Barclays PLC Annual Report 1999

Report

BARCLAYS

Barclays PLC
Annual report 1999

Barclays PLC and Barclays Bank PLC
Annual report on Form 20-F 1999

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Registered No. 48839

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act 1995 with respect to certain of the plans and objectives of the Group and to the Group's current expectations relating to its future financial condition, results of operations and business. 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. As a result, the Group's actual future results may differ materially from those set forth in the Group's forward-looking statements. For a discussion of some of the factors that may cause actual future results and developments to differ materially from these forward-looking statements, see 'Factors that may affect future results'.

This document comprises the 1999 Annual report of Barclays PLC and the 1999 Annual report on Form 20-F to the US Securities and Exchange Commission for Barclays PLC and Barclays Bank PLC. It contains the Directors' report and accounts of Barclays PLC, together with the Auditors' report thereon, as required by the UK Companies Act 1985. The 1999 Annual review and summary financial statement of Barclays PLC is published as a separate document.

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.

Barclays PLC and Barclays Bank PLC are public limited companies, organised under the laws of England, and all of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. This report has therefore been prepared as a joint annual report on Form 20-F for Barclays PLC and Barclays Bank PLC and it also contains the consolidated accounts of and other information relating to Barclays Bank PLC. Except where otherwise indicated, the information given is identical with respect to both Barclays PLC and Barclays Bank PLC.

The consolidated accounts of Barclays PLC and its subsidiary undertakings are set out on pages 101 to 109 along with the accounts of Barclays PLC itself on page 110. The consolidated accounts of Barclays Bank PLC and its subsidiary undertakings are set out on pages 165 to 172. The accounting policies on pages 101 to 104 and the notes commencing on page 111 apply equally to both sets of accounts unless otherwise stated. The financial data contained in this document reflects changes in the Group's management structure which took place in 1999 and are explained on page 14. The relevant comparative data has been restated.

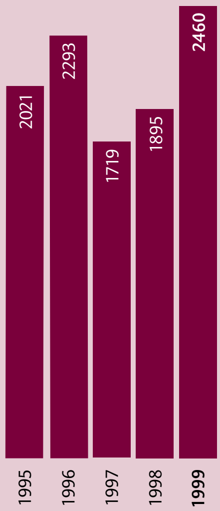
The term 'Barclays PLC Group' means Barclays PLC together with its subsidiary undertakings and the term 'Barclays Bank PLC Group' refers to Barclays Bank PLC together with its subsidiary undertakings. 'Barclays' and 'Group' are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term 'Company' refers to Barclays PLC and the term 'Bank' refers to Barclays Bank PLC.

In this report, the abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling respectively and the abbreviations '$m' and '$bn' represent millions and thousands of millions of US dollars respectively.

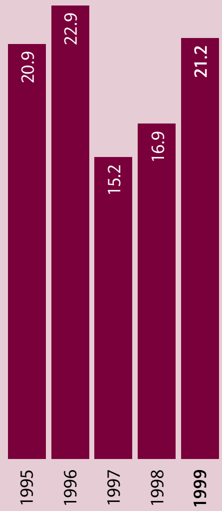
References to operating results 'before the impact of the Finance Act' exclude the impact of taxation changes arising from the Finance (No. 2) Act 1997 and the Finance Act 1998.

Financial data

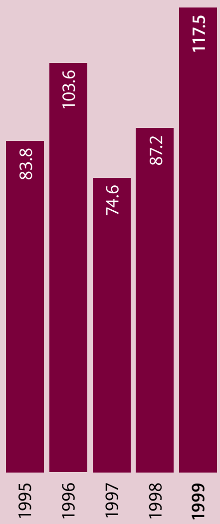
Profit before tax (£m)



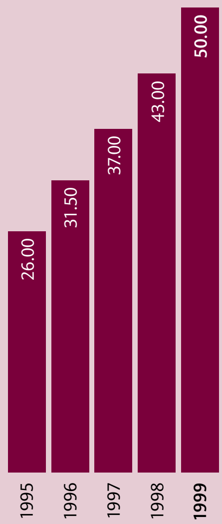
Post-tax return on average shareholders funds (%)



Earnings per share (pence)



Dividends per share (pence)



Consolidated profit and loss account summary (a)

	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Interest receivable	**9,320**	9,952	9,204	8,730	9,209
Interest payable	**4,696**	5,604	5,095	4,825	5,431
Write-down of leases	**-**	(40)	(77)	-	-
Profit on redemption/repurchase of loan capital	**3**	3	2	32	-
Net interest income	**4,627**	4,311	4,034	3,937	3,778
Fees and commissions receivable	**3,207**	3,008	3,197	3,168	2,969
Less: fees and commissions payable	**(275)**	(229)	(218)	(223)	(202)
Dealing profits	**561**	(33)	374	414	404
Other operating income	**244**	324	228	248	232
Life-fund charge	**-**	-	(28)	-	-
Operating income	**8,364**	7,381	7,587	7,544	7,181
Administration expenses - staff costs	**3,057**	2,811	3,035	2,980	2,907
Administration expenses - other	**1,807**	1,829	1,889	1,816	1,757
Depreciation and amortisation	**280**	275	269	301	335
Operating expenses	**5,144**	4,915	5,193	5,097	4,999
Operating profit before provisions	**3,220**	2,466	2,394	2,447	2,182
Provisions for bad and doubtful debts	**621**	492	227	215	396
Provisions for contingent liabilities and commitments	**1**	76	4	9	3
Provisions	**622**	568	231	224	399
Operating profit	**2,598**	1,898	2,163	2,223	1,783
Loss on sale or restructuring of BZW	**(30)**	(3)	(469)	-	-
(Loss)/profit on disposal of other Group undertakings	**(108)**	4	44	70	238
Write-down of fixed asset investments	**-**	(4)	(19)	-	-
Profit on ordinary activities before tax	**2,460**	1,895	1,719	2,293	2,021
Tax on profit on ordinary activities	**649**	533	542	616	611
Profit on ordinary activities after tax	**1,811**	1,362	1,177	1,677	1,410
Profit attributable to minority interests	**(52)**	(45)	(44)	(47)	(43)
Profit for the financial year attributable to the members of Barclays PLC	**1,759**	1,317	1,133	1,630	1,367
Dividends	**(746)**	(646)	(563)	(479)	(421)
Profit retained for the financial year	**1,013**	671	570	1,151	946

Selected financial statistics

Earnings per ordinary share	**117.5p**	87.2p	74.6p	103.6p	83.8p
Dividends per ordinary share	**50.0p**	43.0p	37.0p	31.5p	26.0p
Dividends cover (times)	**2.4**	2.0	2.0	3.4	3.2
Attributable profit before tax as a percentage of average shareholders' funds	**29.0%**	23.6%	22.3%	31.4%	30.1%
Attributable profit after tax as a percentage of average shareholders' funds	**21.2%**	16.9%	15.2%	22.9%	20.9%
average total assets (note (b))	**0.7%**	0.5%	0.5%	0.9%	0.8%
Average US dollar exchange rate used in preparing the accounts	**1.62**	1.66	1.64	1.56	1.58

Consolidated balance sheet summary (a)

	1999	1998	1997	1996	1995
Assets	£m	£m	£m	£m	£m
Loans and advances to banks and customers	**156,194**	132,722	136,707	118,441	111,280
Other assets	**88,470**	77,402	87,499	59,480	50,543
	244,664	210,124	224,206	177,921	161,823
Infrastructure	**2,089**	2,285	2,264	2,400	2,361
	246,753	212,409	226,470	180,321	164,184
Retail life-fund assets attributable to policyholders	**8,040**	7,085	5,959	4,840	4,642
Total assets	**254,793**	219,494	232,429	185,161	168,826
Liabilities					
Deposits by banks, customer accounts and debt securities in issue	**191,781**	161,049	173,283	142,554	125,361
Other liabilities	**41,540**	39,470	42,377	27,159	27,859
	233,321	200,519	215,660	169,713	153,220
Capital resources					
Undated loan capital	**1,749**	1,742	1,657	1,635	1,989
Dated loan capital	**2,848**	1,992	1,211	1,396	1,571
Other subordinated liabilities	**-**	-	59	56	91
Minority interests	**352**	314	326	320	343
Shareholders' funds	**8,483**	7,842	7,557	7,201	6,970
	13,432	11,890	10,810	10,608	10,964
	246,753	212,409	226,470	180,321	164,184
Retail life-fund liabilities attributable to policyholders	**8,040**	7,085	5,959	4,840	4,642
Total liabilities and shareholders' funds	**254,793**	219,494	232,429	185,161	168,826

Weighted risk assets and capital ratios

Weighted risk assets	**115,878**	109,800	108,341	98,405	93,271
Tier 1 ratio	**7.5%**	7.3%	7.2%	7.5%	7.6%
Risk asset ratio	**11.3%**	10.6%	9.9%	10.3%	10.8%

Selected financial statistics

Average shareholders' funds as a percentage of average total assets (note (b))	**3.4%**	3.2%	3.5%	3.9%	4.0%
Net asset value per ordinary share	**568p**	519p	494p	467p	429p
Year-end US dollar exchange rates used in preparing the accounts	**1.62**	1.66	1.65	1.71	1.55

Notes

(a) The financial information on pages 4 and 5 is extracted from the published accounts for the last five years, restated where appropriate to accord with the current accounting policies of the Group (see page 101). This information should be read together with, and is qualified by reference to, the accounts and notes included in this report.

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

(c) The write-down of leases in 1998 and 1997 and the life-fund charge in 1997 reflect the impact of the Finance Acts in those years.

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

Introduction

Barclays is a UK-based financial services group engaged primarily in the banking and investment banking businesses. In terms of assets employed, Barclays is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world and is one of the leading providers of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres.

The results for Barclays for 1999 are reported separately for the following: Retail Financial Services, Corporate Banking, Barclays Capital, Barclays Global Investors, Other operations and Head office functions. The results for Retail Financial Services and Corporate Banking are reported separately after allocating the costs of shared support functions, the UK branch network and other common infrastructure. The residual assets of the Transition businesses have been absorbed within other parts of the Group (see page 26).

Retail Financial Services

Retail Financial Services (RFS) brings together the Group's retail interests around the world.

The business has four strategic aims:

* To become the customer's first choice in the United Kingdom as the provider of innovative and dependable financial solutions. RFS has more than 13 million UK customers, with around one in six of these customers now purchasing three or more products from Barclays.
* To become a market leader for affluent and wealthy customers in the United Kingdom and continental Europe by building on the Group's strong customer base.
* To capitalise on Barclaycard's position as the leading credit card and related products provider in Europe.
* To grow the long-term savings and investment business across the United Kingdom and continental Europe in mutual funds, investment savings, life assurance and pensions. RFS believes that the needs of customers across continental Europe will change as people take greater responsibility for their own pension arrangements.

RFS is organised into three major business groupings:

Retail Customers

This business provides a wide range of services and products to personal and small business customers throughout the United Kingdom and to personal and corporate customers in parts of Africa. These services are provided through a network of branches and ATMs and through direct channels such as the telephone and the internet.

The business aim is always to be the customers' first choice for dependable financial solutions in an environment of rapidly changing customer attitudes, demands and buying behaviours. The business will continue to succeed by:

* Increasing convenience and access to products and services.
* Ensuring the Bank's products and services are appropriate and relevant to customers' needs.

Key to this success is the ongoing development and enhancement of new delivery channels, such as internet and telephone banking, while still continuing to invest significantly in the branch network. Barclays was the first UK bank to launch a free internet service provider, and more than 500,000 customers banked on-line with Barclays at the end of 1999. Barclaycall, the telephone banking service, provides 24-hour access for personal and small business customers and it has been enhanced by the opening of a third call centre in Sunderland.

It is through continued investment in customer information systems, and the wealth of customer data these provide, that the creation and development of the right products and services are achieved. The results are increased customer acquisition and product penetration, with 20% of personal current account holders now using three or more of RFS's products. In addition UK savings balances grew to over £20bn, with total funds under management up £4bn. Mortgage sales grew nearly 40%, to over £16bn in mortgage balances.

Wealth Management

Wealth Management serves affluent and high net worth clients globally. The branch networks in Europe serve the medium and high net worth personal markets. Private Banking offers an integrated asset management service around the world. Offshore Services provides specialist banking services for customers who are non-UK based. Wealth Management also includes UK Premier, Stockbrokers and the Caribbean.

The Wealth market in Europe is expected to grow at 5% per annum, reaching £56bn by 2005. In 1999 the Group's Wealth Management business grew from 22% to 25% of Retail Financial Services' profits. The business aims to be a market leader for high net worth and affluent customers in the United Kingdom and Europe by:

* Building on the Group's large customer base in the United Kingdom and increasing its share of customers' investment product holdings.
* Capitalising on the strength of the Barclays brand in continental Europe.
* Maximising the value of Barclays corporate customer base to build relationships with 'new wealth' professionals and entrepreneurs.
* Continuing to develop Barclays offshore services business.

A number of innovative products and services were launched during 1999. Barclays Stockbrokers strengthened its position as the leading execution only broker with an 11% market share by launching the Price Improver™ service which scans the market to identify the most competitive price available for UK equities. An independent review in 1999 confirmed that its prices were better than the best price quoted by the London Stock Exchange in over 44% of cases. In addition Barclays Stockbrokers launched the first real-time on-line dealing service with the number of internet trades per day in excess of 2,000.

Barclays Offshore Services launched Global Solutions, a fee-based package of added value services for the international citizen. More than 90% of customers visiting the main London offshore branch have converted to this product.

By 2005 Wealth Management aims to increase its customer numbers from 680,000 to 1.5 million.

Barclaycard
Barclaycard is the largest credit card business in Europe. It offers a full range of credit card services to individual customers, together with card payment facilities to retailers and other businesses.

Barclaycard is building on its position as the leading European consumer credit and payment business by continuing to expand in the UK market, taking a leading position in the e-commerce market and continuing to expand Barclaycard's continental European business.

The ongoing investment in enhanced customer data management techniques has helped develop more sophisticated and relevant customer products and services. New initiatives include a new incentive scheme, free extended warranty and the launch of a new platinum card for both Visa and Mastercard. Total new customer recruitment increased in 1999 by more than 35% to 646,000.

Barclaycard was the first UK credit card on the internet and offers a range of internet services including bill payment and on-line statement and transaction information. The number of registered users for this service has risen to over 100,000. Barclaycard's 'on-line promise & charter' launched in November helped increase customer confidence in using Barclaycard via the internet. The commitment is that 'customers will never be liable for unauthorised transactions over the internet'. An innovative software solution 'ePDQ' has been launched which enables merchants to accept, authorise and settle card payments directly over the internet.

Successful launches into Spain and France and the expansion of Barclaycard's existing European operations have increased the number of cards in issue overseas from 700,000 to more than one million.

Outlook for Retail Financial Services
In 2000 RFS will continue striving to stay at the forefront of the retail financial services industry. The business' sensitivity to the rapid changes in financial services and its ability to evolve accordingly is vital to its continuing success. The priorities going forward are to:

* Continue to upgrade and revitalise the branch network. Although two hundred branches will close in early 2000, the Group continues to re-invest in the network through branch upgrades to improve the service customers receive.
* Increase the number of channels for customers, such as interactive TV, voice-activated access to the internet and WAP technology, which enables access via mobile phone screens. All of these innovations are currently being piloted.

* Continue to develop and integrate RFS e-commerce capabilities. Having doubled the number of internet banking customers in 1999, the aim is to more than double this number again by the end of 2000.
* Develop the Group's knowledge of its customers through investing in industry leading information systems and hence further enhancing the understanding of customers' financial needs.
* Reduce the cost base by the continued removal of duplication and inefficiency, while further improving the services to the customer.

RFS will achieve the competitive advantage to succeed in its aims by differentiating itself in terms of convenience, choice, access and, above all, value. It is the commitment and dedication of all RFS's people, supported by excellent products and a strong recognised brand, that will continue to make the difference.

Corporate Banking

Corporate Banking provides relationship banking to the Group's middle market and large corporate customers and institutional customers. Customers are served by a network of 1,200 specialist relationship managers across the United Kingdom who provide access to an extensive range of products. Customers are also offered access to business centres in the rest of Europe, the United States and the Middle East. In addition an office in Miami provides finance and correspondent banking services to the Group's customers in Latin America. Corporate Banking's close working relationship with Barclays Capital ensures that larger corporate customers have access to the capital markets and to specialist investment banking products which complement Corporate Banking's product and service range.

Corporate Banking has a strong competitive position in the United Kingdom, where around a quarter of middle market companies bank with Barclays. Opportunities for growth exist within both the United Kingdom, through customer acquisition and increased product penetration, and in the rest of Europe, where Corporate Banking’s presence exceeds its UK and many of its European rivals.

In 1999, Corporate Banking commenced implementation of mobile working for its 1,200 corporate relationship managers in the United Kingdom. 'Barclays in a briefcase' provides managers with laptop computers enabling access to customer data, communication facilities and credit assessment software. This means relationship managers can spend more time working with their customers, understanding their businesses and establishing a strong foundation for a long-term relationship.

Business growth highlights during 1999 include:

* Customer numbers increased by over 2,500 to 112,400.
* Product penetration improved with the number of corporate deposit accounts up more than 3,000 to 102,000.
* Company Barclaycard accounts increased 15% to 420,000.
* The sales financing business saw a 46% volume growth to £4.3bn as customer numbers grew by 25% to over 2,000.

Around 30,000 customers are registered to use electronic banking products, up 44% in 12 months, enabling Barclays to continue integrating its customers' systems with its own. In addition a full electronic procurement prototype was also developed during 1999, which uses internet technology to link buyers and suppliers. Two NHS trusts began using Barclays-designed software for order management and reconciliation, with a full e-procurement pilot planned for early 2000. Although the e-procurement market is still formative, it is estimated that it is likely to grow to $1.3 trillion by 2003. Corporate Banking can help companies take advantage of this market, because of its size, strong brand and in-depth knowledge of the corporate market.

In 1999 about a quarter of Corporate Banking income came from customers who trade within Europe. The business' primary emphasis is in supporting customers trading cross-border between the United Kingdom and continental Europe. Corporate Banking's European presence has grown to nine countries with new offices in Milan and Amsterdam. This capability is enhanced by close collaboration with Barclays Capital, which led to a number of breakthrough deals, most notably as joint lead arranger for a €1bn Eurobond issue for Carrefour, the leading French retailer. The position in Europe was also strengthened by a highly successful euro conversion project. Barclays now processes between €20bn and €40bn per day - making Barclays one of the top ten world wide and the largest UK euro payment banks using the Euro Banking Association Clearing System.

Outlook
In 2000 Corporate Banking will continue to position the business for growth by:

* Further strengthening its leading position in the UK market through continued customer acquisition and improved product penetration.
* Expanding its internet offering both in terms of delivering traditional services electronically and developing innovative products and services to capture new sources of income.
* Investing to continually improve customer service while reducing its costs.

Barclays Capital

Barclays Capital conducts the Group's international investment banking business. It serves as the Group's principal point of access to the wholesale markets and also deals in these markets with governments, supranational organisations, corporates, banks, insurance companies and other institutional investors with a particular focus on Europe. The activities of Barclays Capital are grouped into two principal areas: rates which includes sales, trading and research relating to government bonds, money markets, foreign exchange, commodities and their related derivative instruments and credit which includes origination, sales, trading and research relating to loans, securitised assets, corporate bonds and their related derivative instruments, private equity investment and equity derivatives. The business' unique, integrated approach to debt markets enables it to capture growth opportunities.

During 1999, Barclays Capital's key achievements were:

* Lead-managed 172 bond issues (1998 124), with a total value of £23.4bn (1998 £18.6bn). This included major transactions for Abbey National, British Telecom and the Kingdom of Spain among others.
* In the sterling bond market, Barclays Capital led a higher volume of new issues than any other bank. Barclays Capital sterling bond underwriting market share for UK corporates is comparable to the aggregate of its three closest competitors.
* Barclays Capital again ended the year as the leading arranger of European syndicated loans. Significant transactions included BMW of Germany, General Electric Company, National Grid and Vodafone AirTouch.
* In recognition of Barclays Capital's 'formidable breadth and depth of business' the leading capital markets publication, International Financing Review (IFR), named it 'Sterling Bond House of the Year'. IFR also named Barclays Capital European Loan Trading House of the Year describing it as 'one of the few firms to marry market leadership in the European primary loan market with an equally powerful presence in secondary loan trading.'
* The €615m high yield bond issue for Kappa Packaging Group attracted a number of 'Deal of the Year' awards.
* Barclays Capital maintained its position as the leading UK government bond and sterling derivatives dealer in addition to building a leading global position in the inflation-linked government bond business.
* Barclays Capital is one of just three European institutions to participate as co-managers in the first ever bond distributed on the internet in early 2000.
* By the end of 2000, virtually every piece of hardware and software will have been upgraded, as a result of a technology change programme that started in 1997.

Outlook

European capital markets are growing rapidly as a result of the introduction of the euro and increased competition across Europe, which is resulting in a faster pace of corporate restructuring. The ageing population in Europe and the resulting increase in pension fund assets is increasing demand for capital market products. To take advantage of this growth Barclays Capital intends to:

* Improve its productivity and client penetration to further drive growth in the earnings of the Rates business.
* Capitalise on Barclays Capital's unique approach as an integrated Credit business and to continue to strengthen its corporate bond origination and distribution capability in Europe.
* Maximise the potential of its global client base to grow revenues in the Americas and Asia.
* Build its e-commerce capability and bring more e-commerce applications to more clients across more products, including primary bond issues, futures, stock lending, commercial paper and foreign exchange.

