
At valuation						
1979 to 1993	**628**	**628**		870	870	
At cost	**3,044**	**1,340**	**1,704**	3,168	1,387	1,781
	3,672	**1,968**	**1,704**	4,038	2,257	1,781
Accumulated depreciation	**(2,046)**	**(797)**	**(1,249)**	(2,080)	(850)	(1,230)
Net book value	**1,626**	**1,171**	**455**	1,958	1,407	551

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	2002	2001
	(£ millions)	
Balance sheet value of property		
Freehold	**846**	1,126
Leasehold over 50 years unexpired	**93**	108
Leasehold up to 50 years unexpired	**231**	171
Assets in the course of construction	**1**	2

	2002	2001
	1,171	1,407
Historical cost of property		
At cost	**1,727**	1,953
Accumulated depreciation and impairment	**(797)**	(819)
Net book value	**930**	1,134

The net book value of property occupied by the Group for its own use was £1,116m at 31st December 2002 (2001: £1,352m). The net book value of property at 31st December 2002 included £194m (2001: £317m) in respect of land.

23 Commitments for capital expenditure not provided in these accounts

At 31st December 2002, commitments for capital expenditure under contract amounted to £1m (2001: £1m).

24 Other assets

	2002	2001 restated
	(£ millions)	
Own shares	**55**	6
Balances arising from off-balance sheet financial instruments	**13,454**	13,730
Shareholders' interest in the long-term assurance fund	**867**	884
London Metal Exchange warrants and other metals trading positions	**829**	1,236
Sundry debtors	**1,634**	2,330
	16,839	18,186

Own shares represent Barclays PLC shares held in employee benefit trusts where the Group retains the risks and rewards related to those shares.

25 Retail long-term assurance funds

The (decrease)/increase in the shareholders' interest in the retail long-term assurance funds is calculated as follows:

	2002	2001 restated
	(£ millions)	
Value of the shareholders' interest at beginning of year	**884**	816
Transfer to shareholders' account		(40)
	884	776
Value of the shareholders' interest at end of year	**867**	884
(Decrease)/increase in value for the year after tax	**(17)**	108
(Decrease)/increase in value before tax	**(55)**	119

In addition to the decrease (2001 an increase) in the shareholders' interest in the retail long-term assurance funds detailed above, £4m (2001: £8m) of other income from the long-term assurance business has been recognised in the year.

The principal economic assumptions used in calculating the value of the shareholders' interest were as follows:

	2002	2001
	%	%
Risk discount rate (net of tax)	**7.0**	9.0
Gross UK equities returns for unit linked business (net of irrecoverable tax credit)	**6.8**	7.5
Gross UK equities dividend yield for unit linked business (net of irrecoverable tax credit)	**2.8**	2.2
Gross property and overseas equities returns for unit linked business	**7.5**	8.0
Gross fixed interest returns for unit linked business	**4.5**	5.0
Renewal expense inflation (including effect of fixed costs)	**4.4**	5.25

The retail life-fund assets attributable to policyholders comprise:

	2002	2001
	(£ millions)	
Assets:		
Investments	**7,199**	8,129
Group undertakings	**5**	20
Other debtors	**205**	726
	7,409	8,875
Current liabilities	**(125)**	(705)
	7,284	8,170

26 Prepayments and accrued income

	2002	2001
	(£ millions)	
Accrued interest and commission	**2,586**	2,249
Prepayments	**396**	304
	2,982	2,553

27 Deposits by banks

	2002	2001
	(£ millions)	
Repayable		
on demand	**7,148**	6,633
not more than three months	**68,470**	49,108
over three months but not more than six months	**3,438**	3,479

	2002	2001
over six months but not more than one year	**1,397**	1,101
over one year but not more than two years	**371**	294
over two years but not more than five years	**2,196**	3,773
over five years	**4,414**	2,992
	87,434	67,380
By geographical area		
Banking business:		
UK	**34,230**	35,027
Other European Union	**2,220**	1,637
United States	**6,606**	4,187
Rest of the World	**5,695**	4,986
Total banking business	**48,751**	45,837
Total trading business	**38,683**	21,543
	87,434	67,380

At 31st December there were deposits by banks of £717m (2001: £nil) due to associated undertakings and joint ventures. Deposits by banks are mostly over £50,000.

A further analysis of Deposits by banks is given within the Deposits section on page 88 of the Financial review.

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28 Customer accounts

	2002	2001 restated
	(£ millions)	
Repayable		
on demand	**83,731**	74,594
not more than three months	**76,761**	77,940
over three months but not more than six months	**3,333**	3,181
over six months but not more than one year	**2,669**	3,351
over one year but not more than two years	**2,342**	1,016
over two years but not more than five years	**1,427**	3,044
over five years	**1,235**	721
	171,498	163,847
By geographical area		
Banking business:		
UK	**132,502**	123,866
Other European Union	**5,233**	4,822
United States	**1,166**	3,111
Rest of the World	**5,177**	8,064
Total banking business	**144,078**	139,863
Total trading business	**27,420**	23,984

	2002	2001 restated
	171,498	163,847

	2002	2001
	(£ millions)	
By type		
In offices in the UK:		
current and demand accounts interest free	**11,159**	11,570
current and demand accounts interest bearing	**17,558**	19,532
savings accounts	**45,586**	40,218
other time deposits retail	**33,687**	33,267
other time deposits wholesale	**35,029**	24,230
In offices outside the UK:		
current and demand accounts interest free	**1,132**	2,032
current and demand accounts interest bearing	**1,774**	2,174
savings accounts	**459**	1,409
other time deposits	**25,114**	29,415
	171,498	163,847

At 31st December 2002, there were customer accounts of £189m (2001: £14m) due to associated undertakings and joint ventures.

Deposits in offices in the UK received from non-residents amounted to £19,490m (2001: £11,112m).

Other time deposits in the UK and the United States are mostly over £50,000.

A further analysis of customer accounts is provided within the Deposits section on page 88 of the Financial review.

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29 Debt securities in issue

	2002	2001
	(£ millions)	
Bonds and medium-term notes repayable:		
within one year	**809**	891
over one year but not more than two years	**1,815**	681
over two years but not more than five years	**3,056**	3,209
over five years	**1,237**	1,096
	6,917	5,877
Other debt securities in issue repayable:		
not more than three months	**28,166**	22,936
over three months but not more than one year	**8,515**	10,823
over one year but not more than two years	**674**	153
over two years but not more than five years	**1,203**	670
over five years	**410**	1,387

	2002	2001
	45,885	41,846

Debt securities in issue at 31st December 2002 included certificates of deposit of £30,045m (2001: £28,258m) and commercial paper of £5,192m (2001: £3,268m). At 31st December 2002 and 2001, there were no debt securities in issue due to associated undertakings and joint ventures.

Debt securities in issue at 31st December 2002 include £644m (2001: £607m) raised from the securitisation of credit and charge card receivables (see note 16).

30 Other liabilities

	2002	2001
	(£ millions)	
Obligations under finance leases payable:		
not more than one year	**27**	34
over one year but not more than two years	**30**	30
over two years but not more than five years	**70**	79
over five years	**81**	114
	208	257
Less: future finance charges	**(68)**	(91)
	140	166
Balances arising from off-balance sheet financial instruments	**11,538**	11,091
Short positions in securities	**39,940**	26,200
Cash receipts from securitisation	**318**	605
Current tax	**641**	589
Sundry creditors	**3,987**	4,279
	56,564	42,930
Short positions in securities comprise:		
Treasury bills and other eligible bills	**2,547**	1,257
Debt securities government	**30,614**	20,149
Debt securities other public sector	**517**	340
Debt securities other	**4,678**	2,914
Equity shares	**1,584**	1,540
	39,940	26,200

Of the total short positions disclosed above, £24,339m (2001: £23,840m) were listed on a recognised exchange.

Cash receipts from securitisation are in respect of a portfolio of investment debt securities (see note 18) which did not qualify for linked presentation under FRS 5.

31 Accruals and deferred income

	2002	2001

	2002	2001
	(£ millions)	
Accrued interest and commission	**2,207**	2,172
Other accruals and deferred income	**2,145**	2,205
	4,352	4,377

32 Deferred tax

The movements on deferred tax during the year were:

	2002	2001 restated
	(£ millions)	
At beginning of year as previously reported	**630**	631
Prior year adjustment FRS 19	**(14)**	
At beginning of year as restated	**616**	631
Exchange and other adjustments	**(121)**	(19)
Charge to profit and loss account	**(34)**	4
At end of year	**461**	616
Deferred tax at 31st December:		
Leasing transactions	**766**	814
Other timing differences	**(305)**	(198)
	461	616

No tax (2001: £nil) has been provided on capital gains that might arise on the disposal of Barclays Bank PLC at the amounts at which it is stated. The Directors are of the opinion that the likelihood of any such tax liability arising in the foreseeable future is remote. Tax would become payable only if the investment (and consequently virtually all of the Group's activities) were disposed of. The amount of tax payable would be dependent upon the level of capital losses available within the Barclays Group to reduce any capital gains that may arise.

No tax has been provided on capital gains (2001: £nil) that might arise on the disposal of properties at their balance sheet amounts. The aggregate disposal of the property portfolio would not be expected to give rise to a significant gain or loss. Tax would become payable only if property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any tax will become payable in the foreseeable future.

The fair values of certain derivatives and financial instruments are disclosed in note 47. For trading balances, where fair values are recognised in the financial statements and mark to market movements included in the profit and loss account, the gains and losses are subject to current tax and no deferred tax arises. In the case of derivatives used for asset and liability management purposes, tax arises when the gain or loss is recognised in the profit and loss account at the same time as the hedged item. Where fair values are disclosed but not recognised, tax would arise if the assets were sold at their fair value. Tax of £1,106m (2001: £902m) would become payable on the sale of the non-trading financial assets for which a valuation has been given.

Deferred tax assets have not been recognised on tax losses to the extent that they are not regarded as recoverable in the foreseeable future. The unrecognised asset of £24m (2001: £nil) would be regarded as recoverable to the extent that, on the basis of all available evidence, it was more likely than not that there would be suitable taxable profits from which the tax losses could be deducted.

No deferred tax is recognised on the unremitted earnings of overseas subsidiary undertakings, associated undertakings and joint ventures. Such earnings form part of the balance sheet value and are therefore included in the deferred tax of subsidiaries.

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33 Other provisions for liabilities and charges

	Employee pension and post-retirement benefit contributions	Onerous contracts	Customer loyalty provisions	Redundancy and restructuring	Sundry provisions	Total
			(£ millions)			
At 1st January 2002	**180**	**39**	**68**	**131**	**144**	**562**
Exchange	**(3)**			**2**	**(5)**	**(6)**
Additions	**61**	**1**	**16**	**220**	**78**	**376**
Amounts used	**(34)**	**(13)**	**(29)**	**(169)**	**(31)**	**(276)**
Unused amounts reversed	**(24)**	**(2)**		**(72)**	**(74)**	**(172)**
Amortisation of discount		**1**		**1**		**2**
	180	**26**	**55**	**113**	**112**	**486**
At 1st January 2001	194	56	66	151	168	635
Acquisitions and disposals of Group undertakings					15	15
Exchange	1	(2)			(3)	(4)
Additions	41	3	12	185	54	295
Amounts used	(28)	(20)	(10)	(183)	(38)	(279)
Unused amounts reversed	(28)			(24)	(52)	(104)
Amortisation of discount		2		2		4
	180	39	68	131	144	562

Customer loyalty provisions are made with respect to anticipated future claims on redemption under the Group's customer loyalty bonus schemes. Sundry provisions are made with respect to commission clawbacks, warranties and litigation claims.

Redundancy and restructuring

It is anticipated that the majority of the remaining provision will be utilised in 2003.

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34 Undated loan capital

Undated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen the capital base and by Woolwich plc for the general purposes of its business, comprised:

	Notes	2002	2001 restated
		(£ millions)	
Non-convertible			
The Bank			
6% Callable Perpetual Core Tier One Notes	(a, o)	**400**	
6.86% Callable Perpetual Core Tier One Notes ($1,000m)	(a, o)	**619**	
8.55% Step-up Callable Perpetual Reserve Capital Instruments ($1,250m)	(b, p)	**767**	852

	Notes	2002	2001 restated
7.375% Step-up Callable Perpetual Reserve Capital Instruments ($750m)	(b, q)	**459**	510
7.50% Step-up Callable Perpetual Reserve Capital Instruments (s850m)	(c, r)	**545**	510
Junior Undated Floating Rate Notes ($121m)	(d, s)	**75**	83
Undated Floating Rate Primary Capital Notes Series 1 ($358m)	(d, t)	**222**	247
Undated Floating Rate Primary Capital Notes Series 2 ($442m)	(d, t)	**274**	304
Undated Floating Rate Primary Capital Notes Series 3	(d, t)	**145**	145
9.875% Undated Subordinated Notes	(e, u)	**300**	300
9% Permanent Interest Bearing Capital Bonds	(f, v)	**100**	100
7.875% Undated Subordinated Notes	(g, w)	**100**	100
7.125% Undated Subordinated Notes	(h, x)	**525**	525
6.875% Undated Subordinated Notes	(i, y)	**650**	650
6.375% Undated Subordinated Notes	(j, z)	**400**	
6.125% Undated Subordinated Notes	(k, aa)	**400**	
6.5% Undated Subordinated Notes (FFr 1,000m)	(l, ab)	**99**	93
5.03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m)	(m, ac)	**42**	42
5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m)	(m, ac)	**63**	63
Woolwich plc			
9.25% Perpetual Subordinated Bonds	(n, ae)	**183**	185
		6,368	4,709
Convertible to preference shares			
The Bank			
8% Convertible Capital Notes Series E ($500m)	(f, ad)	**310**	345

Security and subordination

None of the undated loan capital of the Bank or Woolwich plc is secured.