Barclays Global Investors

Barclays Global Investors (BGI) is the world's largest institutional investment manager and the world's number two manager of money and has some of the most sophisticated investing institutions amongst its 1,500 clients. BGI offers advanced active and indexed asset management services for institutional clients. The objective of advanced active management is to outperform market benchmarks by the application of disciplined investment processes. The objective of indexed management is to replicate the performance of market benchmarks. In addition to these activities, BGI is a major lender of securities. BGI's activities are carried out from offices located in seven countries.

BGI continually invests in its business to ensure it maintains its strong competitive position in this market. Global asset management revenues are forecast to triple to over £500bn by 2010.

Over twenty five years ago BGI introduced the world's first index fund. Today it manages more than 1,500 index funds in 50 countries and has £384bn of assets under management in index funds - up 34% during 1999. BGI continues to build on its expertise as the world's largest index fund manager to develop advanced active strategies, which use quantitative methods to outperform an index. Advanced active funds now account for approximately 21%, or £102bn, of assets under management, making BGI the largest quantitative active manager in the world. Over 40% of BGI revenues now come from these value-added products. Advanced active products were a major factor in a large number of business 'wins' achieved over the past year. The Hilton Group and BP Amoco are among those who selected BGI to manage part of their active portfolio.

Exchange traded funds (ETFs) are index funds that are bought and sold like shares on a national exchange in the United States. In 1999 BGI introduced an ETF to the Canadian market - the biggest new fund introduction in the Canadian market place.

Outlook

Investment management is one of the fastest growing sectors in the financial services industry, driven by demographic, economic and political trends, along with strong market performance. Within this rapidly growing industry, BGI has established unique opportunities. Its position as the leading global institutional and quantitative asset manager puts it in a strong position to benefit from the trends driving the industry's future growth: globalisation, individualisation, product sophistication and technology. These themes are reflected throughout its reinvestment programme, which uses and expands its existing core strengths.

BGI's reinvestment programme includes a major step-up in resources devoted to building its more profitable active product range, for which it has assembled a strong team of researchers and product developers. BGI's experience and track record in advanced active management is unequalled in this industry, where BGI's core active products have been successful in outperforming specified indices since their inception dates. BGI's credentials in this area are a key strength on which new products are founded.

In addition to advanced active products, BGI has identified ETFs as a significant opportunity. In the United States, the market for ETFs is estimated to be US$25bn, a growth rate of 300% in the last two years. Pending regulatory approvals expected in early 2000, BGI intends to more than double the number of available ETF products.

BGI will also be driving continued growth through its core businesses. It has been an innovator in securities lending for more than twenty years, a business it developed side by side with its other investment-led capabilities. Over the last two years, BGI has introduced securities lending to institutions in Japan and Canada, and over the next few years, it will focus on extending its securities lending activities to new markets.

Other operations

Barclays Group Property Services is responsible for the management of the Group's operational premises and property related services.

Central services includes a variety of activities which support the operating businesses such as the central administration of certain operational property costs and other central Group costs.

Management of Group capital is the balance of earnings on the Group's capital remaining after allocations to business groups, based generally on weighted risk assets.

Head office functions

Head office functions comprise the Group's central executive, Group finance, corporate communications, human resources, internal audit operations and the Group credit policy unit. Group finance includes Group general counsel's office, Group corporate secretariat and the treasury, risk management, financial control, corporate planning, economics and taxation functions.

Competition

The Group continues to face significant competition in all of its major markets. Developments in technology, particularly the growth of e-commerce, increasing customer sophistication and globalisation are influencing the development of new delivery channels and innovative new products. New competitors are entering the markets and many financial services groups are competing on an international basis.

The Group is active in developing strategic responses to these developments, and management believes that it is well placed to meet competitive challenges.

Changes in reporting of Group structure in 1999

Since 1st January 1999, a number of changes have been made to the Group's reporting structure. Major changes, for which comparative figures have been restated as appropriate, are:

Retail Financial Services has re-organised the management of its business around customer segments to deliver services and products. For reporting purposes it is organised into Retail Customers, Wealth Management and Barclaycard. Retail Customers and Wealth Management have absorbed the relevant customer segments from the previous business groupings of UK Retail Banking, International Premier, Private, Savings and Investment and Africa and Caribbean, with Barclaycard remaining unaffected.

Retail Customers comprises UK Retail Banking (excluding UK Premier), the African business, UK retail mutual funds and Barclays Life. Wealth Management comprises the former International Premier, Private, Savings and Investment business (excluding UK retail mutual funds and Barclays Life), UK Premier and the Caribbean business.

The Structured Export Finance business and a number of large corporate assets have been transferred from Barclays Capital to Corporate Banking.

Certain internal charges have been re-allocated between Retail Financial Services and Corporate Banking. In addition, Retail Financial Services has revised its presentation of income and costs within its profit and loss account. There is no effect on total Group revenue or costs as a result of these changes.

Management of central information technology and operations' services for Retail Financial Services, Corporate Banking and Group central functions in the UK has been transferred to Retail Financial Services in the year. Prior periods have been restated accordingly.

Certain support services, including the Brand programme, previously reported in Head office functions are now included in Central services. Prior periods have been restated accordingly.

Changes in accounting presentation

The classification of certain items of income and costs have been reviewed and £50m has been offset between costs and income to more appropriately reflect the nature of the transactions involved. In view of the amounts involved no restatements have been made.

Weighted risk assets of associated companies, reported on a consolidated basis in accordance with supervisory rules, are now included on page 15 in the totals for the business grouping concerned. Previously these were reported in Other operations. Comparatives have been restated.

There have been no other changes in accounting presentation from that reflected in the 1998 Annual report.

Profit/(loss) before tax

	1999 £m	1998 £m	1997 £m
Retail Financial Services - before impact of Finance Act	**1,713**	1,477	1,261
- life-fund charge	**-**	-	(28)
	1,713	1,477	1,233
Corporate Banking - before impact of Finance Act	**947**	991	940
- write-down of leases	**-**	(40)	(77)
	947	951	863
Barclays Capital	**316**	(270)	247
Barclays Global Investors	**43**	52	51
Businesses in Transition - former BZW businesses	**-**	(33)	(219)
- other	**-**	48	93
Other operations	**13**	(167)	(34)
Head office functions	**(77)**	(72)	(59)
Goodwill amortisation	**(13)**	(12)	(12)
Restructuring charge	**(344)**	-	-
Provision for litigation settlement	**-**	(76)	-
Operating profit	**2,598**	1,898	2,163
Loss on sale or restructuring of BZW	**(30)**	(3)	(469)
(Loss)/profit on disposal of other Group undertakings	**(108)**	4	44
Write-down of fixed asset investments	**-**	(4)	(19)
	2,460	1,895	1,719

Total assets

	1999 £m	1998 £m	1997 £m
Retail Financial Services	**48,726**	46,197	41,749
Corporate Banking	**47,422**	45,341	38,985
Barclays Capital	**144,811**	114,706	132,200
Barclays Global Investors	**232**	183	161
Businesses in Transition - former BZW businesses	**-**	-	8,477
- other	**-**	554	771
Other operations and head office functions	**5,562**	5,428	4,127
Retail life-fund assets attributable to policyholders	**8,040**	7,085	5,959
	254,793	219,494	232,429

Weighted risk assets

	1999 £m	1998 £m	1997 £m
Retail Financial Services	**33,362**	31,546	28,571
Corporate Banking	**48,218**	45,869	39,414
Barclays Capital	**32,032**	29,344	33,114
Barclays Global Investors	**456**	207	141
Businesses in Transition - former BZW businesses	**-**	-	4,078
- other	**-**	594	801
Other operations	**1,810**	2,240	2,222
	115,878	109,800	108,341

Summary profit and loss account

	1999 £m	1998 £m	1997 £m
Operating income*	**8,364**	7,421	7,692
Impact of Finance Act	-	(40)	(105)
Operating income	**8,364**	7,381	7,587
Operating expenses	**5,144**	4,915	5,193
Operating profit before provisions	**3,220**	2,466	2,394
Provisions for bad and doubtful debts	**(621)**	(492)	(227)
Provisions for contingent liabilities and commitments	**(1)**	(76)	(4)
Operating profit	**2,598**	1,898	2,163
Loss on sale or restructuring of BZW	**(30)**	(3)	(469)
(Loss)/profit on disposal of other Group undertakings	**(108)**	4	44
Write-down of fixed asset investments	-	(4)	(19)
Profit on ordinary activities before tax	**2,460**	1,895	1,719

*Before the impact of the Finance Act.

Introduction

The Group's operating profit increased by 37% to £2,598m (1998 £1,898m). The 1999 results include a restructuring charge of £344m. The comparative figures for 1998 include the settlement of the Atlantic litigation (£76m), residual losses in the former BZW businesses (£33m) and the impact of the Finance Act (£40m). Earnings per share rose by 35% to 117.5p (1998 87.2p).

Retail Financial Services delivered a strong performance with good underlying profit growth in all its businesses. Operating profit increased by 16% or £236m to £1,713m. Adjusting for the impact of the personal pension redress provision of £75m in 1999, operating profit rose by 21%. Corporate Banking produced a good performance in 1999. Operating profit, before the impact in 1998 of the 1998 Finance Act, reduced by £44m or 4% to £947m. The result reflects an increase in the net provision charge to £120m (1998: net credit £2m) mainly due to lower levels of credit risk releases and recoveries.

Barclays Capital reported an operating profit of £316m compared to an operating loss of £270m in 1998. This reflects a strong performance as well as a return to stability in the financial markets following the 1998 Russian economic crisis and the subsequent dislocation in the world credit markets. In Barclays Global Investors investment in a number of strategic programmes contributed to a 19% growth in total costs and a resultant 17% decrease in operating profit to £43m (1998 £52m). The result for the Group's other operations primarily benefited from a £142m increase in the net contribution from the central management of Group capital.

The net charge for bad and doubtful debts increased by £129m to £621m. Excluding 1998 provisions relating to Russia (£153m), new and increased specific provisions rose by £224m, mainly within Retail Financial Services, due to volume growth and less favourable economic factors that affected the first half of the year. Potential credit risk lendings have remained static at £3.3bn with a marginal increase in provisions coverage.

After exceptional items, primarily the loss on disposal of Merck Finck & Co (£117m), profit before tax was £2,460m compared with £1,895m in 1998.

Shareholders' funds increased by a net £641m to £8,483m. Retentions were £1,013m after a 15% increase in dividends to £746m. A further £504m of buy-backs were completed in the year. Risk weighted assets increased by 6% to £115,878m: the tier 1 ratio increased from 7.3% to 7.5% and the risk asset ratio increased from 10.6% to 11.3%. Total assets increased by 16% to £254,793m largely due to growth within Barclays Capital.

In 1998, Group profit before tax increased by 10% to £1,895m (1997 £1,719m including a charge of £469m in respect of the loss on sale or restructuring of BZW). The 1998 results included losses of £270m in Barclays Capital.

Analysis of results by business

The following section analyses the Group’s performance within the businesses, showing selected income and expenditure information extracted from the Group’s profit and loss account. As inter-business activities are included within these figures, the total income and expenditure for the businesses do not equate to the amounts reported in the Group’s results.

Retail Financial Services

	1999 £m	1998 £m	1997 £m
Net interest income	**2,959**	2,825	2,597
Net fees and commissions	**1,780**	1,723	1,678
Income from long-term assurance business	**44**	109	61
Other operating income	**143**	62	52
Total income*	**4,926**	4,719	4,388
Total costs	**(2,723)**	(2,852)	(2,753)
Provisions for bad and doubtful debts	**(490)**	(390)	(374)
Operating profit before impact of Finance Act	**1,713**	1,477	1,261
Life-fund charge	**-**	-	(28)
Operating profit	**1,713**	1,477	1,233

* 1999 figure includes a £75m (1998: £nil, 1997: £25m) provision for the possible cost of redress to personal pension customers.

Retail Financial Services delivered a strong performance with good underlying profit growth in each of its major business groupings. Operating profit increased by 16%, or £236m, to £1,713m. Adjusting for the impact of the personal pension redress provision, operating profit rose by 21%.

Net interest income grew by £134m, or 5%, to £2,959m primarily as a result of strong volume growth in UK consumer lending and extended credit balances at Barclaycard, with good growth in UK savings balances and an improved contribution from UK mortgage lending. The overall UK lending margin improved slightly as a result of a change in the business mix and the overall UK deposit margin narrowed slightly due to pricing pressure and lower interest rates.

Net fees and commissions increased by £57m, or 3%, to £1,780m, despite a reduced contribution from Barclays Insurance following the move to in-house underwriting of all payment protection insurance. In-house underwriting is included in Other operating income and represents the majority of the £81m increase compared to 1998. Barclays Stockbrokers benefited from good growth in investment management income and increased dealing activity. There were also improved business volumes in Private Banking and UK Premier. Barclaycard fees and commissions rose as a result of higher transaction volumes in both the issuing and acquiring businesses.

Total customer funds, which include assets under management and on-balance sheet deposits, grew by 10% to £118bn, as a result of good growth in long term savings and investments (1998 £107bn, excluding the Merck Finck business which was sold on 31st March 1999). Assets under management excluding the Merck Finck business increased 16% to £55bn, of which approximately half was attributable to net new business and approximately half to market movements. Loans to customers rose by 8% to £40bn (1998 £37bn).

Total costs reduced by 5% to £2,723m (1998 £2,852m) as a result of lower operating costs and are below the 1997 level of £2,753m. Staff costs, excluding restructuring costs, were 4% lower than in 1998. The total number of staff employed fell to 55,300 (1998 59,100). Efficiency improvements were achieved through centralisation initiatives, including the integration of central IT and operations infrastructures. This includes migration of telephone call handling from the branches to central call centres and the integration of Barclaycard's call centres to combine activities across different sites.

Investment in significant e-commerce developments included further development of internet banking, the launch of Barclays.net (the first Internet Service Provider offered by a UK bank) and the launch of an on-line internet based dealing service at Barclays Stockbrokers. At the end of 1999 a total of 540,000 customers were registered for these services.

Provisions rose by £100m to £490m, primarily as a result of volume growth in UK consumer lending and extended credit balances in Barclaycard and also less favourable UK economic factors that affected the first half of the year. Provisions in Africa, the Caribbean and mainland Europe remained at low levels.

Operating profit in 1998, prior to the impact of the Finance Act and allowing for the £25m provision in 1997 for the possible cost of redress to personal pension customers, was 15% higher than in 1997. This increase was primarily due to an increase of £228m in net interest income largely arising as a result of an improved contribution in home finance and strong volume growth in UK consumer lending and extended credit balances at Barclaycard.

Retail Financial Services is organised for reporting purposes into three major business groupings. The operating profit for these groupings is shown below:

Analysis of Retail Financial Services operating profit

	1999 £m	1998 £m	1997 £m
Retail customers*	**884**	825	731
Wealth Management	**428**	318	251
Barclaycard	**401**	334	251
Operating profit	**1,713**	1,477	1,233

* 1999 figure includes a £75m (1998 £nil, 1997 £25m) provision for the possible cost of redress to personal pension customers.

Retail Customers

Operating profit in Retail Customers increased by 7% to £884m. Excluding a further provision of £75m (1998 nil) for the possible cost of redress to personal pension customers (non-priority cases) operating profit increased by 16%. The provision for possible redress for personal pension customers increased during the year as a result of increased response levels and revised mortality and investment assumptions published by the Personal Investment Authority in August 1999.

Total income was broadly flat at £2,797m (1998 £2,782m) as a result of the further pension provision of £75m. Costs fell 7% to £1,588m (1998 £1,714m) as a result of continued centralisation of processing activity. An increase in provisions of £82m to £325m reflects volume growth in UK consumer lending and less favourable UK economic factors that affected the first half of 1999.

UK Personal Customers

Average consumer lending balances grew by 11% to £5.9bn (1998 £5.3bn) benefiting from the introduction of new data mining and enhanced risk assessment techniques which allow instant or pre-approved credit decisions and a series of successful promotional campaigns. Cross sales of related insurance products remained strong.

Average UK mortgage outstandings increased 6% to £16.1bn (1998 £15.2bn). The launch of a new range of Base Rate tracker mortgages contributed to strong mortgage lending growth in the second half of the year with gross new lending rising 37% to £4.8bn (1998 £3.5bn). Market share of gross new advances was maintained at 3.8%. Fixed and capped rate mortgages accounted for 56% of gross new mortgage lending (1998 69%). As a result of this shift in business mix towards variable rate products, margins increased slightly. The cost of incentives, including the cost of the Guaranteed Mortgage Rate product, increased slightly to £24m (1998 £21m).

Average UK savings balances grew by 7% to £19.6bn (1998 £18.3bn), in line with the market growth. Net interest income from savings balances increased by 2% despite the competition, lower interest rates and a move to term-products which led to a modest reduction in the overall savings margin.

Good progress was achieved in long-term savings and investment activities as sales of unit trusts, managed portfolios and individual life and pension products grew by 28% to £190m in terms of Annual Premium Income. This reflected a strong sales performance helped by the final opportunity for PEP purchases and the introduction of the ISA. Assets under management increased by 15% to £13.1bn. b^2 extended its product range and increased assets under management to £277m.

The number of UK personal current accounts rose by 5% to 8.1 million (1998 7.7 million). This increase was supported by market leading innovations introduced during 1999, which included extending further the benefits of the value-added Additions account. By the end of the year, the number of Additions accounts had increased by 35% over 1998 to 871,000. Further innovations included the extension to savings accounts of the successful instant banking initiative which allows customers to draw down against uncleared funds.

The demand for on-line banking strengthened following the launch of internet banking. The Group's market-leading position was extended by a new service release, incorporating improved service features and laying down the infrastructure for future enhancements and new access channels such as interactive TV. By the end of 1999, the number of customers registered for the on-line banking service had increased to 500,000 (1998 205,000), while the combined total of customers using on-line and telephone banking rose to over 1.5 million (1998 1 million).

Income from sales of household and personal insurance increased by 24%.

UK Small Business

Total income from UK Small Business was maintained at 1998 levels as volume growth in both deposits and advances offset the impact of a reduced contribution from current accounts as a result of lower interest rates. Lending volumes grew 6% to £1.7bn (1998 £1.6bn) and deposits grew 12% to £6.4bn (1998 £5.7bn). Fees and commissions remained flat as a result of increased pressure on money transmission income.

Total costs within UK Small Business reduced by 8% compared to 1998, as a result of efficiency benefits from the continued focus on centralising activities. Provisions for bad and doubtful debts were lower than the 1998 levels reflecting continued improvement in asset quality resulting from an enhanced risk management process. Over 67,000 small business customers are now registered for the on-line banking service (1998 24,000) supplementing the new 24 hour telephone banking service which has 170,000 small business customers (1998 142,000).

Africa

Operating profit rose by 54% to £98m, reflecting strong performances in Ghana and also, despite difficult economic conditions, in Zimbabwe. The performance in both of these countries benefited from the launch of a standardised personal loan account and the introduction of a corporate market programme to enhance customer relationships.

Income growth across Africa rose by 4% to £242m. Overall costs fell by 15% to £135m primarily as a result of the job reduction programme announced in August 1999.

Wealth Management

Operating profit in Wealth Management rose by 35% to £428m predominantly driven by strong growth in UK Premier Banking, Private Banking, Offshore Services, Stockbrokers and the continental European retail businesses.

Total income grew by 11% to £1,161m, with increased contributions from all businesses. There was particularly good income growth in Offshore Services (up 17% to £233m), Private Banking (up 17% to £153m), Stockbrokers (up 26% to £136m) and the Caribbean (up 15% to £130m).

Growth in UK Premier Banking operating profits benefited from a 15% increase in customer numbers to 129,000 (31st December 1998 112,000) and growth in business volumes per customer.

The continental European retail businesses performed well, with operating profit up 88% to £60m excluding the contribution from Merck Finck & Co following the sale of this business. Strong income growth in each country benefited from buoyant stock markets and continued successful targeting of affluent and high net worth individuals. This was reinforced by the launch of a range of innovative products, including the first 'sub 5%' 15 year mortgage in Spain.

The Caribbean operations achieved a good performance, with operating profits up by 16% to £48m aided by an improved performance from the strong offshore market, increased lending volumes and the establishment of Barclaycall customer service units offshore.

In Offshore Services operating profit rose 16% to £150m, with overall deposit balances growing by 9% to £12.6bn. As a result of stronger growth in higher margin products such as currency accounts, which benefited from increased business from Corporate Banking customers, the overall margin was maintained despite competitive pressure.

Private Banking operating profit rose 22% to £41m, reflecting increased business levels and favourable market conditions. Clients' funds increased 19% to £24.7bn (1998 £20.7bn).

Stockbrokers' operating profit grew strongly as a result of good growth in investment management income and increased dealing activity. Despite a decline in demutualisation activity during 1999, average client deals per day of 6,600 were 10% higher than in 1998, benefiting from the launch of an on-line internet based dealing service.

Overall costs in Wealth Management increased by 2% to £738m. This reflected the increased investment in front line staff and IT infrastructure to support current and future business growth, and an increase in client numbers, assets under management and customer deposits. Technology investment included the development of internet capability in Stockbrokers and Offshore Services.

Barclaycard

Barclaycard profits increased by 20% to £401m (1998 £334m). Total income growth rose 9% to £968m primarily as a result of an increase in average extended credit balances up 17% to £4.8bn and a 9% increase in turnover volumes. Income growth was supported by further improvements to the product range, including the introduction of a new rewards scheme, free extended warranty and the launch of new platinum Visa and Mastercards. These initiatives helped to improve new customer recruitment up 35% to 646,000 (1998 478,000) and retentions, with the number of customers leaving down 12% to 382,000 (1998 432,000).