The Junior Undated Floating Rate Notes (the "Junior Notes") rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.

All other issues of the Bank's undated loan capital rank *pari passu* with each other and behind the claims of the holders of Junior Notes, except for the 6% and 6.86% Callable Perpetual Core Tier One Notes (the "TONs") and the 8.55%, 7.375% and 7.5% Step-up Callable Perpetual Reserve Capital Instruments (the "RCIs") (such issues, excluding the Tons and the RCI's, being the "Undated Notes and Loans").

The TONs and the RCIs rank pari passu with each other and behind the claims of the holders of the Undated Notes and Loans.

The 9.25% Perpetual Subordinated Bonds rank behind the claims against Woolwich plc of its depositors and other unsecured unsubordinated creditors and holders of its dated loan capital.

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Interest

Notes

(a) These TONs bear a fixed rate of interest until 2032. After that date, in the event that the TONs are not redeemed, the TONs will bear interest at rates fixed periodically in advance based on London interbank rates.

(b) These RCIs bear a fixed rate of interest until 2011. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance based on London interbank rates.

(c)

These RCIs bear a fixed rate of interest until 2010. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance based on European interbank rates.

(d) These Notes bear interest at rates fixed periodically in advance based on London interbank rates.

(e) These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

(f) The interest rates on these Notes are fixed for the life of those issues.

(g) These Notes bear a fixed rate of interest until 2003. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 10 years.

(h) These Notes bear a fixed rate of interest until 2020. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

(i) These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

(j) These Notes bear a fixed rate of interest until 2017. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

(k) These Notes bear a fixed rate of interest until 2027. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

(l) These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.

(m) These Loans bear a fixed rate of interest until 2028 based on a US dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Loans are not redeemed, the Loans will bear Yen interest at rates fixed periodically in advance based on London interbank rates.

(n) These Notes bear a fixed rate of interest until 2021. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

The Bank is not obliged to make a payment of interest on its Undated Notes and Loans if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. Woolwich plc is not obliged to a make a payment of interest on its undated loan capital if, in the immediately preceding interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable if such a dividend is subsequently paid or in certain other circumstances.

No payment of principal or any interest on any such undated loan capital may be made unless the Bank or Woolwich plc, as appropriate, satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the RCIs for any period of time. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the Financial Services Authority. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (a) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or preference shares, or make payments of interest in respect of the RCIs and (b) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Interest payable on undated loan capital amounted to £407m (2001: £345m, 2000: £190m).

Repayment and conversion

Notes

(o) These TONs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2032.

(p) These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2011.

(q) These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2011.

(r) These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2010.

(s) These Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date.

(t) These Notes are repayable in each case, at the option of the Bank, in whole on any interest payment date.

(u) These Notes are repayable, at the option of the Bank, in whole in 2008, or on any fifth anniversary thereafter.

(v) These Bonds are repayable, at the option of the Bank, in whole at any time.

(w) These Notes are repayable, at the option of the Bank, in whole at any time up to and including October 2003, or on any tenth anniversary thereafter.

(x) These Notes are repayable, at the option of the Bank, in whole in 2020, or on any fifth anniversary thereafter.

(y) These Notes are repayable, at the option of the Bank, in whole in 2015, or on any fifth anniversary thereafter.

(z) These Notes are repayable, at the option of the Bank, in whole in 2017, or on any fifth anniversary thereafter.

(aa) These Notes are repayable, at the option of the Bank, in whole in 2027, or on any fifth anniversary thereafter.

(ab) These Notes are repayable, at the option of the Bank, in whole in 2009, or on any fifth anniversary thereafter.

(ac) These Loans are repayable, at the option of the Bank, in whole in 2028, or on any fifth anniversary thereafter.

(ad) These Notes are repayable at par, at the option of the Bank, in whole on any interest payment date falling in or after April 2003 and are convertible on any interest payment date, at the option of the Bank, into 40,000,000 non-cumulative dollar-denominated preference shares of the Bank.

(ae) These Bonds are repayable, at the option of Woolwich plc, in whole in 2021, or on any fifth anniversary thereafter.

In addition, each issue of undated loan capital is repayable, at the option of the Bank or Woolwich plc, as appropriate, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest. Any repayments require the prior approval of the Financial Services Authority.

The Series E Notes have been registered under the US Securities Act of 1933. The other issues of undated loan capital, which were made in the eurocurrency market and/or under Rule 144A, have not been so registered.

35 Dated loan capital

Dated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen its capital base, by Woolwich plc for the general purposes of its business and by Barclays Bank of Botswana to enhance its capital base, comprise:

Notes	2002	2001

	Notes	2002	2001
		(£ millions)	
Non-convertible			
The Bank			
5.5% Subordinated Notes 2002 (2001: €200m)			119
Floating Rate Subordinated Notes 2002 (2001: €115m)			73
Floating Rate Subordinated Notes 2003 (€55m)	(a, i)	**36**	34
Subordinated Floating Notes 2003 (€200m)	(a, f, i)	**125**	125
Subordinated Floating Notes 2003 (Yen 8,000m)	(a, i)	**42**	42
Floating Rate Unsecured Capital Loan Stock 2006	(a, k, l)	**3**	4
16% Unsecured Capital Loan Stock 2002/07			100
4.875% Step-up Callable Subordinated Notes 2008 (FFr 1,000m)	(b, k)	**99**	93
Floating Rate Subordinated Notes 2008 (ITL 250,000m)	(a, k)	**84**	79
Subordinated Floating Rate Notes 2008 ($250m)	(a, f, k)	**171**	171
Subordinated Floating Rate Notes 2009 ($60m)	(a, f, k)	**41**	41
Floating Rate Subordinated Step-up Callable Notes 2009 ($550m)	(a, g, k)	**355**	379
Floating Rate Subordinated Step-up Callable Notes 2009 ($115m)	(a, f, k)	**79**	79
7.4% Subordinated Notes 2009 ($400m)	(h)	**248**	276
Subordinated Fixed to CMS-Linked Notes 2009 (€31m)	(a)	**20**	19
Floating Rate Subordinated Step-up Callable Notes 2009 (€150m)	(a, k)	**98**	91
Variable Floating Rate Subordinated Notes 2009 (Yen 5,000m)	(a, k)	**26**	26
2% Unsecured Capital Loan Stock 2010	(h)	**25**	25
Floating Rate Subordinated Step-up Callable Notes 2011 ($100m)	(a, k)	**62**	69
Floating Rate Subordinated Step-up Callable Notes 2011 ($125m)	(a, k)	**78**	86
Floating Rate Subordinated Notes 2011($400m)	(a, k)	**248**	276
5.75% Fixed Rate Subordinated Notes 2011 (€1,000m)	(h)	**651**	610
Fixed/Floating Rate Subordinated Notes 2011 (Yen 5,000m)	(c, k)	**26**	26
Floating Rate Subordinated Notes 2012	(a, k)	**299**	299
Callable Subordinated Floating Rate Notes 2012	(a, k)	**44**	
Callable Subordinated Floating Rate Notes 2012 ($150m)	(a, k)	**93**	
Floating Rate Subordinated Notes 2012 ($100m)	(a, k)	**62**	
Capped Floating Rate Subordinated Notes 2012 ($100m)	(a, k)	**62**	
5.5% Subordinated Notes 2013 (DM 500m)	(d, k)	**166**	156
Floating Rate Subordinated Notes 2019 (€50m)	(a)	**33**	31
Subordinated Floating Rate Notes 2021 (€100m)	(a)	**65**	61
Subordinated Floating Rate Notes 2022 (€50m)	(a)	**33**	
5.75% Fixed Rate Subordinated Notes 2026	(h)	**600**	600
5.4% Reverse Dual Currency Subordinated Loan 2027 (Yen 15,000m)	(e)	**78**	79
6.33% Subordinated Notes 2032	(h)	**50**	50
Subordinated Floating Rate Notes 2040 (€100m)	(a)	**65**	61
Barclays Overseas Investment Company B.V.			
Guaranteed Notes 2007 (2001: Yen 15,000m)			79
Woolwich plc			
5.25% Subordinated Notes 2011 (€250m)	(h)	**152**	140
Step-up Callable Floating Rate Subordinated Bonds 2012	(a, k)	**147**	147
10.125% Subordinated Notes 2017	(j, k)	**121**	123
9.5% Subordinated Bonds 2021	(h)	**261**	264
		4,848	4,933
Convertible			
Barclays Bank of Botswana (BBB)			
Subordinated Unsecured Floating Rate Capital Notes 2014 (Pula 100m)	(k, m)	**11**	
		4,859	4,933
Repayable			
not more than one year		**206**	196
over one year but not more than two years			201
over two years but not more than five years			
over five years		**4,653**	4,536
		4,859	4,933

Notes	2002	2001

None of the Group's dated loan capital is secured. The debt obligations of the Bank, Woolwich plc and Barclays Bank of Botswana rank ahead of the interests of holders of their equity. Dated loan capital of the Bank, Woolwich plc and Barclays Bank of Botswana has been issued on the basis that the claims thereunder are subordinated to the respective claims of their depositors and other unsecured unsubordinated creditors.

Interest

Notes

(a) These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.

(b) These Notes bear a fixed rate of interest until 2003. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.

(c) These Notes bear a fixed rate of interest until 2006. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

(d) These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

(e) This Loan bears a fixed rate of interest based on a US dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates.

(f) The Bank has swapped the proceeds of these Notes for sterling under swaps, the durations of which will match the respective terms of the Notes.The payment obligations of the Bank under these swaps are subordinated so that the claims against the Bank in respect of these swaps rank *pari passu* with claims against the Bank in respect of its dated loan capital. The sterling values of these Notes in the figures set out above take into account these subordinated swaps.

(g) The Bank has swapped US$200 million of the proceeds of these Notes under a swap, the duration of which matches the term of the Notes. The payment obligations of the Bank under this swap are subordinated so that the claims against the Bank in respect of this swap rank *pari passu* with claims against the Bank in respect of its dated loan capital. The sterling value of these Notes in the figures set out above takes into account this subordinated swap.

(h) The interest rates on these Notes are fixed for the life of those issues.

(i) The Bank may defer the payment of interest and principal on these Notes in the event that the Financial Services Authority has required or requested the Bank to make such a deferral.

(j) These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

(k) Repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole.

(l) Holders of these Notes have certain rights to call for the redemption of their holdings.

(m) These Notes bear interest at rates fixed periodically in advance based on the Bank of Botswana Certificate Rate. All of these Notes will be compulsorily converted to Preference Shares of BBB, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should BBB experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

Interest payable on loan capital with a final maturity within five years amounted to £28m (2001: £14m, 2000: £16m).

The 7.4% Subordinated Notes 2009 (the "7.4% Notes") issued by the Bank have been registered under the US Securities Act of 1933. All other issues of dated loan capital by the Bank, Woolwich plc and Barclays Bank of Botswana, which were made in non-US markets, have not been so registered. With respect to the 7.4% Notes, the Bank is not obliged to make (i) a payment of interest on any interest payment date unless a dividend is paid on any class of share capital and (ii) a payment of principal until six months after the respective maturity date with respect to such Notes.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 2002 is redeemable only on maturity subject, in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, in the case of Barclays Bank of Botswana, to certain changes in legislation or regulations.

Any repayments prior to maturity require in the case of the Bank, or Woolwich plc, the prior approval of the Financial Services Authority and, in the case of Barclays Bank of Botswana, the prior approval of the Bank of Botswana.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

36 Called up share capital

At the 2002 AGM held on 25th April 2002, a resolution was passed to divide each ordinary share of £1 each (issued and unissued) into 4 ordinary shares of 25p each.

The authorised share capital of Barclays PLC is £2,500m (2001: £2,500m), comprising 9,996m ordinary shares of 25p each (2001: 2,499m ordinary shares of £1 each) and 1m (2001: 1m) staff shares of £1 each.

	2002	2001
	(£ millions)	
Called up share capital, allotted and fully paid		
Ordinary shares:		
At beginning of year	**1,667**	1,661
Issued to staff under the SAYE Share Option Scheme	**7**	9
Issued under Executive Share Option Scheme		2
Repurchase of shares	**(30)**	(5)
At end of year	**1,644**	1,667
Staff shares	**1**	1
	1,645	1,668

In 2002, the Company repurchased ordinary shares with a nominal value of £30m at a total cost of £546m. In 2001, ordinary shares with a nominal value of £5m were repurchased at a total cost of £101m.

37 Shares under option

The Group has three current schemes that give employees rights to subscribe for shares in Group companies. A summary of the key terms of the Incentive Share Option Plan (ISOP) and Sharesave are described on page 11 and 12.

The other current scheme is the BGI Equity Ownership Plan (EOP) which is extended to senior employees of BGI. The exercise price of the options is determined by formula at the date of grant and is not less than the market value of the share at the time of grant. The options are granted over shares in BGI UK Holdings Ltd, a subsidiary of Barclays Bank PLC. Options are normally not exercisable until vesting, with a third of the options held vesting at each anniversary of grant. Options lapse 10 years after grant.