The overall interest margin was maintained as a result of strong growth in interest earning balances relative to non-interest earning balances being offset by a reduction in rate spreads. This reflected the introduction of a pricing strategy to increase Barclaycard's share of an individual customer's credit card borrowing requirements by offering a reduced interest rate on extended credit balances to customers with higher transaction volumes.

Fees and commissions grew by 5% as a result of increased volumes in card transactions up 10% to 1.1billion (1998 1 billion) which was largely offset by continued pressure on merchant acquisition fee margins.

Total costs in Barclaycard fell by 4% to £397m largely as a result of the benefits associated with the change programme announced in September 1998 resulting in the loss of 1,100 jobs over a 3 year period. The reduction in the workforce remains on track, although increases in staff numbers will continue in the international operations as Barclaycard continues to expand into Europe and in e-commerce activities.

The charge for bad and doubtful debts increased by 18% to £170m. This primarily reflected the impact of growth in interest earning balances. The credit quality of outstanding balances was maintained through a combination of robust initial assessment and ongoing credit management.

Further investment was made in expanding Barclaycard's presence in Germany and France. New cards were launched in Spain and Greece. As a result the number of cards in issue overseas grew 43% to 1 million (1998 700,000).

Corporate Banking

	1999 £m	1998 £m	1997 £m
Net interest income	**1,252**	1,214	1,136
Net fees and commissions	**690**	613	579
Other operating income	**(12)**	24	14
Total income	**1,930**	1,851	1,729
Total costs	**(863)**	(862)	(828)
Provisions for bad and doubtful debts	**(120)**	2	39
Operating profit before impact of Finance Act	**947**	991	940
Write-down of leases	**-**	(40)	(77)
Operating profit	**947**	951	863

Corporate Banking produced a good performance in 1999. Operating profit, before the impact of a £40m write-down in lease receivables in 1998, reduced by £44m or 4% to £947m as a result of an increase in the net provision charge to £120m (1998 net credit £2m). The £122m increase in provisions for bad and doubtful debts mainly reflected the lower levels of releases and recoveries of £86m (1998 £168m). New and increased provisions were slightly higher than the levels experienced last year.

Net interest income rose by 5% after adjusting for a £20m recovery in 1998 from two debts previously written off, which was in addition to a £31m specific provision recovery in respect of these customers.

Corporate Banking achieved good growth in business lending volumes in 1999, primarily to larger and higher quality corporate customers. Average customer lending balances increased by 7% to £43bn as a result of steady growth in UK lending and strong growth in international lending.

High levels of origination have continued within large corporate banking in the United Kingdom as a result of increased acquisition finance activity. Middle market activity has also been strong as a result of the introduction of enhanced customer value propositions.

Average lending volumes in the international businesses have increased by 17% to £7bn (1998 £6bn) with growth predominantly in the rest of Europe and the Middle East. Lending volumes in Latin America have been held at 1998 levels.

Overall lending margins have been maintained. UK lending margins continued to narrow, reflecting the improving quality of the lending portfolio. Overseas margins have improved year on year as a result of adverse conditions in the debt capital markets in the second half of 1998. Risk adjusted margins, which take account of expected credit losses, have been maintained.

Average UK deposit volumes increased by 9% to £32bn despite continued contraction in corporate liquidity. The overall deposit margin has reduced slightly, reflecting stronger growth in the lower margin treasury deposits and a reduced contribution from non-interest bearing current accounts.

Net fees and commissions increased strongly by 13% to £690m. Lending related fees rose strongly reflecting a higher volume of arrangement fees in respect of on- and off-balance sheet financing products. Money transmission income was at a similar level to 1998 despite continued pricing pressure. Strong growth in electronic products has resulted in over 25% of UK corporate customers being registered for these services. Foreign exchange related income increased as a result of a new and consistent pricing policy introduced in the second half of 1998.

Other operating income decreased as a result of increased credit provisions and difficult trading conditions in the Group's Brazilian associate, Banco Barclays e Galicia SA. In addition, there was a reduced contribution from Cairo Barclays SAE, which became a subsidiary from 7th June 1999.

Costs were maintained at 1998 levels despite the impact of the consolidation of Cairo Barclays which added £5m to costs in the second half of 1999. Costs in the second half of 1999 were lower than the same period in 1998, reflecting the continuing restructuring of Corporate Banking during 1999. A reduction in staff numbers of 400, primarily as a result of this restructuring, was offset by a 500 increase in staff as a result of the acquisition of a controlling share in Cairo Barclays. In addition there were a further 200 UK staff under notice of redundancy as at 31st December 1999. After adjusting for the impact of the acquisition of a controlling share in Cairo Barclays, staff costs were maintained at 1998 levels.

Corporate Banking profit for 1998, prior to the impact of a write-down of leases, was £51m higher than in 1997. Net interest income increased by 7% to £1,214m reflecting strong volume growth and also the benefit of a £20m recovery from two debts previously written off. Net fees and commissions improved by 6% to £613m. Increases were recorded in risk related commissions reflecting increased lending activity and customer related foreign exchange income resulting from a new pricing policy. The net credit relating to bad and doubtful debt provisions reduced by £37m to £2m after including a charge of £23m in respect of Russian counterparty exposure.

Barclays Capital

	1999	1998	1997
	£m	£m	£m
Net interest income	**400**	417	326
Dealing profits	**554**	(29)	349
Net fees and commissions	**163**	159	148
Other operating income	**40**	44	50
Total income	**1,157**	591	873
Total costs	**(805)**	(701)	(626)
Provisions for bad and doubtful debts	**(36)**	(160)	-
Operating profit	**316**	(270)	247

Barclays Capital reported an operating profit of £316m compared to an operating loss of £270m in 1998. This reflects a strong performance and a return to stability in the financial markets following the 1998 Russian economic crisis and the subsequent dislocation in the world credit markets. Both the Rates and Credit businesses performed well despite a more challenging trading environment in the second half of the year, as a result of widening credit spreads and rising sterling interest rates.

Dealing profits were £554m in 1999 (1998 dealing losses of £29m). This was achieved while operating at lower risk levels compared to last year. Average Daily Value at Risk utilisation reduced by 23% to £16.1m (1998 (£20.9m)). The Rates business continued to perform strongly with good contributions from the government bonds, interest rate derivatives and foreign exchange businesses. In the Credit business, equity derivatives and secondary corporate bond businesses also made good contributions benefiting from increased customer related activities.

Net interest income decreased by 4% or £17m, to £400m as a result of lower interest earned from reduced regulatory capital employed. This was partially offset by a strong performance from the money markets business which benefited from a favourable interest rate environment during the year and the structured capital markets business, which had a record year in its client related activity.

Net fees and commissions increased by 3% to £163m reflecting growth in fees earned in the primary corporate bond business and from loan arrangement activity.

Barclays Capital benefited from diversifying and strengthening its client base for bond issues as it maintained its leading position in sterling bond issuance and European syndicated loan markets. Although the new euro bond market was highly competitive in 1999, good progress was made with new issues for Abbey National, Carrefour, Kappa Packaging Group and Vodafone AirTouch.

Other operating income consists principally of realisations from private equity business, which had a record performance in 1999 including significant contributions from continental Europe.

Provisions for bad and doubtful debts amounted to £36m and was mainly in respect of overseas exposures. In 1998, £130m of the total charge of £160m was in respect of the default of currency forward contracts and repurchase agreements by Russian counterparties.

Costs increased by 15% to £805m (1998 £701m), reflecting a higher level of performance related pay in line with improved profitability. Excluding performance related pay, costs were lower than 1998 levels reflecting continued cost management. This was achieved whilst continuing to invest in the business, particularly in the credit and European markets and also in new technology to improve the trading, control and processing systems. The ongoing investment in improving core technology and adding selectively to develop the human resources within Barclays Capital continues to be a priority.

The 1998 operating loss of £270m, compared to an operating profit of £247m in 1997, was a result of the Russian economic crisis and the subsequent dislocation in the world credit markets.

Barclays Global Investors

	1999	1998	1997
	£m	£m	£m
Net fees and commission	**318**	277	258
Net interest income	**6**	9	7
Other operating income	**-**	2	2
Total income	**324**	288	267
Total costs	**(281)**	(236)	(216)
Operating profit	**43**	52	51

Operating profit decreased by £9m primarily reflecting a continued investment in a number of strategic investment programmes. Investment in these programmes has doubled to £28m (1998 £14m). One area of significant investment has been in quantitative product research and development with the aim of achieving a greater level of active products within BGI's business mix not just for the institutional markets but also for the individual market place. Another area of investment expenditure has been in supporting the launch of a range of ETFs in the United States and Canada. These investment programmes aim to ensure sustained business growth in a highly competitive global market place.

Fees and commissions increased 15% to £318m (1998 £277m), benefiting from new business growth in assets under management and favourable market conditions during the year. Good growth in advanced active and securities lending offset continued competitor pressure on margins within the index business. The securities lending business benefited from the introduction of this activity to pension funds in Japan and Canada. During 1999, BGI announced the formation of E-Crossnet, a joint venture to cross UK and continental European equities.

The rise in costs of £45m reflects increased investment expenditure coupled with higher staff costs.

Total assets under management grew to £486bn from £370bn at 31st December 1998; £34bn of the increase is attributable to net new business and £82bn is attributable to market and exchange rate translation movements. Assets under management consist of £384bn of indexed funds and £102bn under advanced active management. All geographical regions have experienced good growth in assets. For the second consecutive year, BGI Europe was first in terms of the number of UK institutional client gains.

After adjusting for the sales of Masterworks and a part of the Hong Kong fund management business, underlying operating profit for 1998 increased 15% over 1997. Underlying fees and commissions increased 20% while underlying expenses increased 9%. The expense increase reflected the rise in costs required to support future growth, product development and growth in assets under management.

Businesses in Transition

	1999	1998	1997
	£m	£m	£m
France in Transition	-	18	16
United States Transition	-	19	62
Other Businesses in Transition	-	11	15
	-	48	93
Former BZW businesses	-	(33)	(219)
Operating profit/(loss)	-	15	(126)

These asset portfolios have now been managed down to low levels.

France in Transition's residual assets of some £60m have been absorbed within Retail Financial Services. The remaining assets of United States and Other Businesses in Transition totalling £400m are now reported centrally within Other operations.

All former BZW businesses were sold or closed by the end of 1998. The final loss and associated costs of £30m have been booked in 1999 as an exceptional item.

The overall profit in 1998 was £15m compared to a loss of £126m in 1997. The loss relating to the former BZW businesses reduced by £186m to £33m and related to the trading activities of the European, Australasian and Asian businesses prior to their sale or closure. The loss in 1997 was attributable to poor trading results caused by market conditions, the uncertainties at the time surrounding the sale announcement in 1997 and the impact of the significant additional costs incurred to retain key staff during the sale process.

Other operations

	1999 £m	1998 £m	1997 £m
Barclays Group Property Services	**49**	50	62
Central services	**(80)**	(119)	(72)
Management of Group capital	**44**	(98)	(24)
Operating profit/(loss)	**13**	(167)	(34)

The fall in the Group Property Services result is primarily attributable to reduced profits on the disposal of properties (1999 £3m, 1998 £16m) offset by restructuring costs of £11m in 1998.

Central services net costs reduced to £80m from £119m primarily as a result of a £22m provision in 1998 in relation to vacant leasehold premises which arose as a result of the adoption of FRS 12 (see page 103). There were restructuring costs of £14m in 1998.

The surplus from the central management of Group capital, compared with the deficit in 1998, is mainly attributable to reduced interest allocations to business groups, reflecting lower short-term interest rates. The basis of allocation to the businesses remains in line with previous years. Lower medium-term rates have had an adverse effect on the earnings from capital balances as have the costs of share buy-backs. Management of Group capital benefited from a £26m credit arising from further releases and recoveries relating to the United States Transition and Other Businesses in Transition portfolios which are now managed centrally.

In 1998 Central services costs were £47m higher than in 1997 primarily due to the provision arising from the adoption of FRS 12 and restructuring costs noted above.

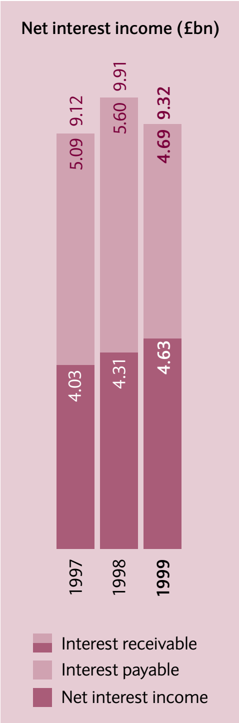
The management of Group capital deficit of £98m in 1998 was £74m higher than in 1997. The increase in the deficit was mainly attributable to increased interest allocations to business groups, reflecting higher short-term interest rates and increased usage of regulatory capital by individual businesses.

Head office functions

	1999 £m	1998 £m	1997 £m
Operating costs	**(77)**	(72)	(59)

Results by nature of income and expense

In the tables below, income and cost totals excluding the former BZW businesses are shown to assist in the analysis of the ongoing business performance. For most of 1997, BZW comprised the businesses that are now reported as Barclays Capital and the former BZW businesses, operating as an integrated business with significant levels of shared costs and infrastructure. Accordingly, the amounts separately attributed to Barclays Capital and the former BZW businesses in 1997 include estimates and allocations. Under these circumstances, it is not meaningful to provide any more detailed analysis of income and costs.



Net interest income

	1999 £m	1998 £m	1997 £m
Interest receivable	**9,320**	9,952	9,204
Interest payable	**(4,696)**	(5,604)	(5,095)
Profit on redemption/repurchase of loan capital	**3**	3	2
	4,627	4,351	4,111
Write-down of leases	**-**	(40)	(77)
	4,627	4,311	4,034
Excluding former BZW businesses and write-down of leases	**4,627**	4,353	4,103

Net interest income increased by £274m or 6%, excluding the contribution from the former BZW businesses and the write-down of leases. This reflected volume growth in Retail Financial Services and Corporate Banking and an improved contribution from the central management of Group capital.

Retail Financial Services net interest income increased by 5% to £2,959m primarily through strong volume growth in average UK consumer lending (up 11% to £5.9bn) and average extended credit card balances (up 17% to £4.8bn). Average UK mortgage outstandings increased by 6% to £16.1bn with gross new lendings rising 37% to £4.8bn. Average UK savings balances rose 7% to £19.6bn in line with market growth. The UK lending margin improved reflecting a change in business mix, while the UK deposit margin narrowed due to competitor pricing pressure and lower interest rates.

Corporate Banking net interest income rose by 5% to £1,252m after adjusting for a £20m recovery in 1998 from two debts previously written off. This reflects good growth in lending volumes mainly to larger and higher quality corporate customers. Average customer lendings rose by 7% to £43bn as a result of steady growth in UK lending and strong growth in international lending. UK large corporate lending benefited from increased acquisition finance activity. Average deposit volumes increased by 9% to £32bn despite continued contraction in corporate liquidity. Overall lending margins were maintained, while the deposit margin has reduced slightly reflecting stronger growth in lower margin treasury products and a reduced contribution from non-interest earning current accounts.

Overall banking business margins fell slightly to 3.40% from 3.42%. The Group margin fell in the second half of 1999 compared to the first half of 1999 mainly reflecting increased volumes in the lower margin wholesale business which is conducted in Barclays Capital. Overall UK margins in Retail Financial Services and Corporate Banking reduced slightly in the second half of 1999 compared to the first half of the year. The Group spread improved in the year to 2.88% from 2.69% reflecting growth in lendings to customers and a change in the funding mix.

The benefit of free funds fell from 0.73% to 0.52% largely because of lower interest rates.

The fall in short-term market rates of interest increased the contribution to the net margin from the central management of Group interest rate exposure to 0.21% (1998 nil).

The net surplus from the central management of Group capital improved to £44m (1998 deficit £98m), mainly as a result of reduced interest allocations to businesses reflecting lower short-term interest rates.

In 1998 net interest income rose by £250m or 6%, excluding the contribution from the former BZW businesses and the write-down of leases. Adjusting for these, the loss of interest resulting from share buy-backs and other business disposals, underlying net interest income increased by 7%.

Prevailing average interest rates

	1999 %	1998 %	1997 %
United Kingdom:			
Barclays Bank PLC base rate	**5.35**	7.23	6.57
London Inter-Bank Offered Rate (LIBOR):			
three month sterling	**5.54**	7.43	6.92
three month eurodollar	**5.37**	4.90	5.67
United States prime rate	**7.99**	8.36	8.44

Average interest earning assets and liabilities – banking business

	1999 £m	1998 £m	1997 £m
Average interest earning assets:			
Group	**136,267**	127,396	120,407
Domestic	**87,407**	82,095	79,697
International	**48,860**	45,301	40,710
Average interest bearing liabilities:			
Group	**118,496**	109,225	102,408
Domestic	**73,850**	66,492	62,444
International	**44,646**	42,733	39,964

Yields, spreads and margins – banking business

	1999 %	1998 %	1997 %
Gross yield (a)			
Group	**6.84**	7.81	7.64
Domestic	**7.66**	8.90	8.36
International	**5.38**	5.84	6.24
Interest spread (b)			
Group	**2.88**	2.69	2.67
Domestic	**3.89**	3.40	3.41
International	**1.10**	1.30	1.24
Interest margin (c)			
Group	**3.40**	3.42	3.42
Domestic	**4.47**	4.44	4.48
International	**1.47**	1.55	1.34

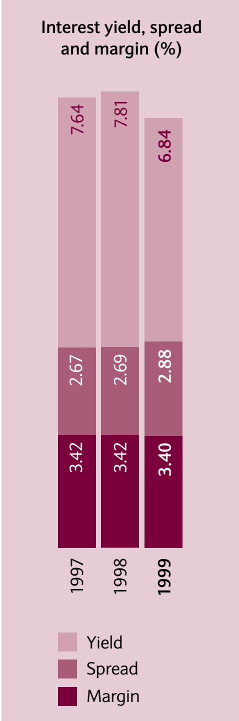
Notes

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

(b) 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.

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

Domestic business is conducted primarily in sterling and is transacted by Retail Financial Services, Corporate Banking, Barclays Capital and Group Treasury. 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, mainly with customers domiciled outside the United Kingdom.



The yields, spreads and margins shown above have been computed on this basis, which generally reflects the domicile of the borrower. They exclude profits and losses on the redemption and repurchase of loan capital, one-off write-downs of leases and the unwinding of the discount on vacant leasehold property provisions.

The net interest income and average balances of the trading business are shown separately on the average balance sheet on pages 38 and 39.

Net fees and commissions

	1999	1998	1997
	£m	£m	£m
Fees and commissions receivable	**3,207**	3,008	3,197
Less: fees and commissions payable	**(275)**	(229)	(218)
	2,932	2,779	2,979
Excluding former BZW businesses	**2,932**	2,771	2,652

Net fees and commissions were 6% higher at £2,932m with strong performances in all businesses.

Retail Financial Services fees and commissions increased by 3% to £1,780m, despite a reduced contribution from Barclays Insurance following the move to in-house underwriting of all payment protection insurance in the middle of 1998. In-house underwriting income is reported in Other operating income and rose by £71m. The underlying rise reflects good growth in investment management income, increased dealing activity at Barclays Stockbrokers and improved business volumes in Private Banking and UK Premier. Barclaycard fees and commission income rose as a result of higher transaction volumes in both the issuing and acquiring businesses.

In Corporate Banking, fees and commissions rose by 13% to £690m reflecting good growth in lending related fees and foreign exchange related income. Money transmission income was maintained at similar levels to 1998.

Barclays Global Investors' fee income improved by 15% to £318m benefiting from new business growth in assets under management and favourable market conditions during the year. Increased revenues in advanced active and securities lending offset competitive pressure on margins within the index business.

Net fees and commissions in Barclays Capital increased by 3% to £163m reflecting growth in fees earned in the primary corporate bond business and from loan arrangement activity.

Corporate Banking and Retail Financial Services fee income from foreign exchange transactions includes £100m (1998 £81m) in respect of customer transactions with Barclays Capital.

Excluding the contribution from the former BZW businesses and the impact of other disposals, net fees and commissions rose by some 7% in 1998, with strong performances by Corporate Banking and Barclays Global Investors.

Dealing profits

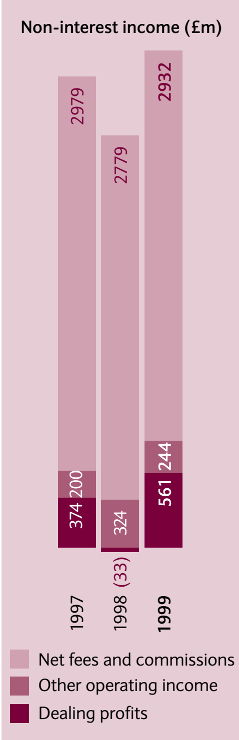
	1999 £m	1998 £m	1997 £m
Rates related business	**398**	135	399
Credit related business	**163**	(168)	(25)
	561	(33)	374
Excluding former BZW businesses	**561**	(27)	342

Almost all the Group's dealing profits arise in Barclays Capital, where these increased by £583m to £554m, reflecting the return to stability in the financial markets following the 1998 dislocation in the world credit markets. This was achieved while operating at lower levels of risk compared to last year.

The Rates business continued to perform strongly with significant contributions in the foreign exchange, government bonds and interest rate derivatives businesses. In the Credit business, equity derivatives and secondary corporate bond businesses also made good contributions benefiting from increased customer related activities.