At 31st December 2002, 17.8m (2001: 13.4m) options were outstanding under the terms of the BGI EOP (which would represent a 18.1% interest if exercised) enabling certain members of staff to subscribe for shares in Barclays Global Investors UK Holdings Limited between 2002 and 2011 at prices between £6.11 and £10.92. One year following the exercise of the option, the shareholder has the right to sell the shares. Barclays Bank PLC has first refusal to purchase the shares at the most recent agreed valuation. As at 31st December 2002 the most recently agreed valuation was £10.92 (2001: £8.98).

If all the current options were exercised, £158.7m (2001: £105.4m) would be subscribed. At the most recently agreed valuation these shares would be valued at £194.5m, resulting in a gain of £36m to the option holders if these shares were sold at this price. Since the scheme was introduced, options over £0.8m (2001: 0.2m) shares have been exercised, of which 0.7m have not been purchased by Barclays Bank PLC and represent a minority interest in Barclays Global Investors Holdings Limited and the Group.

At 31st December 2002, 127m (2001: 123m) options were outstanding under the terms of the SAYE Share Option Scheme, 3.8m (2001: 4.5m) options were outstanding under the terms of the Woolwich SAYE Scheme, 8.2m (2001: 9.5m) options were outstanding under the terms of the Executive Share Option Scheme, 8.8m (2001: 10.4m) options were outstanding under the terms of the Woolwich ESOP and 77.6m (2001: 42.5m) options were outstanding under the terms of the Incentive Share Option Plan, enabling certain Directors and members of staff to subscribe for ordinary shares between 2002 and 2011 at prices ranging from 157p to 562p.

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38 Shareholders' funds

	2002			2001 restated		
	Consolidated	Barclays PLC	Associated undertakings and joint ventures	Consolidated	Barclays PLC	Associated undertakings and joint ventures
			(£ millions)			
At beginning of year	**14,485**	**14,485**	**1**	13,183	13,183	30
Proceeds of shares issued (net of expenses)	**135**	**135**		210	210	
Exchange rate translation differences	**(61)**			3		
Repurchase of ordinary shares	**(546)**	**(546)**		(101)	(101)	
Revaluation of investment in subsidiary undertaking		**585**			1,092	
Shares issued to employee trusts in relation to share option schemes	**(48)**	**(46)**		(107)	(105)	
Gain arising from transactions with third parties	**206**					
Goodwill written back on disposals	**10**					
Other items			**2**	(39)	(1)	(15)
Profit/(loss) retained	**1,024**	**592**	**(11)**	1,336	207	(14)
At end of year	**15,205**	**15,205**	**(8)**	14,485	14,485	1

The revaluation reserve of Barclays PLC arises from the revaluation of the investment in Barclays Bank PLC.

The decrease in consolidated shareholders' funds of £61m (2001: increase £3m) arising from exchange rate translation differences is net of a related tax credit of £3m (2001: credit £6m).

Prior year shareholders' funds has been restated for a reduction of £23m in 2001 (2000: £4m) arising from changes in accounting policy as described on pages 102 and 103.

39 Investment in Barclays Bank PLC

The investment in Barclays Bank PLC is stated in the balance sheet at Barclays PLC's share of the book value of the net assets of Barclays Bank PLC including unamortised goodwill. The net increase of £720m during the year comprised the cost of additional shares of £135m and an increase of £585m in other net assets of Barclays Bank PLC. The cost of the investment was £7,616m (2001: £7,481m).

Details of principal subsidiary undertakings, held through Barclays Bank PLC, are shown in note 44.

40 Leasing activities

Aggregate amounts received and receivable during the year under finance leases were £433m (2001: £486m, 2000: £598m), including interest income of £225m (2001: £263m, 2000: £355m).

41 Assets and liabilities denominated in sterling and foreign currencies

	2002	2001 restated
	(£ millions)	
Denominated in sterling	**190,303**	174,462
Denominated in currencies other than sterling	**212,763**	182,150
Total assets	**403,066**	356,612
Denominated in sterling	**186,938**	188,467
Denominated in currencies other than sterling	**216,128**	168,145
Total liabilities	**403,066**	356,612

42 Assets pledged to secure liabilities

At 31st December 2002, the amount of assets pledged to secure liabilities was £16,109m (2001: £15,227m). The secured liabilities outstanding amounted to £12,151m (2001: £12,985m).

43 Future rental commitments under operating leases

At 31st December 2002, the Group held various leases on land and buildings, many for extended periods, and other leases for equipment.

	2002		2001	
	Property	Equipment	Property	Equipment
	(£ millions)			
Annual commitments under non-cancellable operating leases expiring:				
not more than one year	**19**	**1**	19	1
over one year but not more than five years	**46**		24	1
over five years	**110**		118	
	175	**1**	161	2

The following aggregate rental payments outstanding at 31st December 2002 fall due as follows:

	Year ended 31st December					
	2003	2004	2005	2006	2007	Total thereafter
	(£ millions)					
Aggregate rental payments	176	179	182	164	154	2,014

The aggregate rental payments above include amounts relating to a commitment to lease a new headquarters at Canary Wharf.

The rentals for leasehold land, buildings and equipment, included in operating expenses for the year ended 31st December 2002, amounted to £192m (2001: £200m, 2000: £176m).

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44 Principal subsidiary undertakings

Country of registration or incorporation	Company name	Nature of Business	Percentage of equity capital held
			%
England	Barclays Bank PLC ordinary shares	Banking, holding company	100*
England	Barclays Private Bank Limited	Banking	100*
England	Barclays Mercantile Business Finance Limited	Commercial finance, holding company, leasing	100
England	Barclays Global Investors UK Holdings Limited	Holding company	100
England	Barclays Life Assurance Company Limited	Life and pensions business	100
England	Barclays Bank Trust Company Limited	Banking, securities industries and trust services	100
England	Barclays Stockbrokers Limited	Stockbroking	100
England	Barclays Capital Securities Limited	Securities dealing	100
England	Barclays Global Investors Pensions Management Limited	Investment management	100*
England	Woolwich plc	Banking, holding company	100
England	FIRSTPLUS Financial Group PLC	Consumer finance	100*
England	Woolwich Independent Financial Advisory Services Limited	Financial advisory services	100*
Jersey	Barclays Private Bank and Trust Limited	Banking, holding company	100*
Isle of Man	Barclays Private Clients International Limited	Banking	100
Spain	Barclays Bank SA	Banking	99.7
Botswana	Barclays Bank of Botswana Limited	Banking	74.9
Egypt	Cairo Barclays Bank SAE	Banking	60
Ghana	Barclays Bank of Ghana Limited	Banking	90
Kenya	Barclays Bank of Kenya Limited	Banking	68.5
Zimbabwe	Barclays Bank of Zimbabwe Limited	Banking	64.6*
USA	Barclays Capital Inc.	Securities dealing	100*
USA	Barclays Global Investors, NA	Investments and securities industry business	100*
Switzerland	Barclays Bank (Suisse) SA	Banking and trust services	100*
Cayman Islands	Barclays Capital Japan Limited	Securities dealing	100*
Italy	Banca Woolwich SpA	Banking	100*

In accordance with Section 231(5) of the Companies Act 1985 the above information is provided solely in relation to principal subsidiary undertakings. Full information on all subsidiaries will be included with the Annual Return.

With the exception of Barclays Capital Japan Limited which operates in Japan, the country of registration or incorporation is also the principal area of operation for each of the above undertakings. Investments in these undertakings are held directly by Barclays Bank PLC except where marked *.

45 Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments, including swaps, futures, forwards and option contracts or combinations thereof (all commonly known as derivatives) the nominal amounts of which are not reflected in the consolidated balance sheet.

Following internationally accepted banking supervisory practice for the calculation of the credit risk associated with such non-derivative off-balance sheet items, for the purpose of this note the contract or underlying principal amounts are either recognised at face value or converted to credit risk equivalents by applying specified conversion factors.

Nature of instruments

For a description of the nature of derivative financial instruments, see page 49.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange which have been paid and subsequently rediscounted.

Guarantees and assets pledged as collateral security are generally written by a bank to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following table summarises the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk as at 31st December 2002.

	2002	**2001**
	Contract or underlying principal amount	**Contract or underlying principal amount**
	(£ millions)	
Contingent liabilities		
Acceptances and endorsements	2,589	2,460
Guarantees and assets pledged as collateral security	16,043	14,826
Other contingent liabilities	7,914	7,313
Off-balance sheet credit risk	26,546	24,599

Commitments

	2002	2001
Other commitments:		
Documentary credits and other short-term trade related transactions	340	397
Forward asset purchases and forward forward deposits placed	20	9
Undrawn note issuance and revolving underwriting facilities		19
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Over one year	22,809	22,372
In one year or less	78,209	77,120
Off-balance sheet credit risk	101,378	99,917

As an active participant in international banking markets, the Group has a significant concentration of off-balance sheet items with financial institutions, as shown in note 66.

For a further description of the nature and management of credit risks and market risks, see pages 24 to 46 of the Risk management section.

Unconditional obligations to purchase goods and services

The table below gives details of the Group's obligations to purchase goods and services at 31st December 2002:

	2002	2001
	(£ millions)	
Obligations payable		
less than one year	176	121
over one year but not more than three years	312	193
over three years but not more than five years	76	154
over five years	61	310
	625	778

The obligations mainly relate to contracts for the provision of services such as office supplies, telecommunications and maintenance and sponsorship agreements.

46 Derivatives and other financial instruments

The Group's objectives and policies in managing the risks that arise in connection with the use of financial instruments are set out on pages 24 to 54 under the headings "Risk management and control overview"; "Market risk management" and "Treasury asset and liability management". Short-term debtors and creditors are included in the following interest rate repricing and non-trading currency risk tables. All other disclosures in note 46 exclude these short-term balances.

Interest rate sensitivity gap analysis

The table below summarises the repricing profiles of the Group's non-trading book as at 31st December 2002. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Interest rate repricing as at 31st December 2002

	Not more than three months	Over three months but	Over six months but not	Over one year but not more than	Over three years but not more than	Over five years but not more	Over ten years	Non-interest bearing	Trading balances	Total

		not more than six months	more than one year	three years	five years	than ten years				
					(£ millions)					
Assets:										
Treasury bills and other eligible bills	261	87	42	21					7,234	7,645
Loans and advances to banks	2,844	35	56	44	1	84		281	54,829	58,174
Loans and advances to customers	94,934	4,302	6,239	9,106	5,692	3,886	1,251	861	76,127	202,398
Debt securities and equity shares	3,794	174	87	1,173	434	313	254	960	90,173	97,362
Other assets	758							11,322	18,123	30,203
Total assets	102,591	4,598	6,424	10,344	6,127	4,283	1,505	13,424	246,486	395,782
Liabilities:										
Deposits by banks	3,348	298	40	352	291	263		53	82,789	87,434
Customer accounts	109,670	1,978	1,957	2,142	97	13	355	13,454	41,832	171,498
Debt securities in issue	3,180	248	15	803	1,089	31	80		40,439	45,885
Other liabilities								8,493	55,574	64,067
Loan capital and other subordinated liabilities	2,565	621	100		37	3,511	4,703			11,537
Minority and other interests and shareholders' funds								15,361		15,361
Internal funding of trading business	(14,966)	(3,570)	124	(977)	21	(48)	391	(6,827)	25,852	
Total liabilities	103,797	(425)	2,236	2,320	1,535	3,770	5,529	30,534	246,486	395,782
Off-balance sheet items	(13,222)	(1,205)	(3,316)	4,544	5,956	3,601	3,642			
Interest rate repricing gap	(14,428)	3,818	872	12,568	10,548	4,114	(382)	(17,110)		
Cumulative gap	(14,428)	(10,610)	(9,738)	2,830	13,378	17,492	17,110			

Total assets and liabilities exclude retail life-fund assets and liabilities. These are not relevant in considering the interest rate risk of the Group.

Trading balances for the purposes of this table are those, within Barclays Capital, where the risk is managed by DVaR (see pages 44 to 46).

Interest rate repricing as at 31st December 2001

	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Non-interest bearing	Trading balances	Total

					(£ millions)					
Assets:										
Treasury bills and other eligible bills	565	49	36	40					6,727	7,417
Loans and advances to banks	3,531	306	58	18	2	189		298	43,487	47,889
Loans and advances to customers	82,427	2,827	3,820	14,818	5,587	3,635	1,212	592	65,575	180,493
Debt securities and equity shares	539	50	1,378	604	1,452	668	491	135	76,725	82,042
Other assets	749							11,687	18,165	30,601
Total assets	87,811	3,232	5,292	15,480	7,041	4,492	1,703	12,712	210,679	348,442
Liabilities:										
Deposits by banks	2,610	491	86	291	416	287		115	63,084	67,380
Customer accounts	105,204	2,258	2,658	483	570	13	219	13,472	38,970	163,847
Debt securities in issue	3,695	296	143	609	822	63	77		36,141	41,846
Other liabilities								8,301	42,462	50,763
Loan capital and other subordinated liabilities	2,895	77	198	193	26	3,584	3,014			9,987
Minority and other interests and shareholders' funds								14,619		14,619
Internal funding of trading business	(22,824)	(555)	316	(188)	308	(12)	325	(7,392)	30,022	
Total liabilities	91,580	2,567	3,401	1,388	2,142	3,935	3,635	29,115	210,679	348,442
Off-balance sheet items	(8,830)	3,461	(3,535)	(2,146)	5,571	3,595	1,884			
Interest rate repricing gap	(12,599)	4,126	(1,644)	11,946	10,470	4,152	(48)	(16,403)		
Cumulative gap	(12,599)	(8,473)	(10,117)	1,829	12,299	16,451	16,403			

Non-trading currency risk

Non-trading currency risk exposure arises principally from the Group's investments in overseas branches and subsidiary and associated undertakings, principally in the United States, Japan and Europe.