Total foreign exchange income for the year was £380m (1998 £353m) and consists of the revenues earned from both retail and wholesale activities. The foreign exchange income earned by Retail Financial Services and Corporate Banking on customer transactions, both externally and with Barclays Capital, is reported within fees and commissions.

Dealing profits in 1998, excluding the contribution from former BZW businesses, reduced by £369m to (£27m) primarily reflecting proprietary trading losses resulting from the Russian economic crisis and the subsequent dislocation in the world credit markets.



Other operating income

	1999 £m	1998 £m	1997 £m
(Loss)/income from associated undertakings and joint ventures	**(14)**	22	16
Dividend income from equity shares	**12**	14	20
Profits on disposal of investment securities	**41**	41	46
Income from the long-term assurance business	**44**	109	61
Property rentals	**27**	44	39
Premium income on insurance underwriting	**102**	31	1
Other income	**32**	63	45
	244	324	228
Life-fund charge	**-**	-	(28)
	244	324	200

Income from associated undertakings and joint ventures fell by £36m. This resulted mainly from increased credit risk provisions and difficult trading conditions in the Group's Brazilian associate Banco Barclays e Galicia SA. There was a reduced contribution from Cairo Barclays SAE, which became a subsidiary from 7th June 1999.

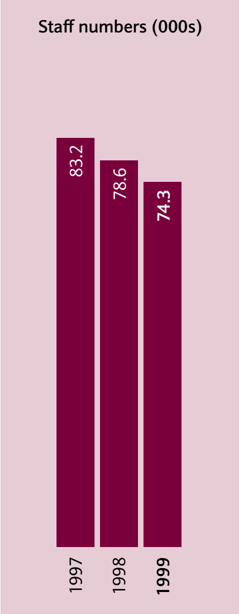
Profits on disposal of investment securities arose largely from realisations by the private equity business within Barclays Capital.

An additional £75m provision for the possible cost of redress to personal pension customers (non-priority cases) has been charged in the year. Total provisions of £196m for the cost of redress to personal pension customers for priority and non priority cases have been raised to date of which some £108m had not been utilised as at 31st December 1999.

The increase in premium income on insurance underwriting to £102m (1998 £31m) reflects an increase of premiums on insurance business written in-house which commenced in the first half of 1998. The longer term nature of these policies means that premium income will continue to grow over the next two or three years as the full impact of the transfer of the business is achieved.

Other income reduced primarily as a result of lower profits on disposal of properties at £4m (1998 £20m).

Other income in 1998 was £96m higher than in 1997 (before the impact of the life-fund charge). This reflected a £48m increase in the income from the long-term assurance business (1997 included a £25m provision for the cost of redress for personal pension customers) and a £30m increase in premium income on insurance underwriting.



Administrative expenses – staff costs

	1999 £m	1998 £m	1997 £m
Salaries and accrued incentive payments	**2,387**	2,211	2,380
Social security costs	**190**	173	200
Pension costs	**38**	37	65
Post-retirement health care	**15**	17	23
UK profit sharing	**80**	88	101
Other staff costs	**347**	285	266
	3,057	2,811	3,035
Included above:			
Restructuring charge	**192**	-	-
Former BZW businesses	**-**	22	402
Excluding restructuring charge and former BZW businesses	**2,865**	2,789	2,633
Staff numbers (period end)*	**74,300**	78,600	83,200

* Staff numbers do not include temporary and agency staff of 3,600 (31st December 1998 4,000, 31st December 1997 3,300) whose costs are included in staff costs.

Staff numbers also exclude 1,000 UK regulated sales force and field sales managers (31st December 1998 1,000) and 1,300 administrative staff (31st December 1998 1,300) whose costs are borne within the long-term assurance fund.

Staff costs for the on-going business rose by 3% over 1998, excluding the staff related charge of £192m for the 1999 restructuring programme. The increase reflected higher performance related payments in Barclays Capital in line with improved profitability. Underlying staff costs, excluding performance related payments, were slightly below 1998 levels.

The 1999 restructuring charge is principally in respect of other staff costs. Total staff costs in 1998 also included £86m of staff reduction and relocation costs.

In Retail Financial Services, staff costs, excluding restructuring costs, were 4% lower than in 1998. Staff costs in Corporate Banking were at similar levels to 1998 excluding the impact of the acquisition of a controlling interest in Cairo Barclays SAE. In both Retail Financial Services and Corporate Banking, the impact of job reductions in 1999 more than offset the impact of the 4% annual pay award to staff in the United Kingdom.

Pension costs continue at a low level with contributions to the Group's main UK scheme remaining at nil in 1999.

The gross reduction in job numbers was 7,500 as a result of the 1999 restructuring programme and the Barclaycard change programme announced in 1998.

Overall staff numbers fell by 4,300 in the year from 78,600 to 74,300 of which 3,500 related to the 1999 restructuring programme and 500 to the implementation of Barclaycard's change programme. In addition, 1,500 UK staff were under notice of redundancy as at 31st December 1999. In addition, 300 of the 400 reduction in temporary and agency staff related to the restructuring programme. Net job reductions arising from the 1999 restructuring programme were 5,300, while 1,700 staff affected by the programme have filled other jobs within the Group.

As a result of the sale of Merck Finck & Co, Retail Financial Services staff numbers fell by 450. Corporate Banking staff numbers increased by 500 as a result of the inclusion of the Cairo Barclays SAE workforce.

Excluding costs incurred by the former BZW businesses, staff costs rose by 6% in 1998 mainly reflecting the impact of the 1998 annual pay award to UK staff and increased resource (including temporary staff) in key areas of the business.

Administrative expenses – other

	1999 £m	1998 £m	1997 £m
Hire of equipment	**21**	28	35
Property rentals	**218**	195	210
Other property and equipment expenses	**632**	638	619
	871	861	864
Other administrative expenses			
Stationery, postage and telephones	**236**	230	245
Advertising and market promotion	**190**	225	215
Travel, accommodation and entertainment	**117**	113	133
Subscriptions and publications	**39**	43	37
Securities clearing and other operational expenses	**20**	49	74
Sundry losses, provisions and write-offs	**78**	53	78
Statutory and regulatory audit and accountancy fees	**6**	6	6
Consultancy fees	**121**	126	103
Professional fees	**88**	91	99
Other expenses	**41**	32	35
	1,807	1,829	1,889
Included above:			
Restructuring charge	**152**	-	-
Former BZW businesses	**-**	17	177
Excluding restructuring charge and former BZW businesses	**1,655**	1,812	1,712

Administrative expenses include £152m in respect of the 1999 restructuring programme, of which £87m related to provisions for future costs on surplus leasehold properties. Excluding this charge and the costs of the former BZW businesses in 1998, there was a fall in the costs of the ongoing businesses of £157m to £1,655m.

Property and equipment expenses, excluding the 1999 restructuring programme, were £122m lower than in 1998. Lower ongoing property rental charges and a fall in computer systems expenditure also accounted for this fall. The latter was mainly attributable to reduced activity; with preparation for the introduction of the euro work being largely completed in 1998 and a reduction in work required for Year 2000 compliance.

Other administrative expenses excluding the restructuring charge and former BZW businesses costs were £35m lower than in 1998. Reductions in UK advertising and marketing costs within Retail Financial Services were offset in part by increased fraud losses at Barclaycard in line with industry trends.

In 1998 administrative expenses rose by 6%, excluding costs of the former BZW businesses. This primarily reflected continued investment across the Group on upgrading technology and customer orientated and other initiatives (including euro preparation and Year 2000 compliance).

Depreciation and amortisation

	1999	1998	1997
	£m	£m	£m
Property depreciation	**93**	88	106
Equipment depreciation	**170**	172	170
Goodwill amortisation	**13**	12	12
Loss on sale of equipment	**4**	5	3
Write-back of surplus properties	**-**	(2)	(22)
	280	275	269

Provisions for bad and doubtful debts

	1999	1998	1997
Credit risk provision charge/(release)	**£m**	£m	£m
specific	**637**	505	274
general	**(16)**	(20)	(65)
Country risk provision charge/(release)			
specific	**(2)**	(13)	(27)
general	**2**	20	45
	621	492	227

The net charge for provisions rose by £129m to £621m mainly as a result of a £71m increase in new and increased specific credit risk provisions and a £61m fall in releases and recoveries to £250m.

New and increased specific provisions of £816m in 1998 included £153m of provisions against exposure to Russian counterparties (primarily in respect of currency forward contracts and repurchase agreements).

Excluding Russia, new and increased provisions rose by £224m mainly within Retail Financial Services. This increase was as a result of volume growth in UK consumer lending and extended credit transactions at Barclaycard and to a lesser extent less favourable economic factors that affected the first half of the year. New and increased provisions in Corporate Banking were slightly higher than 1998.

Releases and recoveries in Corporate Banking continued to decline at £86m compared to £168m in 1998. In Retail Financial Services releases and recoveries totalled £106m (1998 £82m). Releases and recoveries in Barclays Capital were £34m (1998 £6m).

The net provisions charge for the year as a percentage of average loans and advances was 0.58%, compared with 0.49% in 1998.

Provisions for contingent liabilities and commitments

	1999 £m	1998 £m	1997 £m
	1	76	4

The charge in 1998 related to the contribution to the overall settlement to the Administrators of British & Commonwealth Holdings PLC (B&C) in relation to proceedings which arose in connection with B&C's acquisition of Atlantic Computers Plc in 1988.

Loss on sale or restructuring of BZW

	1999 £m	1998 £m	1997 £m
	(30)	(3)	(469)

Final losses and costs of £502m have been incurred on the sale and restructuring of BZW against an original charge of £469m in 1997. An additional £30m has been booked in 1999 (1998 £3m).

(Loss)/profit on disposal of other Group undertakings

	1999 £m	1998 £m	1997 £m
	(108)	4	44

The net loss on disposal of other Group undertakings includes goodwill written back of £138m (1998 £10m). It comprises losses of £128m and profits of £20m. The losses on disposal include a £117m loss on the sale of Merck Finck & Co in March 1999.

The 1998 net profit reflected gains of £14m (including a final realisation in respect of the 1997 sale of the custody business) offset by losses of £10m.

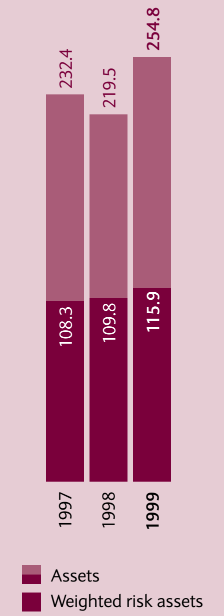
The 1997 profit was primarily accounted for by a £42m gain on the Group's remaining investment in 3i Group plc.

Tax

The overall tax charge is explained in the following table:	1999 £m	1998 £m	1997 £m
Tax charge at average UK corporation tax rate of 30.25% (1998 31%, 1997 31.5%)	**744**	587	541
Deferred tax adjustments for the leasing business	**-**	(18)	(32)
Prior year adjustments	**(44)**	18	(12)
Effect of change in non-allowable general provisions	**4**	-	(6)
Effect of non-allowable property write-downs and depreciation	**7**	9	22
Net effect of differing tax rates overseas	**(34)**	(21)	1
Net effect of overseas losses not available for relief in the UK	**-**	(16)	8
Franked investment income	**-**	(1)	(11)
Other non-allowable expenses	**9**	11	11
Gains covered by capital losses brought forward	**-**	(4)	(16)
Other items	**(37)**	(32)	(32)
	649	533	474
Loss on sale or restructuring of BZW (including goodwill)	**-**	-	68
Overall tax charge	**649**	533	542
Effective tax rate %	**26.4**	28.1	31.5

The reduction in the effective rate to 26.4% from 28.1% in 1998 is mainly attributable to beneficial adjustments in respect of overseas income, payments to a qualifying employee trust and prior year items. This was offset by non-allowable losses arising in respect of the disposal of Merck Finck & Co.

Total assets and weighted risk assets (£bn)



Total assets and liabilities

The Group's balance sheet grew by 16% in 1999 compared with a decline in assets of 2%, after adjusting for the impact of the disposal of the former BZW businesses, during 1998.

The Barclays Capital balance sheet grew steadily in 1999 with a year on year increase of 26%, or £30bn to £145bn following a contraction of 24% in the second half of the previous year. The growth in assets was partly attributable to a £8bn increase in assets from the collateralised equity financing business which continues to build customer inventory financing positions following the purchase of this business from Daiwa in 1998. The remaining increase arose from a number of businesses and reverses the decline in business activity, particularly in repos, from the previous year. In addition there was a £12bn increase in debt securities and treasury stock due to the build-up of year-end liquidity as a Year 2000 contingency measure. Total weighted risk assets increased by only 9% partly reflecting the implementation of Daily Value at Risk as the regulatory measure for market risk and partly as a result of asset growth in reverse repos which attract a lower average risk weighting.

Corporate Banking advances grew by 5% over the year to £44bn. Within the United Kingdom, middle market lendings increased 10% to £22bn with the growth primarily in respect of larger customers. Lending volumes in the international business grew by 17% to £7bn (1998 £6bn) with growth predominantly in the rest of Europe and the Middle East. Lending volumes in Latin America have been held at 1998 levels. Total assets in the leasing and asset finance business increased 5% to £9bn primarily in respect of the UK middle market. Total assets increased by £500m as a result of an increase to a majority interest in Cairo Barclays SAE.

Retail Financial Services experienced strong asset growth of 6% in the second half of 1999 compared with growth of 3% in the first half of the year (adjusted for the impact of the sale of Merck Finck & Co). Consumer lending balances in the United Kingdom increased by 9% to £6.2bn over the year and mortgage outstandings grew by 8% to £16.8bn. Barclaycard's extended credit balances have also continued to grow. Wealth Management assets have grown steadily across all business units, with particularly high growth in the Caribbean and Private Banking as a result of new business volumes.

As part of the Group's programme for managing its asset and weighted risk asset portfolios, a securitisation of $1bn of bonds backed by the UK credit card receivables was successfully offered for sale in November 1999. This was the first credit card backed securitisation by a UK clearing bank. This transaction did not reduce total assets but resulted in a reduction in weighted risk assets of some £600m within Other operations.

Repo transactions
Under a repo (sale and repurchasing 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 from the opposite viewpoint, 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:

	1999	1998	1997
Reverse repos (assets)	£m	£m	£m
Loans and advances to banks	**29,070**	13,922	13,627
Loans and advances to customers	**16,880**	11,665	23,014
	45,950	25,587	36,641
Repos (liabilities)			
Deposits by banks	**16,631**	6,512	13,453
Customer accounts	**17,422**	11,200	15,227
	34,053	17,712	28,680

The average and maximum amount of reverse repos for 1999 were £35,495m and £47,468m (1998 £39,174m and £62,913m, 1997 £39,977m and £56,300m) respectively. The average and maximum amount of repos for 1999 were £29,671m and £39,099m (1998 £32,181m and £55,274m, 1997 £24,195m and £39,775m) respectively.

Restructuring charge
In May, the Group announced that in 1999 it would incur a staff and related cost restructuring charge of up to £400m, in respect of 6,000 gross job reductions in the United Kingdom, principally in Retail Financial Services and Corporate Banking. In August, plans relating to certain of Retail Financial Services international operations were announced involving a further 1,000 job reductions.

Gross job reductions arising from the 1999 restructuring programme were 7,000. Net job reductions arising from the 1999 restructuring programme were 5,300, reflecting 1,700 staff who filled other jobs within the Group in 1999.

The staff costs charge of £192m includes an estimate of the number of staff opting to take an enhanced pension as part of their redundancy entitlement, the full cost of which will be borne by the pension fund surplus. The charge of £192m also includes the cost of a further 900 job reductions in the first half of 2000 where the process of serving notice has already commenced. The reduced cost compared with the estimate of £247m made at 30th June 1999 reflects the achievement of higher than targeted job reductions at lower than expected cost.

Administrative expenses charged are mainly in respect of the expected cost of properties which are no longer required as a result of the restructuring. The increase in the charge to £152m from the estimate of £98m at 30th June 1999 is as a result of additional redundant properties being identified.

Expenditure of £160m was incurred against the charge. It is expected that the majority of the remaining element of £184m will be incurred in 2000.

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

Assets	1999 Average balance £m	1999 Interest £m	1999 Average rate %	1998 Average balance £m	1998 Interest £m	1998 Average rate %	1997 Average balance £m	1997 Interest £m	1997 Average rate %
Treasury bills and other eligible bills:									
in offices in the UK	**3,697**	**175**	**4.7**	2,445	154	6.3	2,393	154	6.4
in offices outside the UK	**898**	**90**	**10.0**	963	103	10.7	1,074	107	10.0
Loans and advances to banks:									
in offices in the UK	**7,762**	**361**	**4.7**	10,561	605	5.7	11,137	642	5.8
in offices outside the UK	**8,224**	**442**	**5.4**	11,138	535	4.8	11,148	550	4.9
Loans and advances to customers:									
in offices in the UK	**68,752**	**5,549**	**8.1**	62,304	5,757	9.2	57,280	5,051	8.8
in offices outside the UK	**16,154**	**893**	**5.5**	11,596	863	7.4	10,706	830	7.8
Lease receivables:									
in offices in the UK	**5,059**	**346**	**6.8**	5,499	452	8.2	6,088	497	8.2
in offices outside the UK	**537**	**67**	**12.5**	240	21	8.8	297	30	10.1
Debt securities:									
in offices in the UK	**15,256**	**851**	**5.6**	13,804	910	6.6	12,676	837	6.6
in offices outside the UK	**9,928**	**546**	**5.5**	8,846	552	6.2	7,608	506	6.7
Average assets of banking business	**136,267**	**9,320**	**6.8**	127,396	9,952	7.8	120,407	9,204	7.6
Average assets of trading business	**67,278**	**3,655**	**5.4**	77,599	3,809	4.9	56,958	3,263	5.7
Total average interest earning assets	**203,545**	**12,975**	**6.4**	204,995	13,761	6.7	177,365	12,467	7.0
Provisions	**(1,955)**			(1,847)			(1,929)		
Non-interest earning assets	**42,526**			39,957			38,845		
Total average assets and interest income	**244,116**	**12,975**	**5.3**	243,105	13,761	5.7	214,281	12,467	5.8
Percentage of total average assets in offices outside the UK	**31.0**			29.6			26.7		
Average interest earning assets and net interest income:									
Banking business	**136,267**	**4,630**	**3.4**	127,396	4,352	3.4	120,407	4,113	3.4
Trading business	**67,278**	**(31)**	**-**	77,599	(25)	-	56,958	(154)	(0.3)
Write-down of leases		**-**	**-**		(40)	-		(77)	-
Discount rate adjustment on provisions		**(6)**	**-**		(4)	-		(4)	-
Profit on redemption/repurchase of loan capital		**3**	**-**		3	-		2	-
Total average interest earning assets and net interest income	**203,545**	**4,596**	**2.3**	204,995	4,286	2.1	177,365	3,880	2.2
Total average interest earning assets related to:									
Interest income		**12,975**	**6.4**		13,761	6.7		12,467	7.0
Interest expense		**(8,376)**	**(4.1)**		(9,434)	(4.6)		(8,508)	(4.8)
Write-down of leases		**-**	**-**		(40)	-		(77)	-
Discount rate adjustment on provisions		**(6)**	**-**		(4)	-		(4)	-
Profit on redemption/repurchase of loan capital		**3**	**-**		3	-		2	-
		4,596	**2.3**		4,286	2.1		3,880	2.2

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

Liabilities and shareholders' funds	1999 Average balance £m	1999 Interest £m	1999 Average rate %	1998 Average balance £m	1998 Interest £m	1998 Average rate %	1997 Average balance £m	1997 Interest £m	1997 Average rate %
Deposits by banks:									
in offices in the UK	**14,210**	**479**	**3.4**	17,911	719	4.0	13,058	628	4.8
in offices outside the UK	**11,506**	**460**	**4.0**	11,726	505	4.3	11,621	575	4.9
Customer accounts - demand accounts:									
in offices in the UK	**12,786**	**168**	**1.3**	11,072	201	1.8	10,439	163	1.6
in offices outside the UK	**1,827**	**35**	**1.9**	2,088	44	2.1	1,708	39	2.3
Customer accounts - savings accounts:									
in offices in the UK	**24,517**	**772**	**3.1**	22,635	1,110	4.9	21,728	918	4.2
in offices outside the UK	**1,307**	**55**	**4.2**	1,120	63	5.6	1,069	63	5.9
Customer accounts - other time deposits - retail:									
in offices in the UK	**23,998**	**1,231**	**5.1**	22,703	1,574	6.9	19,118	1,182	6.2
in offices outside the UK	**5,076**	**234**	**4.6**	5,262	266	5.1	5,547	292	5.3
Customer accounts - other time deposits - wholesale:									
in offices in the UK	**19,555**	**848**	**4.3**	17,379	890	5.1	12,115	591	4.9
in offices outside the UK	**6,067**	**306**	**5.0**	5,904	307	5.2	5,768	233	4.0
Debt securities in issue:									
in offices in the UK	**15,656**	**777**	**5.0**	14,554	913	6.3	8,931	554	6.2
in offices outside the UK	**7,130**	**379**	**5.3**	6,181	340	5.5	5,563	322	5.8
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**4,092**	**263**	**6.4**	3,372	244	7.2	3,343	265	7.9
Internal funding of trading business	**(29,231)**	**(1,317)**	**4.5**	(32,682)	(1,576)	4.8	(17,600)	(734)	4.2
Average liabilities of banking business	**118,496**	**4,690**	**4.0**	109,225	5,600	5.1	102,408	5,091	5.0
Average liabilities of trading business	**71,535**	**3,686**	**5.2**	79,513	3,834	4.8	62,085	3,417	5.5
Total average interest bearing liabilities	**190,031**	**8,376**	**4.4**	188,738	9,434	5.0	164,493	8,508	5.2
Interest free customer deposits:									
in offices in the UK	**8,677**			8,333			7,632		
in offices outside the UK	**1,597**			1,278			1,521		
Other non-interest bearing liabilities	**35,190**			36,652			32,843		
Minority interests and shareholders' funds	**8,621**			8,104			7,792		
Total average liabilities, shareholders' funds and interest expense	**244,116**	**8,376**	**3.4**	243,105	9,434	3.9	214,281	8,508	4.0
Percentage of total average non-capital liabilities in offices outside the UK	**30.3**			30.0			28.7		

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.

	Total change	**1999/1998 Change due to increase/(decrease) in:**		Total change	1998/1997 Change due to increase/(decrease) in:	
		Volume	**Rate**		Volume	Rate
Interest receivable	**£m**	**£m**	**£m**	£m	£m	£m
Treasury bills and other eligible bills:						
in offices in the UK	**21**	**66**	**(45)**	-	3	(3)
in offices outside the UK	**(13)**	**(7)**	**(6)**	(4)	(11)	7
	8	**59**	**(51)**	(4)	(8)	4
Loans and advances to banks:						
in offices in the UK	**(244)**	**(143)**	**(101)**	(37)	(33)	(4)
in offices outside the UK	**(93)**	**(151)**	**58**	(15)	-	(15)
	(337)	**(294)**	**(43)**	(52)	(33)	(19)
Loans and advances to customers:						
in offices in the UK	**(208)**	**562**	**(770)**	706	457	249
in offices outside the UK	**30**	**286**	**(256)**	33	67	(34)
	(178)	**848**	**(1,026)**	739	524	215
Lease receivables:						
in offices in the UK	**(106)**	**(34)**	**(72)**	(45)	(48)	3
in offices outside the UK	**46**	**34**	**12**	(9)	(6)	(3)
	(60)	**-**	**(60)**	(54)	(54)	-
Debt securities:						
in offices in the UK	**(59)**	**90**	**(149)**	73	74	(1)
in offices outside the UK	**(6)**	**63**	**(69)**	46	85	(39)
	(65)	**153**	**(218)**	119	159	(40)
Total banking business interest receivable:						
in offices in the UK	**(596)**	**541**	**(1,137)**	697	453	244
in offices outside the UK	**(36)**	**225**	**(261)**	51	135	(84)
	(632)	**766**	**(1,398)**	748	588	160
Total trading business interest receivable	**(154)**	**(537)**	**383**	546	1,061	(515)
Total interest receivable	**(786)**	**229**	**(1,015)**	1,294	1,649	(355)

Changes in net interest income – volume and rate analysis

Interest payable	Total change 1999/1998 £m	Change due to increase/(decrease) in: Volume £m	Rate £m	Total change 1998/1997 £m	Change due to increase/(decrease) in: Volume £m	Rate £m
Deposits by banks:						
in offices in the UK	**(240)**	**(135)**	**(105)**	91	207	(116)
in offices outside the UK	**(45)**	**(9)**	**(36)**	(70)	5	(75)
	(285)	**(144)**	**(141)**	21	212	(191)
Customer accounts - demand deposits:						
in offices in the UK	**(33)**	**28**	**(61)**	38	10	28
in offices outside the UK	**(9)**	**(5)**	**(4)**	5	8	(3)
	(42)	**23**	**(65)**	43	18	25
Customer accounts - savings deposits:						
in offices in the UK	**(338)**	**86**	**(424)**	192	40	152
in offices outside the UK	**(8)**	**9**	**(17)**	-	3	(3)
	(346)	**95**	**(441)**	192	43	149
Customer accounts - other time deposits - retail:						
in offices in the UK	**(343)**	**86**	**(429)**	392	238	154
in offices outside the UK	**(32)**	**(9)**	**(23)**	(26)	(15)	(11)
	(375)	**77**	**(452)**	366	223	143
Customer accounts - other time deposits - wholesale:						
in offices in the UK	**(42)**	**104**	**(146)**	299	268	31
in offices outside the UK	**(1)**	**8**	**(9)**	74	5	69
	(43)	**112**	**(155)**	373	273	100
Debt securities in issue:						
in offices in the UK	**(136)**	**65**	**(201)**	359	353	6
in offices outside the UK	**39**	**51**	**(12)**	18	35	(17)
	(97)	**116**	**(213)**	377	388	(11)
Dated and undated loan capital and other subordinated liabilities						
principally in offices in the UK	**19**	**48**	**(29)**	(21)	2	(23)
Internal funding of trading businesses	**259**	**160**	**99**	(842)	(712)	(130)
Total banking business interest payable:						
in offices in the UK	**(854)**	**442**	**(1,296)**	508	406	102
in offices outside the UK	**(56)**	**45**	**(101)**	1	41	(40)
	(910)	**487**	**(1,397)**	509	447	62
Total trading business interest payable	**(148)**	**(400)**	**252**	417	877	(460)
Total interest payable	**(1,058)**	**87**	**(1,145)**	926	1,324	(398)

Movement In net interest income

(Decrease)/increase in interest receivable	**(786)**	**229**	**(1,015)**	1,294	1,649	(355)
Decrease/(increase) in interest payable	**1,058**	**(87)**	**1,145**	(926)	(1,324)	398
	272	**142**	**130**	368	325	43
Movement in write-down of leases	**40**			37		
Movement in profit on redemption/repurchase of loan capital	**-**			1		
Movement in discount rate adjustment on provisions	**(2)**			-		
	310			406		

Capital resources

Barclays PLC Group	1999 £m	1998 £m	1997 £m
Shareholders' funds	**8,483**	7,842	7,557
Minority interests	**352**	314	326
	8,835	8,156	7,883
Undated loan capital	**1,749**	1,742	1,657
Dated loan capital	**2,848**	1,992	1,211
Other subordinated liabilities	**-**	-	59
Total capital resources	**13,432**	11,890	10,810

Barclays Bank PLC Group	1999 £m	1998 £m	1997 £m
Shareholders' funds	**8,753**	8,105	7,822
Minority interests	**82**	51	61
	8,835	8,156	7,883
Undated loan capital	**1,749**	1,742	1,657
Dated loan capital	**2,848**	1,992	1,211
Other subordinated liabilities	**-**	-	59
Total capital resources	**13,432**	11,890	10,810

The Group continues to manage actively both its debt and equity capital. Total capital resources increased in the year by £1,588m before adverse exchange rate translation differences of £46m.

Shareholders' funds increased by £711m before adverse exchange differences of £70m. Profit retentions (excluding goodwill write-backs) of £1,151m were reduced by share buy-backs, including costs, of £504m.

Loan capital rose by £863m consisting of capital raisings of £859m, repayments of £18m and exchange movements of £22m.

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 United Kingdom 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 ('core') capital, comprising mainly shareholders' funds, 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.

The following table analyses capital resources at 31st December 1999, as defined for regulatory purposes:

Capital adequacy data

	1999 Barclays PLC Group	1999 Barclays Bank PLC Group	1998 Barclays PLC Group	1998 Barclays Bank PLC Group
Tier 1	£m	£m	£m	£m
Shareholders' funds (as defined for regulatory purposes)	**8,267**	**8,537**	7,615	7,878
Minority interests in tier 1	**429**	**159**	416	153
Total tier 1 capital	**8,696**	**8,696**	8,031	8,031

	1999	1998
Tier 2	£m	£m
Fixed asset revaluation reserves	**43**	38
Qualifying undated and dated loan capital (a)	**4,233**	3,388
	4,276	3,426
General allowances for bad and doubtful debts	**672**	728
Total tier 2 capital	**4,948**	4,154
Tier 3		
Short-term subordinated loans	**343**	330
Total tier 3 capital	**343**	330
Gross capital resources	**13,987**	12,515
Less: supervisory deductions (b)	**(853)**	(830)
Total net capital resources	**13,134**	11,685

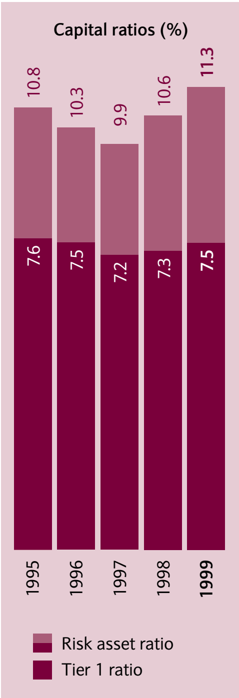
Notes

(a) Dated and undated subordinated debt is included in tier 2, subject to limits laid down in the supervisory requirements. Barclays retains significant capacity to raise additional capital within these limits.

(b) Includes £555m (1998 £530m) of shareholders' interest in the retail life-fund.

	1999 Barclays PLC Group	1999 Barclays Bank PLC Group	1998 Barclays PLC Group	1998 Barclays Bank PLC Group
Capital ratios	%	%	%	%
Tier 1 ratio	**7.5**	**7.5**	7.3	7.3
Risk asset ratio	**11.3**	**11.3**	10.6	10.6

	1999	1998
Weighted risk assets	£m	£m
Banking book		
on-balance sheet	**84,535**	78,577
off-balance sheet	**15,567**	14,194
associated undertakings	**1,341**	2,623
Total banking book	**101,443**	95,394
Trading book		
market risks	**6,015**	8,060
counterparty and settlement risks	**8,420**	6,346
Total trading book	**14,435**	14,406
Total risk weighted assets	**115,878**	109,800



Deposits

	Average: year ended 31st December		
	1999	1998	1997
Deposits by banks	**£m**	£m	£m
Offices in the UK	**14,210**	17,911	13,058
Offices outside the UK:			
Other European Union	**5,025**	4,913	6,680
United States	**3,816**	3,500	2,487
Rest of the World	**2,665**	3,313	2,454
	25,716	29,637	24,679
Customer accounts			
Offices in the UK	**89,533**	82,122	71,032
Offices outside the UK:			
Other European Union	**4,991**	5,392	5,890
United States	**2,515**	2,720	3,493
Rest of the World	**8,368**	7,540	6,230
	105,407	97,774	86,645

Average deposits (excluding trading balances) are analysed by type in the average balance sheet on page 39 and are based on the location of the office in which the deposits are recorded.

'Demand deposits' in offices in the United Kingdom are mainly current accounts with credit balances, obtained through the UK branch network.

'Savings deposits' in offices in the United Kingdom 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 United Kingdom 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 United Kingdom 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 United Kingdom are broadly similar to those described above, they are tailored to meet the specific requirements of local markets.

Short-term borrowings

Short-term borrowings include Deposits by banks as reported in 'Deposits' on the previous page.

Deposits by banks (excluding trading business)

	Year ended 31st December		
	1999	1998	1997
	£m	£m	£m
Year-end balance	**26,915**	25,951	30,511
Average balance	**25,716**	29,637	24,679
Maximum balance	**35,384**	35,092	35,228
Average interest rate during year	**3.7%**	4.1%	4.9%
Year-end interest rate	**3.8%**	4.4%	4.4%

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.

	Year ended 31st December		
	1999	1998	1997
	£m	£m	£m
Year-end balance	**1,082**	1,098	1,411
Average balance	**857**	913	1,411
Maximum balance	**2,131**	1,546	1,412
Average interest rate during year	**5.2%**	5.2%	4.9%
Year-end interest rate	**5.3%**	5.3%	5.9%

Negotiable certificates of deposit

	Year ended 31st December		
	1999	1998	1997
	£m	£m	£m
Year-end balance	**19,496**	14,764	17,027
Average balance	**19,781**	17,971	11,290
Maximum balance	**26,118**	20,573	18,007
Average interest rate during year	**5.0%**	6.2%	6.3%
Year-end interest rate	**5.3%**	6.4%	6.3%

Securities

The following table analyses the book value and valuation of securities

Investment securities	1999 Book value £m	1999 Valuation £m	1998 Book value £m	1998 Valuation £m	1997 Book value £m	1997 Valuation £m
Debt securities:						
UK government	**1,666**	**1,664**	1,730	1,775	5,537	5,615
other government	**9,315**	**9,340**	5,937	6,053	8,223	8,313
other public bodies	**69**	**71**	87	89	178	181
other issuers	**9,741**	**9,748**	6,548	6,595	4,357	4,407
Equity shares	**179**	**206**	336	379	116	170
	20,970	**21,029**	14,638	14,891	18,411	18,686
Other securities						
Debt securities:						
UK government	**1,278**	**1,278**	3,621	3,621	1,190	1,190
other government	**7,031**	**7,031**	10,377	10,377	13,301	13,301
other public bodies	**503**	**503**	775	775	784	784
bank and building society certificates of deposit	**18,005**	**18,005**	8,677	8,677	9,384	9,384
other issuers	**6,311**	**6,311**	7,428	7,428	10,222	10,222
Equity shares	**5,425**	**5,425**	4,552	4,552	2,664	2,664
	59,523	**59,582**	50,068	50,321	55,956	56,231

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 and short-term certificates of deposit and are principally valued at market value.

Bank and building society certificates of deposit are freely negotiable and have original maturities of up to 5 years, but are typically held for shorter periods.

A further analysis of the book value and valuation of securities is given in notes 20 and 21 to the accounts.

In addition to UK government securities shown above, at 31st December 1999 and 1998 the Group held the following government securities which exceeded 10% of shareholders' funds:

	1999 Book value £m	1999 Valuation £m	1998 Book value £m	1998 Valuation £m
US government securities	**5,457**	**5,408**	7,891	7,875
German government securities	**1,692**	**1,648**	2,669	2,669
French government securities	**1,547**	**1,567**	1,733	1,804
Spanish government securities	**1,160**	**1,194**	1,173	1,212
Italian government securities*	**2,827**	**2,876**	-	-
Japanese government securities*	**1,805**	**1,815**	-	-

*Holdings did not exceed 10% of shareholders' funds at 31st December 1998.

Maturities and weighted average yields 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:		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	£m	%	£m	%	£m	%	£m	%	£m	%
Government	2,241	5.2	6,869	5.2	1,164	7.2	707	5.3	10,981	5.4
Other public bodies	28	5.5	34	5.9	6	6.9	1	4.7	69	5.8
Other issuers	4,215	5.8	4,397	6.1	1,009	6.9	120	6.0	9,741	6.1
Total book value	6,484	5.6	11,300	5.6	2,179	7.1	828	5.4	20,791	5.7
Total valuation	7,132		11,055		2,213		423		20,823	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 1999 by the book value of securities held at that date. Yields on certain US securities, which are exempt from tax, have been calculated using interest income adjusted to reflect a taxable equivalent basis.

Risk management

In the ordinary course of business, Barclays manages a variety of risks, with operational, legal, market, liquidity and credit risks (all discussed below) being the most significant. These risks are identified, measured and monitored through various control mechanisms across the Group in order to price facilities and products on a risk-adjusted basis and to highlight risk concentrations which require management attention.

These risks are managed under the responsibility of the Director, Group Risk and Group Executive Committee with ultimate reporting to the Group Board and Risk Committee (see page 87). The Group Risk Management Committee is responsible for the strategic management of the overall risk profile of the Group and is chaired by the Group Chief Executive. It reviews risk policy issues delegated to it by the Group Executive Committee, oversees the Barclays Group's total portfolio of risk and approves policy objectives for credit and market risk. The Group Operating Committee is chaired by the Group Chief Executive and is responsible for operational risk policy issues.

Operational risk management

Operational risk, which is inherent in all business activities, is the potential for financial and reputational loss arising from failures in internal controls, operational processes or the systems that support them. It can occur in all the Group's businesses and includes errors, omissions, natural disasters and deliberate acts such as fraud.

The goal of operational risk management is to balance cost and risk within the constraints of the risk appetite of the Group and to be consistent with the prudent management required of a large financial organisation.

The Group manages this risk under an overall strategy determined by the Group Operating Committee supported by the Group Operational Risk function. This strategy is implemented by accountable executives in each business grouping, and monitored at Group level. Within this structure, potential risk exposures are assessed to determine the appropriate type of controls to be applied.

It is recognised that such risks can never be entirely eliminated and that the cost of controls in minimising these risks may outweigh the potential benefits. Accordingly, the Group continues to invest in risk management and mitigation such as business continuity management and incident management. Where appropriate this is supported by risk transfer mechanisms such as insurance. In reinforcement of the implementation of the Group's operational risk strategy by the business groupings, independent checks on operational risk issues are undertaken by the internal audit function.

Legal risk management
Legal risk is the risk that the legal framework for a situation, action or investment may have adverse financial, reputational or other consequences. It includes risk arising from inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of an obligation in counterparty insolvency. Barclays seeks to identify and manage legal risk through the effective use of its internal and external legal advisers to ensure that legal advice is appropriately taken and implemented across the Group in accordance with established policies and guidelines.

Market risk management
Market risk is the risk of loss arising from adverse movements in the level or volatility of market prices, which can occur in the interest rate, foreign exchange, equity and commodity markets. It is incurred as a result of both trading and asset/liability management activities.

The Group uses a daily 'value at risk' (DVAR) measure as the primary mechanism for controlling market risk. DVAR is described on pages 66 and 67. The Group Risk Management Committee allocates a total DVAR limit for the Group and delegates the day to day control and monitoring of market risk to the Director, Group Market Risk, who sets limits for each business area.

The Group's policy is that exposure to market risk arising from trading activities is concentrated in Barclays Capital. Trading activities are discussed further on page 65. The Group's banking businesses are also subject to market risk, which arises in relation to non-trading positions, such as capital balances, demand deposits and customer originated transactions and flows. The management of market risk in this context is discussed further under Treasury asset and liability management on page 69.

Liquidity risk management
The management of liquidity in Barclays is primarily designed to ensure that funding requirements can be met including, for example, the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings.

The distribution of sources and maturities of deposits is managed actively in order to ensure access to funds and to avoid a concentration of funding needs at any one time or from any one source. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on reputation, the strength of earnings and the Group's financial position.

A substantial portion of Barclays assets in the United Kingdom, and in certain other retail banking areas, is funded with 'core deposits'. These important sources of liquidity are mainly current accounts and savings deposits. Although current accounts are repayable on demand and savings accounts are repayable at short notice, the spread by number and type of depositor helps to insure against unexpected fluctuations and such accounts form a stable deposit base for the Group's operations and liquidity needs.

Liquidity management also involves control over asset maturities and the volume and quality of holdings of liquid assets and short-term funds. In addition, in evaluating the Group's liquidity position, management takes account of undrawn lending commitments, the usage of overdraft facilities and the possible impact of certain outstanding contingent liabilities, such as standby letters of credit and guarantees.

The responsibility for liquidity rests with local treasury management at each location, subject to overall control by and regular reporting to Group Treasury. Depending on the size and complexity of the treasury operation, the management of liquidity is also reviewed by a local asset and liability management committee comprised of senior executives.

Monitoring and reporting take the form of a cash flow measurement based on principles agreed by the 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. Special attention is paid to cash flow projections for the next day, the next week and the next month as these are key maturity periods in liquidity management. A sufficient reserve of liquid assets is maintained to protect against unforeseen cash flow volatility. These positions are scrutinised daily to prevent problems developing in the future. Additional emphasis is placed on the need to monitor unmatched medium-term loans and the level and type of commitments.

Due to the significant risk mitigation and contingency planning carried out prior to the end of 1999 within the Barclays Group and by the financial sector in general around the world, the transition through the millennium date change period went very smoothly. There have been no reported interruptions to liquidity flows in any significant market. The Barclays Group maintained a sufficient liquidity buffer over and above normal holdings during this period to meet problems if they had arisen.

Credit risk management

The Group Risk Management Committee is supported by the Group Credit Policy Unit which has day to day responsibility for portfolio and risk concentration issues, including country exposure, sector exposure, product risk and credit grading.

The Group uses a grading structure to show the probability of future default by borrowers. This is used to estimate levels of annualised credit losses from the overall lending portfolio averaged across the economic cycle (termed Risk Tendency). Risk Tendency estimates assist in portfolio management decisions, such as exposure limits to any single counterparty or borrower, the desired aggregate exposure levels to individual sectors and pricing policy. Gradings also provide a guide to changes in the underlying credit quality of the lending portfolio over time. A similar structure is also in place to control exposures to countries.

The Group Credit Committee is responsible for sanctioning large credit exposures to customers and counterparties arising from lending, trading activities, derivative instruments and settlement risks. The Group Credit Committee is supported by risk management departments (RMDs) in all of the major business groups, each headed by a senior executive. Each RMD analyses large credit exposures for sanction by the Group Credit Committee, business line executives or the RMD's own executives. Group Treasury is responsible for the monitoring and regulatory reporting of intra-group exposures under the EC Large Exposures Directive.

Corporate Banking and Retail Financial Services, which have the majority of the Group's corporate and personal credit exposures, each operate a hierarchy of credit exposure discretions, whereby regional credit teams, overseas country offices and specialist lending departments are allocated discretionary limits. Customer relationship managers are sub-allocated varying levels of discretionary limits, which vary according to their skills, experience, seniority and the quality of the borrower as measured by the credit grading structure. The application of this structure results in a large proportion of corporate lending portfolios being sanctioned and controlled at a local level. Personal sector lending in Retail Financial Services is controlled by specialist teams using model based processes overseen by separate reviewing functions.