The Group's structural currency exposures at 31st December 2002 were as follows:

	Net investments in overseas operations		Borrowings which hedge the net investments		Remaining structural currency exposures	
Functional currency of the operation involved	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
			(£ millions)			
US dollar	**1,078**	709	**959**	593	**119**	116
Yen	**2,125**	118	**2,094**	1	**31**	117
Euro	**2,930**	2,610	**2,633**	2,065	**297**	545
Other non-sterling	**512**	493	**164**	106	**348**	387

	Net investments in overseas operations				Remaining structural currency exposures	
Total	**6,645**	3,930	**5,850**	2,765	**795**	1,165

In accordance with Group policy, as at 31st December 2002 and 31st December 2001 there were no material net currency exposures in the non-trading book relating to transactional (or non-structural) positions that would give rise to net currency gains and losses recognised in the profit and loss account. Instruments used in hedging non-trading exposures are described on pages 51 to 54.

Daily value at risk

The Daily Value at Risk (DVaR) methodology of estimating potential losses arising from the Group's exposure to market risk is explained on pages 44 to 46. The models used in estimating potential losses are based on past movements and may not be indicative of future market conditions. The following table shows an analysis of DVaR for the market risk exposures in Barclays Capital as an average for the year and the high and low during the year.

	Year to 31st December 2002			Year to 31st December 2001(a)		
	Average	**High (b)**	**Low (b)**	**Average restated**	**High (b) restated**	**Low (b) restated**
	(£ millions)					
Interest rate risk	**21.7**	**34.5**	**10.0**	14.9	24.1	7.6
Credit spread risk	**9.4**	**12.5**	**6.0**	8.8	14.7	4.6
Foreign exchange risk	**2.9**	**4.4**	**1.9**	2.3	6.2	0.6
Equities risk	**3.6**	**5.4**	**2.1**	3.3	6.4	2.1
Commodities risk	**1.8**	**3.3**	**0.8**	1.7	4.3	0.6
Diversification effect	**(16.2)**			(12.5)		
Total DVaR	**23.2**	**35.7**	**13.4**	18.5	25.4	11.3

Notes

(a) Restatements of interest rate DVaRs, total DVaRs and diversification effect reflect the move to a methodology that identifies credit spread risk separately.

(b) 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. A corresponding diversification effect cannot be calculated and is therefore omitted from the above table. The DVaR at 31st December 2002 was £25.8m (2001: £21.3m).

The hedging tables below summarise, firstly, the unrecognised gains and losses on hedges at 31st December 2002 and 31st December 2001 and the movements therein during the year, and, secondly, the deferred gains and losses on hedges carried forward in the balance sheet at 31st December 2002 and 31st December 2001, pending their recognition in the profit and loss account.

	Gains		Losses		Total net gains/(losses)	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	(£ millions)					

	Gains		Losses		Total net gains/(losses)	
Unrecognised gains and losses on hedges						
At 1st January	**2,441**	1,755	**(1,738)**	(1,709)	**703**	46
(Gains)/losses arising in previous years that were recognised in 2002/2001	**(1,369)**	(762)	**890**	590	**(479)**	(172)
Brought forward gains/(losses) not recognised in 2002/2001	**1,072**	993	**(848)**	(1,119)	**224**	(126)
Gains/(losses) arising in 2002/2001 that were not recognised in 2002/2001	**2,218**	1,448	**(1,505)**	(619)	**713**	829
At 31st December	**3,290**	2,441	**(2,353)**	(1,738)	**937**	703
Of which:						
Gains/(losses) expected to be recognised in 2003/2002	**1,101**	1,338	**(664)**	(844)	**437**	494
Gains/(losses) expected to be recognised in 2004/2003 or later	**2,189**	1,103	**(1,689)**	(894)	**500**	209
Deferred gains and losses on hedges carried forward in the balance sheet						
At 1st January	**49**	20	**(77)**	(81)	**(28)**	(61)
Deferred (gains)/losses brought forward that were recognised in income in 2002/2001	**(31)**	(10)	**56**	39	**25**	29
Brought forward deferred gains/(losses not recognised in 2002/2001	**18**	10	**(21)**	(42)	**(3)**	(32)
Gains/(losses) that became deferred in 2002/2001	**73**	39	**(86)**	(35)	**(13)**	4
At 31st December	**91**	49	**(107)**	(77)	**(16)**	(28)
Of which:						
Gains/(losses) expected to be recognised in income in 2003/2002	**72**	19	**(61)**	(49)	**11**	(30)
Gains/(losses) expected to be recognised in income in 2004/2003 or later	**19**	30	**(46)**	(28)	**(27)**	2

Where a non-trading derivative no longer represents a hedge because the underlying non-trading asset, liability or position has been de-recognised or transferred into a trading portfolio, it is restated at fair value and any resultant gains or losses taken directly to the profit and loss account. Gains of £66m (2001: £89m) and losses of £39m (2001: £122m) were recognised in the year to 31st December 2002. The disclosure of the fair value of financial instruments as required by FRS 13 is provided in note 47 on pages 152 to 153.

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Derivatives held or issued for trading purposes

The tables set out below analyse the notional principal amounts and fair values (which, after netting, are the book values) of trading instruments entered into with third parties.

	2002				
	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value	Average positive fair value	Average negative fair value
		(£ millions)			
Foreign exchange derivatives					
Forward foreign exchange	**269,832**	**4,521**	**5,335**	**3,412**	**3,676**
Currency swaps	**148,481**	**5,022**	**5,160**	**4,200**	**4,273**
OTC options bought and sold	**64,252**	**1,096**	**786**	**799**	**680**
OTC derivatives	**482,565**	**10,639**	**11,281**	**8,411**	**8,629**
Exchange traded futures bought and sold	**100**				

	2002				
Exchange traded options bought and sold	**31**				
Exchange traded swaps	**16**				
Total	**482,712**	**10,639**	**11,281**	**8,411**	**8,629**
Interest rate derivatives					
Swaps	**1,938,902**	**54,757**	**53,334**	**43,221**	**42,004**
Forward rate agreements	**168,392**	**111**	**107**	**108**	**100**
OTC options bought and sold	**581,272**	**8,074**	**7,891**	**6,839**	**6,703**
OTC derivatives	**2,688,566**	**62,942**	**61,332**	**50,168**	**48,807**
Exchange traded futures bought and sold	**338,581**				
Exchange traded options bought and sold	**67,757**				
Exchange traded swaps	**382,540**				
Total	**3,477,444**	**62,942**	**61,332**	**50,168**	**48,807**
Credit derivatives					
Swaps	**10,665**	**660**	**106**	**675**	**198**
Equity and stock index derivatives					
OTC options bought and sold	**37,476**	**1,992**	**2,060**	**1,921**	**2,128**
Equity swaps and forwards	**3,267**	**57**	**57**	**101**	**39**
OTC derivatives	**40,743**	**2,049**	**2,117**	**2,022**	**2,167**
Exchange traded futures bought and sold	**15,585**				
Exchange traded options bought and sold	**9,103**				
Total	**65,431**	**2,049**	**2,117**	**2,022**	**2,167**
Commodity derivatives					
OTC options bought and sold	**7,880**	**171**	**153**	**122**	**87**
Commodity swaps and forwards	**18,217**	**520**	**502**	**410**	**535**
OTC derivatives	**26,097**	**691**	**655**	**532**	**622**
Exchange traded futures bought and sold	**17,545**	**10**		**24**	**22**
Exchange traded options bought and sold	**760**		**6**		**10**
Total	**44,402**	**701**	**661**	**556**	**654**
Total trading derivatives		**76,991**	**75,497**		
Effect of netting		**(60,327)**	**(60,327)**		
Allowable offset cash collateral		**(3,210)**	**(3,632)**		
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 24 and 30)		**13,454**	**11,538**		

Collateral held that reduced credit risk in respect of derivative instruments at 31st December 2002, but did not meet the offset criteria amounted to £591m (2001: £238m).

2001

	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value	Average positive fair value	Average negative fair value
			(£ millions)		
Foreign exchange derivatives					
Forward foreign exchange	238,550	3,178	2,652	3,467	3,115
Currency swaps	130,235	4,468	4,317	4,404	4,583
OTC options bought and sold	62,512	616	585	688	666
OTC derivatives	431,297	8,262	7,554	8,559	8,364
Exchange traded futures bought and sold	7,528				
Exchange traded options bought and sold	12				
Total	438,837	8,262	7,554	8,559	8,364
Interest rate derivatives					
Swaps	1,404,311	27,309	26,293	22,268	21,682
Forward rate agreements	85,594	61	53	52	46
OTC options bought and sold	498,081	5,289	5,086	4,035	3,783
OTC derivatives	1,987,986	32,659	31,432	26,355	25,511
Exchange traded futures bought and sold	384,883				
Exchange traded options bought and sold	137,388				
Exchange traded swaps	152,825				
Total	2,663,082	32,659	31,432	26,355	25,511
Credit derivatives					
Swaps	11,085	508	161	286	83
Equity and stock index derivatives					
OTC options bought and sold	35,193	1,263	1,257	1,225	1,240
Equity swaps and forwards	1,168	24	25	37	30
OTC derivatives	36,361	1,287	1,282	1,262	1,270
Exchange traded futures bought and sold	18,036				
Exchange traded options bought and sold	14,995				
Total	69,392	1,287	1,282	1,262	1,270
Commodity derivatives					
OTC options bought and sold	2,855	64	93	44	92
Commodity swaps and forwards	10,377	381	362	318	381
OTC derivatives	13,232	445	455	362	473
Exchange traded futures bought and sold	12,209	244	265	252	258
Exchange traded options bought and sold	1,050	14	29	12	18
Total	26,491	703	749	626	749
Total trading derivatives		43,419	41,178		
Effect of netting		(29,173)	(29,173)		

	2001	
Allowable offset cash collateral	(516)	(914)
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 24 and 30)	13,730	11,091

Collateral held that reduced credit risk in respect of derivative instruments at 31st December 2001, but did not meet the offset criteria amounted to £238m (2000: £267m).

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Derivative financial instruments held for the purpose of managing non-trading exposures

The following table, which includes only the derivative components of the Group's hedging programme, summarises the nominal values, fair values and book values of derivatives held for the purpose of managing non-trading exposures. Included in the amounts below were £10,984m (2001: £13,920m) contract amount of foreign exchange derivatives and £192,463m (2001: £131,306m) of interest rate derivatives which were made for asset and liability management purposes with independently managed dealing units of the Group.

	2002					2001		
	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value	Year-end positive book value	Year-end negative book value	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value
	(£ millions)							
Foreign exchange derivatives								
Forward foreign exchange	**1,814**	**21**	**11**	**43**	**6**	3,727	245	
Currency swaps	**10,651**	**176**	**273**	**114**	**338**	16,062	717	379
OTC options bought and sold						5,062	22	66
OTCderivatives	**12,465**	**197**	**284**	**157**	**344**	24,851	984	445
Interest rate derivatives								
Swaps	**225,410**	**4,272**	**3,263**	**1,661**	**1,468**	152,146	2,458	1,754
Forward rate agreements	**11,651**	**17**	**22**	**10**	**9**	17,853	19	11
OTC options bought and sold	**10,865**	**62**	**38**	**6**	**1**	4,622	19	6
Other interest rate contracts						150	17	
OTCderivatives	**247,926**	**4,351**	**3,323**	**1,677**	**1,478**	174,771	2,513	1,771
Credit derivatives								
Swaps	**7,736**	**30**	**23**		**2**	5,555	2	15
Equity, stock index and commodity derivatives	**372**		**1**			335	10	1

At 31st December 2001, the total positive book value of derivatives held for the purposes of managing non-trading exposures was £1,476m. The total negative book value of such contracts at 31st December 2001 was £902m.

The nominal amounts of OTC foreign exchange derivatives held to manage the non-trading exposure of the Group analysed by currency and final maturity are as follows:

2002	2001

	2002				2001			
	One year or less	Over one year but not more than five years	Over five years	Total	One year or less	Over one year but not more than five years	Over five years	Total
	(£ millions)							
£/euro	**337**	**2,587**	**6**	**2,930**	2,621	1,777	44	4,442
£/Yen	**710**	**5,186**	**29**	**5,925**	2,792	2,998	89	5,879
£/US Dollar	**242**	**696**	**391**	**1,329**	6,818	2,019	337	9,174
US Dollar/euro	**131**		**21**	**152**	419	49	11	479
US Dollar/Yen	**127**	**121**	**176**	**424**	51	922	196	1,169
US Dollar/South African Rand	**526**			**526**	396			396
US/Australian Dollar					2			2
Yen/euro		**875**		**875**	945	1,325		2,270
Other	**224**	**57**	**23**	**304**	926	87	27	1,040
Total	**2,297**	**9,522**	**646**	**12,465**	14,970	9,177	704	24,851

Maturity of notional principal amounts as at 31st December 2002

At 31st December 2002, the notional principal amounts, by residual maturity, of the Group's trading and non-trading derivatives were as follows:

	One year or less	Over one year but not more than five years	Over five years	Total
	(£ millions)			
Foreign exchange derivatives				
Forward foreign exchange	**253,424**	**17,166**	**1,056**	**271,646**