Barclays Capital has a lesser number of credit exposures, but typically for larger individual amounts and with significant credit exposures arising from money market, foreign exchange, derivatives, securities dealing and other similar products. These trading activities, which include the use of both on- and off-balance sheet instruments, result in certain credit risks. Depending on the size of the exposure and quality of the borrower, they are referred to Group Credit Committee or are sanctioned within Barclays Capital RMD itself in London or in its office in New York. Smaller credit exposures, however, are sanctioned and controlled by specialist departments and individual Barclays Capital units under a hierarchy of credit exposure discretions.

Credit exposure, or replacement cost, on derivative instruments represents the potential cost to replace contracts with a positive value if counterparties failed to perform their obligations. This cost is usually less than the face value of the contracts and the actual amount is monitored on an ongoing basis. To control the level of credit risk taken, the Group assesses counterparties, using the same techniques and grading structure as for lending decisions. Dealings are predominantly with counterparties of high credit quality.

As the credit markets develop, Barclays is expanding the mechanisms used to manage credit risk. This includes the use of credit derivatives and securitisation, with the primary objective of reducing the uncertainty of returns from the credit portfolio. There will be greater opportunities to use these techniques as the credit markets develop. The cost of these transactions is generally treated as a deduction from the related category of income with any benefits being reflected in reduced credit risk provisions.

The Group enters into master agreements whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Concentrations of credit risk, which arise through the Group's trading and non-trading activities, are presented in note 64 to the accounts.

The Group is party to a number of transactions designed to reduce risk and, where appropriate, raise funding, in relation to specific pools of assets. These transactions consist of securitisations and credit default swaps, the former including that relating to the credit card receivables of Barclaycard. The value of the assets subject to these transactions at 31st December 1999 was £6.0bn. The lower level of risk arising on these assets resulted in a reduction in year-end weighted risk assets of approximately £4.8bn.

Analysis of loans and advances

The following sections analyse loans and advances to banks and customers. The geographical analyses of the banking business are based on the location of the office from which the lendings are made. The trading business, which is international in nature, primarily constitutes settlement and reverse repo balances and has not been analysed geographically. This business is largely carried out in the United Kingdom and the United States.

Loans and advances to banks

The majority of loans and advances to banks are placings, including reverse repo transactions, which amounted to £39,110m at 31st December 1999 (1998 £32,787m, 1997 £31,048m). Also included are loans to banks and building societies, balances with central banks (excluding those balances which can be withdrawn on demand), inter-bank settlement accounts and federal funds sold.

Loans and advances to banks

	1999 £m	1998 £m	1997 £m
Banking business:			
United Kingdom	**6,307**	4,037	8,751
Other European Union	**2,173**	3,847	4,268
United States	**2,118**	2,230	4,349
Rest of the World	**2,497**	10,243	4,383
Total banking business	**13,095**	20,357	21,751
Total trading business	**29,585**	16,296	15,155
	42,680	36,653	36,906

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

Barclays is an active participant in the major inter-bank markets. At 31st December 1999, placings with branches and offices of Japanese banks represented some 6% of the Group total (1998 some 2%, 1997 some 13%).

Maturity analysis of loans and advances to banks

At 31st December 1999	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
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom	**304**	**4,215**	**1,139**	**500**	**149**	**6,307**
Other European Union	**126**	**1,530**	**384**	**121**	**12**	**2,173**
United States	**40**	**816**	**960**	**295**	**7**	**2,118**
Rest of the World	**251**	**1,002**	**1,221**	**18**	**5**	**2,497**
Total banking business	**721**	**7,563**	**3,704**	**934**	**173**	**13,095**
Total trading business	**246**	**26,613**	**2,671**	**-**	**55**	**29,585**
	967	**34,176**	**6,375**	**934**	**228**	**42,680**

At 31st December 1998	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
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom	327	2,407	550	591	162	4,037
Other European Union	428	2,530	737	103	49	3,847
United States	47	761	1,031	391	-	2,230
Rest of the World	230	9,796	157	52	8	10,243
Total banking business	1,032	15,494	2,475	1,137	219	20,357
Total trading business	142	14,008	2,146	-	-	16,296
	1,174	29,502	4,621	1,137	219	36,653

Interest rate sensitivity of loans and advances to banks

At 31st December 1999	Fixed rate	Variable rate	Total
Banking business:	£m	£m	£m
United Kingdom	**5,455**	**852**	**6,307**
Other European Union	**1,966**	**207**	**2,173**
United States	**2,056**	**62**	**2,118**
Rest of the World	**2,246**	**251**	**2,497**
Total banking business	**11,723**	**1,372**	**13,095**
Total trading business	**18,432**	**11,153**	**29,585**
	30,155	**12,525**	**42,680**

Loans and advances to customers

The Group provides lending facilities to corporate and personal customers in the form of loans, overdrafts and finance lease receivables. The amounts shown below are before deduction of attributable provisions and interest in suspense.

Maturity analysis of loans and advances to customers

At 31st December 1999	**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**
Banking business:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
United Kingdom						
Property and construction	**660**	**682**	**678**	**1,674**	**1,326**	**5,020**
Other corporate lending	**5,222**	**4,968**	**3,421**	**7,667**	**6,019**	**27,297**
Other lending from UK offices (b)	**2,662**	**5,211**	**4,780**	**11,768**	**21,939**	**46,360**
Total United Kingdom	**8,544**	**10,861**	**8,879**	**21,109**	**29,284**	**78,677**
Other European Union	**748**	**1,533**	**1,140**	**1,797**	**758**	**5,976**
United States	**104**	**491**	**860**	**1,730**	**863**	**4,048**
Rest of the World	**504**	**1,018**	**5,405**	**683**	**734**	**8,344**
Total banking business	**9,900**	**13,903**	**16,284**	**25,319**	**31,639**	**97,045**
Total trading business	**3**	**18,325**	**192**	**-**	**12**	**18,532**
	9,903	**32,228**	**16,476**	**25,319**	**31,651**	**115,577**

At 31st December 1998	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
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom						
Property and construction	698	606	477	1,369	1,282	4,432
Other corporate lending	5,188	5,232	2,577	8,224	5,490	26,711
Other lending from UK offices (b)	1,702	4,653	4,004	8,380	20,552	39,291
Total United Kingdom	7,588	10,491	7,058	17,973	27,324	70,434
Other European Union	812	1,110	1,270	1,768	979	5,939
United States	127	602	717	1,836	882	4,164
Rest of the World	551	747	408	712	493	2,911
Total banking business	9,078	12,950	9,453	22,289	29,678	83,448
Total trading business	2	13,797	809	33	-	14,641
	9,080	26,747	10,262	22,322	29,678	98,089

Notes

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

(b) Other lending from UK offices includes finance lease receivables.

Interest rate sensitivity of loans and advances to customers

At 31st December 1999	Fixed rate	Variable rate	Total
Banking business:	£m	£m	£m
United Kingdom	**25,588**	**53,089**	**78,677**
Other European Union	**3,636**	**2,340**	**5,976**
United States	**1,071**	**2,977**	**4,048**
Rest of the World	**6,345**	**1,999**	**8,344**
Total banking business	**36,640**	**60,405**	**97,045**
Total trading business	**10,737**	**7,795**	**18,532**
	47,377	**68,200**	**115,577**

Loans and advances to customers in offices in the United Kingdom – banking business

	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Financial institutions	**1,552**	1,839	2,258	2,388	864
Agriculture, forestry and fishing	**1,693**	1,612	1,726	1,768	1,587
Manufacturing	**6,954**	6,840	5,556	5,976	5,412
Construction	**1,331**	1,227	1,046	1,242	1,429
Property	**3,689**	3,205	2,927	3,619	3,867
Energy and water	**613**	668	586	863	1,107
Wholesale and retail distribution and leisure	**6,455**	6,778	5,895	5,553	5,551
Transport	**1,270**	1,164	875	1,320	1,179
Postal and communication	**345**	261	86	101	239
Business and other services	**8,415**	7,549	6,425	6,178	6,275
Home loans	**18,316**	16,580	15,937	14,958	14,794
Other personal	**15,673**	14,376	12,403	11,315	10,321
Overseas customers	**7,277**	3,056	3,421	2,561	2,617
	73,583	65,155	59,141	57,842	55,242
Finance lease receivables	**5,094**	5,279	5,635	5,825	4,890
	78,677	70,434	64,776	63,667	60,132

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

	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Financial institutions	**178**	220	215	437	532
Agriculture, forestry and fishing	**223**	109	19	14	74
Manufacturing	**1,322**	975	964	966	1,296
Construction	**193**	148	164	246	310
Property	**144**	182	237	296	513
Energy and water	**145**	114	114	81	174
Wholesale and retail distribution and leisure	**207**	323	378	349	577
Transport	**119**	133	184	461	612
Postal and communication	**37**	9	11	39	205
Business and other services	**918**	1,433	980	864	1,173
Home loans	**1,029**	932	670	796	964
Other personal	**505**	500	352	313	446
Overseas customers	**462**	358	304	314	541
	5,482	5,436	4,592	5,176	7,417
Finance lease receivables	**494**	503	485	497	709
	5,976	5,939	5,077	5,673	8,126

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

	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Financial institutions	**320**	527	350	190	447
Agriculture, forestry and fishing	**1**	1	1	4	2
Manufacturing	**727**	592	325	337	350
Construction	**-**	12	5	27	28
Property	**69**	80	195	412	660
Energy and water	**1,168**	645	647	510	396
Wholesale and retail distribution and leisure	**138**	323	76	97	141
Transport	**356**	53	98	129	155
Postal and communication	**166**	383	240	115	222
Business and other services	**1,000**	1,471	1,138	929	573
Home loans	**1**	1	3	12	4
Other personal	**58**	7	25	69	13
Overseas customers	**-**	27	15	24	58
	4,004	4,122	3,118	2,855	3,049
Finance lease receivables	**44**	42	44	42	58
	4,048	4,164	3,162	2,897	3,107

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

	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Loans and advances	**8,316**	2,883	2,980	2,951	3,948
Finance lease receivables	**28**	28	29	28	85
	8,344	2,911	3,009	2,979	4,033

Total loans and advances to customers

	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Banking business	**97,045**	83,448	76,024	75,216	75,398
Trading business	**18,532**	14,641	25,712	16,441	9,884
	115,577	98,089	101,736	91,657	85,282

Total loans and advances to customers

Barclays lendings are widely dispersed over customer categories within the United Kingdom, the main area of operation, and are also well spread geographically outside the United Kingdom. No one concentration of lendings, with the exception of home loans and other personal lendings in the United Kingdom, accounts for more than 10% of total Group lendings. Other than the United Kingdom, the following individual countries account for more than 5% of total Group lendings: Japan 10% and United States 9%.

Loans and advances in offices in the United Kingdom

Loans and advances within banking business activities increased by 12% to £78,677m (1998 growth of 9%). There was strong growth in unsecured personal lending and credit card advances, with the mortgage business benefiting from a relatively strong housing market. The growth in corporate lending was concentrated in larger middle market customers.

Loans and advances in offices in Other European Union countries

Increased lendings across the region were offset by the impact of the sale of Merck Finck & Co and exchange rate movements.

Loans and advances in offices in the United States and the Rest of the World
Business loans and advances in the United States were at similar levels to 1998. The increase in Rest of the World lendings was primarily in respect of placings with entities guaranteed by the Japanese Government.

Credit risk management mechanisms
Barclays has entered into securitisation and credit derivative transactions in order to reduce the uncertainty of returns from the credit portfolio. Details of the securitisation transactions are included in note 18 on page 117 whilst the year-end level of credit derivatives is provided by way of footnote in note 47 on page 140.

Exposure to countries subject to International Monetary Fund liquidity support programmes
Amounts outstanding, net of provisions, and commitments to counterparties in countries which make significant use of International Monetary Fund liquidity support programmes were as follows:

	1999 £bn	1998 £bn	1997 £bn
Asia			
Indonesia	**0.1**	0.1	0.3
South Korea	**0.4**	0.5	0.6
Thailand	**0.1**	0.1	0.3
	0.6	0.7	1.2
Latin America			
Brazil	**0.8**	0.9	0.8
Eastern Europe			
Russia	**0.0**	0.0	0.1
	1.4	1.6	2.1

Of the total of £1.4bn (1998 £1.6bn), £0.8bn (1998 £1.0bn) was related to banks, £0.4bn (1998 £0.4bn) to governments and £0.2bn (1998 £0.2bn) to other corporate bodies including project finance companies, and was mainly in respect of loans, off-balance sheet financial instruments and debt securities. Off-balance sheet financial instruments and debt securities are marked to market.

The Group has a Brazilian associate, Banco Barclays e Galicia SA, which is equity accounted. At 31st December 1999 the 50% holding was included in the balance sheet at a value of £33m (not included in the figures above).

During the year the Group released a general provision of £8m in respect of country transfer risk arising from its business world wide, including exposure in these countries, reducing the total of such provisions to £57m at 31st December 1999. This is in addition to £615m of general provision held against credit risk.

Provisions for bad and doubtful debts

Provisioning policy

It is Barclays policy to establish, through charges against profit, a provision in respect of the estimated loss inherent in the lending book. The provision raised consists of an element which is specific to individual counterparties or a homogeneous portfolio of lendings and also a general element which, whilst determined as reflecting losses already within the lending book, cannot be specifically applied.

Risk managers conduct a continuous review of the quality of exposures for which they are responsible based on a knowledge of the counterparty and, where applicable, the relevant industry and country of operation. A specific charge is raised when the Bank considers that the creditworthiness of a borrower has undergone a deterioration such that the recovery of the whole outstanding advance is in serious doubt. Typically, this will be done on an individual basis, although scope exists to raise specific provisions on a portfolio basis where statistical techniques permit and the portfolio comprises homogeneous assets. This applies in parts of Retail Financial Services and Corporate Banking and is in keeping with Barclays policy of raising provisions as soon as impairment is identified.

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. 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 historic 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. Since 1997, the general provision has included a specifically identified element to cover country transfer risk calculated on a basis consistent with the overall general provision calculation.

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. Impaired lendings are written off in part, or in whole, when the extent of the loss incurred has been confirmed, the decision to do so being a matter of banking judgement.

The following tables have been divided between those provisions which have been raised against the perceived credit risks and those provisions which have been raised in respect of country risk (i.e. that related to a country's difficulty in servicing its external debt, as evidenced by rescheduling or arrears of payment of principal or interest).

Analysis of provisions for bad and doubtful debts

	31st December				
	1999	1998	1997	1996	1995
	£m	£m	£m	£m	£m
Specific - credit risk*					
United Kingdom	**1,075**	928	765	834	963
Other European Union	**126**	213	245	353	502
United States	**23**	23	27	59	121
Rest of the World	**74**	35	41	48	115
	1,298	1,199	1,078	1,294	1,701
Specific - country risk	**13**	16	44	80	174
Total specific provisions	**1,311**	1,215	1,122	1,374	1,875
General provisions - credit risk	**615**	663	683	756	853
General provisions - country risk	**57**	65	45	-	-
	1,983	1,943	1,850	2,130	2,728
Average loans and advances for the year					
(excluding trading business)	**106,488**	101,338	96,656	95,899	95,725
(including trading business)	**147,139**	145,749	136,581	122,503	113,773

*The geographic analysis of provisions is based on location of office.

The increased specific provision balance in the United Kingdom reflects the impact of volume growth in UK unsecured personal lendings and Barclaycard and less favourable economic factors that impacted the United Kingdom books in general in the first half of the year. The 1999 total also reflects a £30m reclassification of general provision within the corporate lending book based on the introduction of a statistical methodology which enables the earlier recognition of specific impairment.

The decline in the European Union balance partially reflects the sale in the year of Merck Finck & Co whilst the increase in the Rest of the World takes account of the consolidation of Cairo Barclays SAE.

The fall in general provision held reflects the £30m reclassification and the sale of Merck Finck & Co.

Ratios

	31st December				
	1999	1998	1997	1996	1995
	%	%	%	%	%
Provisions at end of year as a percentage of loans and advances at end of year (excluding trading business):					
Specific provision for credit risk	**1.18**	1.16	1.10	1.41	1.73
General provision for credit risk	**0.56**	0.64	0.70	0.83	0.87
	1.74	1.80	1.80	2.24	2.60
Specific provision for country risk	**0.01**	0.01	0.04	0.09	0.18
General provision for country risk	**0.05**	0.06	0.05	-	-
	1.80	1.87	1.89	2.33	2.78
Provisions at end of year as a percentage of loans and advances at end of year (including trading business):					
Specific provision for credit risk	**0.82**	0.89	0.78	1.07	1.49
General provision for credit risk	**0.39**	0.49	0.49	0.63	0.75
	1.21	1.38	1.27	1.70	2.24
Specific provision for country risk	**0.01**	0.01	0.03	0.07	0.15
General provision for country risk	**0.03**	0.05	0.03	-	-
	1.25	1.44	1.33	1.77	2.39

	Year ended 31st December				
	1999	1998	1997	1996	1995
Provisions as a percentage of average loans and advances for the year (excluding trading business):	%	%	%	%	%
Specific provisions for credit risk	**0.60**	0.50	0.28	0.35	0.47
General provisions for credit risk	**(0.02)**	(0.02)	(0.07)	(0.06)	(0.01)
	0.58	0.48	0.21	0.29	0.46
Specific provisions for country risk	**-**	(0.01)	(0.03)	(0.06)	(0.05)
General provisions for country risk	**-**	0.02	0.05	-	-
	0.58	0.49	0.23	0.23	0.41
Amounts written off (net of recoveries)	**0.52**	0.40	0.47	0.71	0.92
Provisions as a percentage of average loans and advances for the year (including trading business):					
Specific provisions for credit risk	**0.43**	0.35	0.20	0.28	0.39
General provisions for credit risk	**(0.01)**	(0.01)	(0.05)	(0.05)	-
	0.42	0.34	0.15	0.23	0.39
Specific provisions for country risk	**-**	(0.01)	(0.02)	(0.05)	(0.04)
General provisions for country risk	**-**	0.01	0.03	-	-
	0.42	0.34	0.16	0.18	0.35
Amounts written off (net of recoveries)	**0.38**	0.28	0.33	0.55	0.77

Movements in provisions for bad and doubtful debts

	Year ended 31st December				
	1999	1998	1997	1996	1995
Provision for credit risk	**£m**	£m	£m	£m	£m
Provision at beginning of year	**1,862**	1,761	2,050	2,554	2,821
Exchange and other adjustments	**(12)**	5	(53)	(124)	17
Amounts written off:					
United Kingdom	**(546)**	(506)	(441)	(593)	(680)
Other European Union	**(44)**	(43)	(93)	(138)	(148)
United States	**(40)**	(7)	(23)	(30)	(69)
Rest of the World	**(21)**	(9)	(14)	(61)	(26)
	(651)	(565)	(571)	(822)	(923)
Recoveries (analysed below)	**93**	176	126	165	198
Sub total	**1,292**	1,377	1,552	1,773	2,113
Provisions charged against profit					
New and increased specific provisions:					
United Kingdom	**768**	751	536	623	684
Other European Union	**27**	31	49	123	169
United States	**45**	11	12	21	28
Rest of the World	**47**	23	28	26	51
	887	816	625	793	932
Releases of specific provisions:					
United Kingdom	**(114)**	(81)	(143)	(164)	(151)
Other European Union	**(21)**	(31)	(34)	(66)	(44)
United States	**(7)**	(8)	(33)	(45)	(71)
Rest of the World	**(15)**	(15)	(15)	(16)	(22)
	(157)	(135)	(225)	(291)	(288)
Recoveries:					
United Kingdom	**(85)**	(156)	(111)	(140)	(176)
Other European Union	**(4)**	(4)	(6)	(8)	(8)
United States	**(4)**	(13)	(4)	(12)	(7)
Rest of the World	**-**	(3)	(5)	(5)	(7)
	(93)	(176)	(126)	(165)	(198)
Net specific provisions charge	**637**	505	274	337	446
General provision releases*	**(16)**	(20)	(65)	(60)	(5)
Net credit risk charge to profit	**621**	485	209	277	441
Provisions at end of year	**1,913**	1,862	1,761	2,050	2,554
Provisions for country risk					
Provision at beginning of year	**81**	89	80	174	371
Exchange and other adjustments	**(11)**	1	1	(12)	3
Amounts written off (net of recoveries)	**-**	(16)	(10)	(20)	(155)
Net specific credit:					
Provisions charges	**-**	3	7	3	13
Releases	**(2)**	(16)	(34)	(63)	(58)
Recoveries	**-**	-	-	(2)	-
Net specific releases	**(2)**	(13)	(27)	(62)	(45)
General provision charge*	**2**	20	45	-	-
Provision at end of year	**70**	81	89	80	174
Total provisions for bad and doubtful debts	**1,983**	1,943	1,850	2,130	2,728

* An analysis of the movement in general provisions is shown in note 19 to the accounts.

The geographic analysis of provisions is based on location of office. The United Kingdom charge in 1998 includes £153m raised in respect of exposure to Russian counterparties.

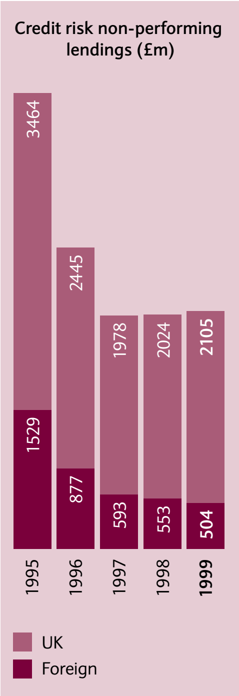
Credit risk provisions

	Net specific provision for the year					Specific provisions for credit risk at 31st December				
	1999	1998	1997	1996	1995	**1999**	1998	1997	1996	1995
United Kingdom:	**£m**	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
Banks and other financial institutions	**10**	11	(3)	6	(32)	**9**	14	5	6	7
Agriculture, forestry and fishing	**4**	(5)	-	1	3	**7**	4	5	6	9
Manufacturing	**4**	15	25	6	14	**48**	41	51	39	43
Construction	**4**	(7)	5	9	25	**7**	10	26	28	45
Property	**(5)**	(20)	(66)	15	(2)	**8**	12	29	92	109
Energy and water	**-**	-	3	6	3	**2**	2	2	6	3
Wholesale and retail distribution and leisure	**34**	(10)	12	13	51	**42**	18	10	50	88
Transport	**4**	(1)	3	4	48	**4**	2	5	63	68
Postal and communication	**-**	1	-	-	-	**1**	1	-	-	-
Business and other services	**14**	(7)	4	17	17	**34**	43	61	69	97
Home loans	**5**	(4)	8	7	49	**39**	35	44	50	59
Other personal	**504**	376	281	237	182	**830**	664	522	414	421
Overseas customers*	**(21)**	165	10	(10)	(4)	**33**	79	2	3	4
Finance lease receivables	**12**	-	-	8	3	**11**	3	3	8	10
	569	514	282	319	357	**1,075**	928	765	834	963
Foreign	**68**	(9)	(8)	18	89	**223**	271	313	460	738
	637	505	274	337	446	**1,298**	1,199	1,078	1,294	1,701

Analysis of amounts written off and recovered – credit risk

	Amounts written off for the year					Recoveries of amounts previously written off		
	1999	1998	1997	1996	1995	**1999**	1998	1997
United Kingdom:	**£m**	£m	£m	£m	£m	**£m**	£m	£m
Banks and other financial institutions	**14**	16	1	10	2	**2**	12	3
Agriculture, forestry and fishing	**6**	2	4	5	10	**3**	7	3
Manufacturing	**20**	28	20	22	33	**12**	12	7
Construction	**12**	12	12	38	47	**3**	5	7
Property	**9**	17	28	61	107	**7**	22	31
Energy and water	**-**	-	8	3	5	**-**	-	-
Wholesale and retail distribution and leisure	**35**	25	48	74	102	**17**	45	15
Transport	**4**	2	63	17	22	**1**	1	3
Postal and communication	**1**	-	-	-	1	**-**	-	-
Business and other services	**43**	36	32	79	88	**12**	27	16
Home loans	**3**	8	19	21	34	**2**	4	4
Other personal	**363**	254	193	260	226	**24**	21	20
Overseas customers*	**31**	106	11	-	2	**1**	-	-
Finance lease receivables	**5**	-	2	3	1	**1**	-	2
	546	506	441	593	680	**85**	156	111
Foreign	**105**	59	130	229	243	**8**	20	15
	651	565	571	822	923	**93**	176	126

*Include amounts in 1998 in respect of Russian counterparties recorded in the United Kingdom.



Potential credit risk lendings

The US Securities and Exchange Commission (SEC) requires potential credit risk lendings to be analysed by categories which reflect US lending and accounting practices. These differ to some extent from those employed in the United Kingdom. In particular:

1 US banks may write off problem lendings more quickly than is the practice in the United Kingdom. As a result, Barclays may report a somewhat higher level of lendings than if it had followed such US practice and also a higher level of potential credit risk lendings.

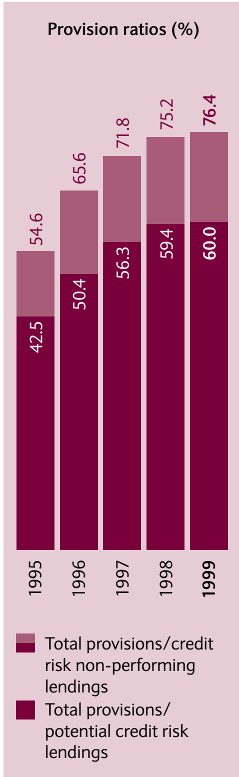
2 US banks typically stop accruing interest when loans are overdue by 90 days or more, or when recovery is doubtful. In accordance with the UK Statement of Recommended Practice on Advances, Barclays continues to charge interest to a doubtful customer's account for collection purposes, but the interest is suspended and excluded from interest income in the profit and loss account. This addition of interest continues until such time as its recovery is considered to be unlikely. While such practice does not affect net income in comparison with that followed in the United States, it again has the effect of increasing the reported level of potential credit risk lendings. The amount of this difference at 31st December 1999 was £80m (1998 £77m).

The table which follows presents an analysis of potential credit risk lendings in accordance with the SEC guidelines. Additional categories of disclosure are included, however, to record lendings where interest continues to be accrued and where either interest is being suspended or specific provisions have been raised. Normal US banking practice would be to place such lendings on non-accrual status. The amounts, the geographical presentation of which is based on the location of the office recording the transaction, are stated before deduction of the value of security held, the specific provisions carried or interest suspended.

Non-performing lendings

	1999	1998	1997	1996	1995
Non-accrual lendings:	**£m**	£m	£m	£m	£m
United Kingdom	**1,007**	985	911	1,084	1,498
Foreign - credit risk	**244**	282	309	455	723
Accruing lendings where interest is being suspended:					
United Kingdom	**326**	266	234	358	396
Foreign - credit risk	**110**	118	153	170	337
Other accruing lendings against which provisions have been made:					
United Kingdom	**423**	457	408	492	976
Foreign - credit risk	**130**	134	117	232	419
Sub totals:					
United Kingdom	**1,756**	1,708	1,553	1,934	2,870
Foreign - credit risk	**484**	534	579	857	1,479
Accruing lendings 90 days overdue, against which no provisions have been made:					
United Kingdom	**343**	309	388	473	534
Foreign - credit risk	**18**	19	14	20	47
Reduced rate lendings:					
United Kingdom	**6**	7	37	38	60
Foreign - credit risk	**2**	-	-	-	3
Total non-performing lendings:					
United Kingdom	**2,105**	2,024	1,978	2,445	3,464
Foreign - credit risk	**504**	553	593	877	1,529
	2,609	2,577	2,571	3,322	4,993

UK non-performing lendings increased by £81m due to growth in consumer balances (including credit card receivables).



Potential problem lendings

In addition to the data above, lendings which are current as to payment of principal and interest, but where there exists serious doubt as to the ability of the borrower to comply with repayment terms in the near future (potential problem lendings), were as follows:

	1999	1998	1997	1996	1995
	£bn	£bn	£bn	£bn	£bn
United Kingdom	**0.6**	0.6	0.6	0.9	1.2
Foreign	**0.1**	0.1	0.1	0.1	0.2
	0.7	0.7	0.7	1.0	1.4
Total provision coverage of:	**%**	%	%	%	%
credit risk non-performing lendings	**76.4**	75.2	71.8	65.6	54.6
total potential credit risk lendings	**60.0**	59.4	56.3	50.4	42.5

Interest forgone on non-performing lendings

	1999	1998	1997
	£m	£m	£m
Interest income that would have been recognised under original contractual terms	**165**	182	218
Interest income included in profit	**(45)**	(63)	(71)
Interest forgone	**120**	119	147

Cross-border outstandings

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

Cross-border outstandings, which exclude finance provided within the Group, are based on the country of domicile of the borrower or guarantor of ultimate risk and 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, denominated in currencies other than the borrower's local currency.

At 31st December 1999, the countries where Barclays cross-border outstandings exceeded 1% of assets were Germany, the United States, France, Switzerland and the Netherlands and consisted substantially of placings with banks due within one year. In this context, assets comprise total assets, as presented in the consolidated balance sheet, and include acceptances. On this basis, assets amounted to £256,308m at 31st December 1999 (1998 £220,564m, 1997 £233,901m).

Cross-border outstandings exceeding 1% of assets

	As % of assets	Total	Banks and other financial institutions	Governments and official institutions	Commercial industrial and other private sector
At 31st December 1999	%	£m	£m	£m	£m
Germany	**2.5**	**6,438**	**5,526**	**239**	**673**
United States	**2.1**	**5,281**	**2,036**	**11**	**3,234**
France	**1.6**	**4,022**	**3,274**	**202**	**546**
Switzerland	**1.1**	**2,756**	**2,129**	**-**	**627**
Netherlands	**1.1**	**2,740**	**1,761**	**6**	**973**
At 31st December 1998					
United States	3.3	7,211	2,864	54	4,293
Germany	1.4	3,142	2,932	6	204
France	1.4	3,094	2,784	8	302
Netherlands	1.3	2,772	1,395	5	1,372
Japan	1.1	2,420	1,720	1	699
At 31st December 1997					
Japan	2.7	6,224	5,877	45	302
United States	2.0	4,680	2,408	62	2,210
Germany	1.6	3,835	3,627	56	152
France	1.9	4,546	3,890	72	584

Cross-border outstandings between 0.75% and 1% of assets

At 31st December 1999, Canada and Japan had cross-border outstandings of between 0.75% and 1% of total Group assets amounting to £4,320m. At 31st December 1998, Barclays had no countries with cross-border outstandings of between 0.75% and 1% of total Group assets. At 31st December 1997, the aggregate outstandings in this category were £6,057m and related to the Netherlands, Switzerland and Canada.

Trading activities

Trading includes both customer oriented business and positions which are taken on Barclays Capital's own account. For maximum efficiency, these two activities are managed together.

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 also takes its own positions in the interest rate, foreign exchange, debt, 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, options and combinations of these instruments. For a description of the nature of derivative instruments, see page 67.

Dealing profits

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.

Market risk

The Group's policy is that exposure to market risk arising from trading activities is concentrated in Barclays Capital. Market risk arising in businesses other than Barclays Capital is discussed under Treasury asset and liability management on page 69.

In Barclays Capital, the formal process for the management of risk is through the Barclays Capital Risk Management Committee. Day to day responsibility for market risk lies with the Chief Executive of Barclays Capital, supported by a dedicated global market risk management unit that operates independently of the business areas.

The Director Group Market Risk allocates market risk limits to Barclays Capital, which in turn sets market risk limits for each trading business area, subject to endorsement by the Director Group Market Risk and the Barclays Capital Risk Management Committee. Daily risk utilisation reports are produced across four main risk categories, namely interest, currency, equity and commodity risk.

The Group uses a daily 'value at risk' measure as the primary mechanism for controlling market risk. Daily Value at 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. The effectiveness of DVAR is assessed by a technique known as back-testing, which counts the number of days when trading related losses are bigger than the estimated DVAR figure. For Barclays Capital as a whole, there were no instances in 1999 of a trading revenue loss exceeding the corresponding DVAR.

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. Weekly firm-wide stress tests, based on both historical and hypothetical extreme movements of market prices, are produced. These are discussed by the senior management of Barclays Capital at a risk meeting 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 reported to, and discussed by, Group Risk Management Committee. Revenue losses are also subject to triggers, which can also lead to positions being reported to Group Risk Management Committee.

Barclays Capital regularly reviews the methodology used to estimate DVAR and conducts research into alternative approaches. During 1999, it was decided to adopt historical simulation as the standard method for calculating DVAR, having previously used mainly variance/covariance calculations. The decision to change the methodology was based on research which showed that, compared with the previous approach, historical simulation gives better risk aggregation, a more accurate estimate of options risk, and a more realistic assessment of the statistical distribution of low probability extreme losses. Implementation took place early in 1999, initially using a one year historical sample. The method, along with the market risk management and control infrastructure, has been approved by the FSA under the internal models approach for calculating regulatory capital for general market risk.

In contrast to the previous method, the new method gives equal weighting to all of the historic data used in the calculation, and therefore does not respond as quickly to changes in market volatility. During periods of low market volatility, the new method therefore gives a higher DVAR estimate than the old method, and vice versa. During 1999, there were prolonged periods of low volatility, following the relatively high volatility experienced in the latter half of 1998. As a result the averages under the new method were higher than those calculated using the old method, as can be seen in the tables below. The Group will continue to develop and refine its DVAR model to meet the needs of the business.

In the fourth quarter of 1998, Barclays Capital closed its non-client related proprietary trading businesses and substantially reduced its secondary market corporate bond inventory. The lower risk appetite, with the focus on the major currency fixed income markets, was maintained in the first half of 1999, with DVAR utilisation remaining broadly at the end 1998 level. In the second half of 1999 DVAR utilisation was higher firstly as a result of larger positions entered into to take advantage of specific market opportunities and secondly due to increases in the volatility of key risk factors. Year-end DVAR was £20.2m. A lower figure of £11.2m (1998 £12.2m) would have been recorded using the previous basis, reflecting the low level of market volatility at the end of 1999.

The first table below is based on daily data for 1999 produced using historical simulation. This table includes data for the whole year, including data generated by the new methodology prior to its implementation for risk control. The second table provides data for 1998 and 1999 using the previous approach.

DVAR new basis - historical simulation

	Twelve months to 31st December 1999		
	Average	High*	Low*
	£m	£m	£m
Interest rate risk	**13.7**	**30.2**	**6.2**
Foreign exchange risk	**2.8**	**11.7**	**0.8**
Equities risk	**1.7**	**3.7**	**0.6**
Commodities risk	**1.2**	**2.2**	**0.5**
Diversification effect	**(3.3)**		
Total DVAR	**16.1**	**32.5**	**7.7**

DVAR previous basis - variance/covariance

	Twelve months to 31st December 1999			Twelve months to 31st December 1998		
	Average	High*	Low*	Average	High*	Low*
	£m	£m	£m	£m	£m	£m
Interest rate risk	**10.7**	**28.5**	**4.8**	15.1	36.6	9.5
Foreign exchange risk	**1.8**	**6.9**	**0.7**	5.8	13.9	1.2
Equities risk	**1.6**	**3.7**	**0.6**	3.0	7.9	1.3
Commodities risk	**1.2**	**2.2**	**0.5**	1.2	2.9	0.6
Diversification effect	**(2.1)**			(4.2)		
Total DVAR	**13.2**	**31.0**	**7.7**	20.9	43.3	12.2

*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.

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. 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 'over the counter' (OTC) derivatives markets.

Exchange traded derivatives The Group buys and sells exchange traded financial instruments, primarily financial futures and options on financial 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. In general, the terms and conditions of these transactions are tailored to the requirements of the Group's customers, although the majority conform to normal market practice. 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 page 102.

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, caps, floors, collars, swaptions and bond options.

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 rates.

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.

Commodity derivatives The Group's commodity related contracts are mainly swaps and options on commodities such as oil price indices and precious and base metals price indices.

Property forwards Property index forwards are OTC contracts for differences between the contract price and the settlement price on a given date in the future of a specified property index.

Credit derivatives Credit derivatives are financial instruments that enable banks to manage credit risk without changing their underlying loan portfolios. The effect of a credit derivative is to transfer credit risk from one party, the protection buyer, to another party, the protection seller, who receives premium or interest related payments in return for contracting to make payments to the protection buyer. The payments are linked to the standing of a reference asset, which may be a security, a loan or an obligation on other derivative instruments. The term credit derivative may also be applied to cash instruments where repayment is linked to the credit standing of a reference asset.

Treasury asset and liability management

Treasury asset and liability management involves management of liquidity, funding, interest risk and exchange rate risk arising from non-trading positions through use of both on- and off-balance sheet instruments. The Group policy is to manage the earnings volatility arising from the effects of movements in interest rates and exchange rates on the non-trading positions inherent in the Group balance sheet. The policies for Group asset and liability management are set by the Group Treasury Committee, which is chaired by the Group Finance Director. On a regular basis, the Group Treasury Committee receives reports on the non-trading interest mismatch positions of the Group and the maturity transformation of the Group's assets and liabilities. These are monitored within defined limits.

Interest rate exposure

The interest rate risk attached to the positions arising from the UK banking operations is managed by Corporate Banking and Retail Financial Services treasuries and monitored in Group Treasury, which is responsible for the overall Group position. In managing the non-trading positions inherent in the Group's balance sheet, consideration is given to the substantial liabilities represented by interest free deposits, other interest free or fixed rate liabilities as well as, for these purposes, part of the Group's shareholders' funds. The positions arising from these balances are managed by the maintenance of a portfolio of assets with interest rates fixed for several years, including loans and advances to customers, debt securities and interest rate swaps and options. Similarly, mismatches of fixed rate assets and liabilities are managed through the use of interest rate swaps and other derivatives. Care is taken to ensure that the management of the portfolio is not inflexible, as market circumstances and customer requirements can rapidly change the desirable portfolio structure.

International banking operations also incur interest rate risk. Policies for managing this risk are agreed between Group Treasury, Group Market Risk, Corporate Banking Treasury, Retail Financial Services Treasury and executed through Asset and Liability Management Committees (ALCOs) as appropriate. Guidance on the scope and constitution of ALCOs is provided by Group Market Risk, who maintain regular contact with the businesses on risk management and control issues. Compliance with the agreed policy is controlled via a comprehensive financial risk reporting framework including interest rate gap limits or, where more appropriate, value at risk limits issued by Group Market Risk. These limits enable positions, transactions and flows emanating from the banking books to be managed by local treasury operations in an orderly fashion, either through Barclays Capital managed trading outlets or, where necessary, through local markets.

The total Group exposure, excluding Barclays Capital trading risk, is summarised in the form of an interest rate repricing table (see note 47 on page 135). This summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures at 31st December 1999 and also reflects the non-trading hedges referred to above. This table can be used as the basis for the assessment of the sensitivity of the Group's earnings to interest rate movements, although allowance is also made for other factors such as anticipated early repayment profiles for loan portfolios. It is estimated that as at 31st December 1999, the Group's earnings in 2000 would not be significantly affected either by a hypothetical immediate and sustained increase of 1% in interest rates or by a similar decrease in interest rates. The fixed rate asset positions referred to above are likely to be less effective in eliminating interest sensitivity over subsequent years as maturing assets are replaced.

Foreign exchange exposure

The 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 to and managed by Barclays Capital. In the case of the international operations, Group Market Risk allocates modest foreign exchange open position limits or, where more appropriate, value at risk limits, to facilitate the management of customer originated flows. Exposures are reported daily to Group Market Risk, Corporate Banking and Retail Financial Services treasuries, as appropriate, in London and regular contact is maintained on risk management and control issues. As at 31st December 1999, aggregate DVAR of these businesses for foreign exchange rate risk was £0.2m (1998 £0.2m).

Management of foreign currency investments

Non-trading positions in foreign currencies arise from the currency investments which 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 (see page 43). Management of the funding of investments in overseas branches and subsidiary and associated undertakings is carried out by Group Treasury, where the operation of the funding policy is frequently reviewed. Regular reports are made to Group Treasury Committee. The principal structural currency exposures of the Group are set out in note 47 on page 136.

These positions, together with the currency composition of tier 2 and tier 3 capital and minority interests in tier 1 capital, ensure that movements in exchange rates have little impact on the Group's risk asset ratios. Such movements have an impact on reserves (see exchange rate translation differences on page 108). With the positions in place at 31st December 1999, a hypothetical increase of 10% in the value of sterling against all currencies would lead to a fall of some £110m in reserves.

Hedging

Risk management activities employ interest rate swaps, currency swaps and other derivatives that are designated as hedges.

The following table provides examples of certain activities undertaken by the Group, together with the related market risks and the types of derivatives that may be used in managing such risks.

Activity	Risk	Type of hedge
Fixed rate lending and fixed rate investments.	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.
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 currencies against sterling.	Currency swaps.

The hedge transactions which are linked to the above activities are centralised within Group Treasury and the exposure is then passed to the market principally 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. The disclosure that follows relates to derivative components of the Group's hedging programme transferred to the market via internal or external counterparties.

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.

For interest rate swaps and cross currency interest rate swaps that are used in the management of the non-trading exposures, the weighted average pay fixed rates and receive fixed rates by maturity date and nominal amount at 31st December 1999 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
Maturity date:	£m	%	£m	%	£m	%	£m	%
Not more than three months	4,043	5.40	1,634	6.27	2,048	5.46	140	1.53
Over three months but not more than six months	3,410	5.26	2,841	6.63	2,281	5.13	553	4.88
Over six months but not more than one year	6,555	6.61	6,466	6.64	2,239	5.00	1,338	6.40
Over one year but not more than five years	13,128	6.74	29,184	6.66	5,110	4.14	1,824	5.35
Over five years	2,281	7.25	3,069	6.51	1,288	7.64	966	5.82
	29,417	6.39	43,194	6.63	12,966	5.02	4,821	5.57

The weighted average receive variable and pay variable rates by reset maturity date and nominal amount at 31st December 1999 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
Reset maturity date:	£m	%	£m	%	£m	%	£m	%
Not more than three months	21,134	5.60	25,401	5.50	7,687	4.24	3,584	4.28
Over three months but not more than six months	12,239	5.95	21,749	5.69	5,795	3.64	1,753	5.75
	33,373	5.73	47,150	5.59	13,482	3.98	5,337	4.76

The nominal amounts above include £3,956m and £516m, 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 net effect of the derivative positions, in isolation, on net interest income resulted in a credit of £79m (1998 credit £103m). This included debits of £19m (1998 credit £8m) and credits of £98m (1998 credit £95m) for interest rate and exchange rate derivatives respectively.

Economic and monetary environment

European Economic and Monetary Union (EMU)
The euro has been in existence for over twelve months. As expected, the introduction of the euro saw a rapid transition in the wholesale markets from trading in national domestic currencies to trading in the euro.

The Group's operating infrastructure and euro settlement systems have been working effectively since the implementation of EMU at the start of 1999.

United Kingdom entry to EMU
Barclays incurred expenditure of £4m during 1999 across the Group in developing plans for the possibility of the introduction of the euro in the United Kingdom.

Given the considerable uncertainty around UK entry to EMU it is not possible to estimate the final overall cost of preparing the Group's systems and operations.

Costs in 2000 are likely to be incurred in maintaining a prudent programme to validate and develop further our existing plans and to conduct feasibility studies with selected suppliers and partners.

Supervision and regulation

United Kingdom
The UK government is implementing a major overhaul of the UK financial regulatory system aimed at creating a new single statutory regulator, the Financial Services Authority (FSA), for the full range of financial business, including deposit-taking business, securities and other investment business and insurance business.

As part of the first stage of this reform programme, the Bank of England Act 1998 (the 1998 Act) came into force on 1st June 1998. Under the 1998 Act, responsibility for banking supervision in the United Kingdom was transferred from the Bank of England to the FSA. The Bank of England retains its monetary policy role and responsibility for the overall stability of the financial system. The primary objective of the FSA (in its role as a bank supervisor) is to fulfil the responsibilities relating to the safety and soundness of banks placed on it by the Banking Act 1987 (the 1987 Act) with the aim of strengthening, but not ensuring, the protection of depositors. Barclays Bank PLC is an authorised institution under the 1987 Act and is subject to consolidated supervision by the FSA under that Act.

The FSA's continuing supervision of banks authorised by it is conducted through the collection of information from statistical and prudential returns, reports obtained from banks' reporting accountants at the FSA's request, visits to banks and regular meetings with management to discuss issues such as performance, risk management and strategy. Under the new risk-based approach rolled out for all banks in 1998 - RATE - the starting point for the FSA's supervision of all banks is based on a systematic analysis of the risk profile of each bank. The FSA also promulgates requirements that it expects banks (and groups containing banks which are subject to consolidated supervision) to meet on matters such as capital adequacy (see Capital resources on page 42), limits on large exposures to individual entities and groups of closely connected entities, and liquidity.

UK banks are required to be members of, and to contribute to, a deposit protection scheme. This entitles depositors with a failed institution to receive 90% of their protected deposits, subject to a maximum payment to any depositor of £18,000 (or €20,000 if greater).

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.

Securities and other investment business is currently regulated in the United Kingdom under the Financial Services Act 1986 (the 1986 Act). Barclays Bank PLC and certain other subsidiaries are authorised to conduct investment business in the United Kingdom through their membership of self-regulating organisations (SROs) which are recognised by the FSA (in its role as the regulatory body with oversight responsibilities under the 1986 Act). As part of the reform programme, the FSA, under service contracts, now carries out monitoring on behalf of the SROs and provides them with support services to enable them to fulfil their functions. The SROs regulate the conduct of investment business by their members, although to avoid duplication they do not generally impose separate capital adequacy requirements on members such as banks where the FSA acts as the lead regulator. Firms authorised to conduct investment business are also required to participate in and contribute to an investors compensation scheme to provide protection to private investors against the default of a participating firm up to a limit of £48,000 per investor.

The United Kingdom has now largely implemented the minimum requirements imposed by European Community Directives on such matters as capital adequacy and deposit and investor compensation schemes. These form part of the European single market programme, an important feature of which is the framework for mutual recognition. This is designed to enable a bank or investment firm authorised in one European Union member state to conduct banking or securities and investment business through branches or cross-border in other member states without the need for additional local authorisation.

The next step in the UK government's reform programme is the enactment of new legislation (the Financial Services and Markets Bill) to replace the existing legislation (including the 1986 and 1987 Acts) and to put the FSA's role as the new single regulator (replacing other regulators, such as the SROs) on a statutory basis. It is currently expected that the Financial Services and Markets Bill will be enacted and come into force in 2000.

Formal consultation is a key aspect of the UK government’s reform programme and the Group has been reviewing and, where relevant, commenting upon proposals both directly and through market associations.

The Basel Committee and the European Community have issued consultation papers designed to replace the existing frameworks for the allocation of regulatory capital for credit risk. They recognise that a more sophisticated approach is now required to address both financial innovation and the increasingly complex risks faced by financial services institutions. Broadly, the new proposals cover three areas:

* Minimum capital requirements and methodologies for allocation of regulatory capital for credit and other risks. The latter includes interest rate risk in the banking book, operational risk, legal risk and reputational risk. Under the current proposals banks would be allowed to make use of their internal ratings to allocate regulatory capital for credit risk.
* A supervisory review process, including the setting of capital ratios by bank supervisors which may be above the minimum of 8%.
* Effective use of market discipline to strengthen the stability of the financial system through reliable and timely disclosure of risk information and encouragement of sound practices.

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. 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 and subsidiary and associated undertakings are subject to reserve and reporting requirements and controls imposed by the relevant central banks and regulatory authorities.

Year 2000 readiness disclosure

After more than three years of preparation the Barclays Group managed the transition into the Year 2000 with no material disruption to customers, staff or the Group’s businesses around the world.

Background

All areas of the Barclays Group use information technology and therefore had the potential to be affected by the Year 2000 transition, and could also have been impacted by failures in business partners’ systems or banking industry networks.

Activity during 1999

The principal focus during the year was risk mitigation and contingency planning. The Group also finalised internal testing and correction, and continued to work with other banks and external network providers towards industry readiness of the key clearing, payment and settlement infrastructures in the United Kingdom and, where appropriate, overseas.

Barclays recognised the importance of maintaining public confidence and was involved in, and led a number of, initiatives on a world-wide basis in support of this, working externally with organisations such as Global 2000 and Action 2000, and undertaking awareness campaigns with its own customers and staff.

Costs and benefits

The total amount spent on the Year 2000 Programme up to 31st December 1999 was £209m (including £15m of capitalised costs) of which £65m was incurred in 1999. Year 2000 costs include correction, testing, third party assurance and contingency planning.

In addition to the successful transition, the Group has benefited from enhanced business resumption plans and contingency arrangements, updated and rationalised systems and coding, and improved inventories of hardware, software and suppliers.

Ongoing issues

Despite the success of the immediate cutover, Barclays will remain vigilant as elements of our business processes exercise functionality for the first time during 2000. A system of Operational Quality Control checks has been established to monitor such future output for any effects of Year 2000.

Factors that may affect future results

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act 1995 with respect to certain of the plans and objectives of the Group and to the Group's current expectations relating to its future financial condition, results of operations and business. 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.

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 a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, operational, legal, market, liquidity, credit and other risks set out on pages 47 to 51 of the Financial review and Competition as discussed on page 13. The discussion in this report sets forth certain other risks and uncertainties that the Group believes could cause its actual future results to differ materially from expected results. However, other factors could also adversely affect the Group's results and the reader should not consider the factors discussed in this report to be a complete set of all potential risks or uncertainties.

Business conditions and general economy The profitability of the Group's businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom or elsewhere as well as by foreign and domestic trading market conditions. Such factors could also adversely affect the credit quality of the Group's on-balance sheet and off-balance sheet assets. An economic downturn or significantly higher interest rates could increase the risk that a greater number of the Group's customers would default on their loans or other obligations to the Group, or would refrain from seeking additional borrowing.

Government policies and economic controls The Group's businesses and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the United Kingdom, 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.

Credit risk The Group's provisions for credit losses provides for risks of losses inherent in the credit extension process. Estimating potential future 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.

Directors and officers of Barclays PLC and Barclays Bank PLC

Chairman

Sir Peter Middleton GCB (age 65) was appointed Group Chairman at the 1999 annual general meeting. On 1st October 1999, he stepped down as Group Chief Executive following the appointment of Matthew Barrett. 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 October 1997. In May 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 November 1998. He is a non-executive director of Bass PLC, Chairman of United Utilities PLC, Chancellor of Sheffield University and a member of the Financial Reporting Council. He is Chairman of the Nominations and Risk Committees.

Chief Executive

Matthew William Barrett (age 55) was appointed Group Chief Executive and joined the Board on 1st October 1999. He joined Barclays from Bank of Montreal where he was Chairman and, until February 1999, 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 Seagram Company Limited since 1995 and of The Molson Companies Limited since 1992.

Finance Director

David Philip Allvey (age 54) joined the Board on 1st September 1999 and was appointed Group Finance Director on 20th September 1999. Prior to joining Barclays, he was Chief of Corporate Operations at Zurich Financial Services based in Switzerland. From 1989 to 1998 he was Group Finance Director for BAT Industries PLC until it restructured and merged its financial services interests with the Zurich Insurance Company in 1998 to create Zurich Financial Services. He is a non-executive director of The McKechnie Group plc and a Board Member of the UK Accounting Standards Board.

Chief Executive, Corporate Banking

Christopher John Lendrum (age 53) joined the Board in 1998. He joined Barclays Bank in 1969 and has been Chief Executive of Corporate Banking since April 1998, having held a number of senior positions in the Group prior to that date. These include Deputy Managing Director of Barclays Banking Division, Regional Director North London and Executive Vice President, Barclays Bank of New York. He is a member of the Risk Committee.

Chief Executive, Retail Financial Services

John Silvester Varley (age 43) joined the Board in 1998. He joined Barclays Merchant Bank in 1982 and has been Chief Executive of Retail Financial Services since April 1998, having previously been Chairman of the Asset Management division since 1995. His previous positions include Deputy Chief Executive of BZW's Equity Division and head of BZW's offices in South East Asia. He is a member of the Risk Committee.

Non-executive Directors

Deputy Chairman

Sir Andrew Large (age 57) joined the Board in 1998 as Deputy Chairman. He was previously Chairman of The Securities and Investments Board from 1992 to 1997. From 1980 to 1990 he was at Swiss Bank Corporation (Board Member 1988 - 1990). He has served as a member of the Council of the Stock Exchange and on the Takeover Panel, and as a non-executive director of several PLCs. He is a Board Member of the European Institute of Business Administration (INSEAD). He is a member of the Audit and Risk Committees.

Thomas David Guy Arculus (age 53) joined the Board in 1997. He is the Chairman of Severn Trent plc and IPC Group Limited. His previous positions include Group Managing Director of EMAP plc and director of United News and Media plc. He is a member of the Remuneration and Nominations Committees.

Mary Elizabeth Baker (age 63) joined the Board in 1988, having served on the board of Barclays Bank U.K. Limited since 1983. She is a non-executive director of MFI Furniture Group Plc, a former Chairman of the London Tourist Board and past president of Women in Management. She is a member of the Audit Committee and is on the board of Barclays Pension Funds Trustees Limited.

Hilary Mary Cropper (age 59) joined the Board in 1998. She is Executive Chairman of F.I. Group PLC, a leading supplier of business enabling technology services. She is a governor of the University of Hertfordshire and a member of the Financial Reporting Council. She is a member of the Remuneration and Nominations Committees.

Peter Jack Jarvis CBE (age 58) joined the Board in 1995. He is Chairman of Debenhams PLC. He is a non-executive director of The Rank Group plc and was chief executive of Whitbread PLC from 1985 to 1997 and Deputy Chairman of Burton Group plc until January 1998. He is Chairman of the Remuneration Committee and a member of the Nominations Committee.

Sir Nigel Mobbs JP (age 62) joined the Board in 1979. He is Chairman of Slough Estates plc and his other directorships include Aims of Industry, Bovis Homes Group PLC and Howard de Walden Estates. He is Lord-Lieutenant of Buckinghamshire and Chairman of the Wembley Task Force. He is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

Sir Nigel Rudd DL (age 53) joined the Board in 1996. He is Chairman of Williams PLC, non-executive Chairman of Pilkington PLC and Pendragon PLC and a non-executive Director of The Boots Company PLC. He is a member of the Audit and Risk Committees.

Barclays considers that its non-executive Directors are independent as they neither represent a major shareholder group nor have any significant involvement in the day to day management of the Group.

Executive Committee members	Appointed
Matthew Barrett - Group Chief Executive	1999
David Allvey - Group Finance Director	1999
Sally Bott - Director, Group Human Resources	1997
Alan Brown - Director, Group Risk	1999
Bob Diamond - Chief Executive, Barclays Capital	1997
Gary Dibb - Group Director of Strategic Planning and Corporate Development	2000
Patricia Dunn - Chairman, Barclays Global Investors	1998
Bob Hunter - Managing Director, Wealth Management	1999
Chris Lendrum - Chief Executive, Corporate Banking	1996
John Varley - Chief Executive, Retail Financial Services	1996

Officers

Geoffrey Mitchell OBE - Chief Accountant	1996
Howard Trust - Group General Counsel and Group Secretary	1995
Alison Dillon - Joint Secretary, Barclays Bank PLC	1998

Profit attributable

The profit attributable to shareholders for the year amounted to £1,759 million, compared with £1,317 million in 1998.

Second interim dividends

Second interim dividends for the year ended 31st December 1999 of 32.5p per ordinary share and of 10p per staff share have been approved by the Directors. The second interim dividends will be paid on 3rd May 2000 in respect of the ordinary shares registered at the close of business on 25th February 2000 and in respect of the staff shares so registered on 31st December 1999.

With the first interim dividends of 17.5p per ordinary share and of 10p per staff share that were paid on 1st October 1999, the total distribution for 1999 is 50.0p (1998 43.0p) per ordinary share and 20p (1998 17p) per staff share. The dividends for the year absorb a total of £746 million (1998 £646 million).

Dividend Reinvestment Plan

Shareholders may have their dividends reinvested in Barclays PLC ordinary shares by participating in the Dividend Reinvestment Plan. The plan is available to all 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, 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 before 10th April 2000 for it to be applicable to the payment of the second interim dividend on 3rd May 2000. Existing participants should take no action unless they wish to alter their current mandate instructions, in which case they should contact the plan administrator.

Share capital

During the year, Barclays PLC purchased in the market for cancellation 27,796,026 of its £1 ordinary shares at a total cost of £504 million as part of its programme of returning excess capital to shareholders. These transactions represented some 2% of the issued ordinary share capital at 1st January 1999. As at 14th February 2000, the Company has an unexpired authority to repurchase further shares up to a maximum of 198,203,974 ordinary shares.

Ordinary share capital was increased by 12,191,707 shares during the year as a result of the exercise of options under the SAYE and Executive Share Option Schemes, and at 31st December 1999 totalled 1,494,351,486 shares.

Barclays PLC acquired 12,000,000 new £1 ordinary shares in Barclays Bank PLC during 1999 at a cost of £214 million.

Group Share Schemes

The trustees of the Group's employees' benefit trusts may make purchases of Barclays PLC ordinary shares in the market following the announcement of the Group's results in February 2000 for the purposes of the Group share schemes' current and future requirements. The total number of ordinary shares purchased would not be material in relation to the issued share capital of Barclays PLC.

Substantial shareholdings

The following substantial shareholdings were notified to the Company as at 14th February 2000: the Prudential Corporation plc group's interest in 57,521,905 ordinary shares (3.85% of the issued ordinary shares) and Barclays Pension Funds Trustees Limited's non-beneficial interest, as trustee of the Group's main pension fund, in 833,125 staff shares (95.21% of the issued staff shares).

Board membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical, and is set out on pages 78 and 79.

Michael O'Neill was appointed as Group Chief Executive and a Director with effect from 26th March 1999. He did not however assume his responsibilities as Group Chief Executive and resigned as a Director on 13th April 1999. Sir Peter Middleton, who had been appointed Group Chief Executive and Group Deputy Chairman on 26th November 1998, continued as Group Chief Executive and succeeded Andrew Buxton when he retired as Group Chairman immediately following the annual general meeting on 23rd April 1999.

David Allvey was appointed as a Director on 1st September 1999 and succeeded Oliver Stocken as Finance Director on 20th September 1999. Oliver Stocken retired from the Board on 30th September 1999.

Matthew Barrett was appointed as Group Chief Executive and a Director on 1st October 1999. Following Mr Barrett's appointment, Sir Peter Middleton stepped down as Group Chief Executive, remaining as Group Chairman.

Retirement and re-election of Directors

One-third (or the nearest whole number below one-third) of the Directors of Barclays PLC are required to retire by rotation at each annual general meeting, together with Directors appointed by the Board since the previous annual general meeting. The retiring Directors are eligible to stand for re-election. The Directors retiring at the 2000 annual general meeting and offering themselves for re-election are David Arculus, Sir Nigel Mobbs and Sir Nigel Rudd. In addition, David Allvey and Matthew Barrett, who were appointed as Directors since the last annual general meeting, will be offering themselves for re-election at the 2000 annual general meeting in accordance with Article 103 of the Company.

Directors' interests

Directors' interests in the shares of the Group on 31st December 1999, according to the register maintained under the Companies Act 1985, are shown on page 96. The register is available for inspection during business hours at the Group's Head Office and will be available for inspection at the 2000 annual general meeting. At no time during the year did any Director of the Company have an interest in a contract entered into by a Group company which was significant to the Group's business.

Directors' emoluments and options

Information on emoluments and options of Directors of Barclays PLC, in accordance with the Companies Act 1985 and London Stock Exchange requirements, is given in the report on Corporate governance by the Board on pages 85 to 98 and in note 57 to the accounts.

For US disclosure purposes, the aggregate emoluments of all Directors and officers of Barclays PLC (1999 24 persons, 1998 27 persons) for the year ended 31st December 1999 amounted to £22,559,000 (1998 £15,204,000). In addition, the aggregate amount set aside, for the year ended 31st December 1999, to provide pension benefits for the Directors and officers amounted to £541,000 (1998 £378,000). The aggregate emoluments of all Directors and officers of Barclays Bank PLC (1999 25 persons, 1998 28 persons) for the year ended 31st December 1999 amounted to £22,214,000 (1998 £15,045,000). In addition, the aggregate amount set aside by the Bank and its subsidiary undertakings, for the year ended 31st December 1999, to provide pension benefits for the Directors and officers amounted to £553,000 (1998 £380,000).

Activities

Barclays is a UK-based financial services group engaged primarily in the banking and investment banking businesses. The Group operates through branches and offices in the United Kingdom and overseas. The activities of the Group are described on pages 6 to 14 and the developments of the Group's business during the year are analysed in the Financial review on pages 15 to 72.

Community involvement

The Group's community support totalled £20.9 million (1998 £19.0 million). This includes £5.7 million in respect of secondments to the community (1998 £4.7 million). Of the total £20.9 million, Barclays gave £18.5 million in support of the community in the United Kingdom (1998 £17.3 million) and £2.4 million internationally (1998 £1.7 million). UK community support includes £5.8 million of charitable donations (1998 £5.1 million). The Group made no political donations in the United Kingdom during 1999.

Employee involvement

Employees share in the success of the Group through the Profit Sharing schemes and the Save As You Earn share option scheme, as well as through profit related pay. 81% of eligible staff participate in the Save As You Earn share option scheme.

The Group places considerable emphasis on communications with employees, particularly on matters relating to its business and its performance. This is achieved in a number of ways, including regular team meetings and through internal communications. In the United Kingdom, there are regular exchanges through staff consultative committees and an annual staff meeting where there is an opportunity for staff to discuss issues of concern to them with central management.

Additionally, the Barclays Group European Forum allows staff from all parts of the Group in the United Kingdom and other European Union countries to be represented in meetings with central management to discuss important cross-border issues of concern to them.

Creditors' payment policy

Barclays policy follows the DTI's Better Payment Practice Code which states that a company should have a clear, consistent policy, adhered to by the finance and purchasing departments, 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 estimate that for all UK supplies to Barclays Bank PLC average creditor payment days in 1999 were 29 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 United Kingdom 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 1999 were 24 days (1998 18 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.

Equal opportunities

The following table shows the workforce profile as at 31st December 1999 (the figures in brackets are as at 31st December 1998).

	% Senior Executive	% Total Management	% All Staff
Women	9.2 (9.2)	33.6 (31.9)	66.7 (66.3)
Ethnic minorities	0.3 (0.3)	3.2 (2.6)	6.1 (5.7)
Disabled	0.6 (0.9)	0.5 (0.6)	0.9 (1.0)
'Part-time'	0.9 (0.3)	4.1 (2.4)	22.4 (20.5)

Barclays is committed to supporting work/life balance for all staff and flexible working practices, often supported by new technology, continue to evolve to meet the changing needs of the business and the individual. The number of people working 'part-time' hours has continued to rise steadily year on year, from 16.8% in 1995 to 22.4% at the end of 1999.

There has also been a significant increase in the number of women achieving senior levels in Barclays. A rise from 3.8% to 9.2% of the senior executive population was achieved between 1995 and 1998, although the figure has remained static during 1999.

It is disappointing that, despite our commitment to the recruitment and retention of people with disabilities, the level of representation has fallen slightly. We are taking positive steps to address this.

There is still more to be done to achieve a fully diverse workforce at all levels of the organisation and across all business functions. An executive Equality & Diversity Steering Group has been formed internally during 1999 to coordinate this effort. We are working closely with employer organisations, external networks and Business in the Community in pursuit of equality and diversity objectives, not only in employment but across the whole business spectrum.

Valuing diversity is recorded as a key element of fully harnessing the potential of our people and our business in a rapidly changing and highly competitive global market.

The auditors

PricewaterhouseCoopers have signified their willingness to continue in office and a resolution re-appointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the 2000 annual general meeting.

The annual general meeting

The annual general meeting will be held at The Queen Elizabeth II Conference Centre on 26th April 2000. A notice convening the meeting will be included in a separate letter from the Group Chairman to shareholders, together with the form of proxy, sent with the 1999 Annual review and summary financial statement on 1st March 2000.

By order of the Board
Howard Trust
Group Secretary
14th February 2000

Introduction

Corporate governance, the system by which companies are managed and controlled, is a topic of increasing importance, both to the directors of a company and its shareholders. Over the last few years, guidelines and codes have been developed culminating in the publication in June 1998 of the Combined Code - Principles of Good Governance and Code of Best Practice.

The Company has complied with the provisions of the Combined Code for the full accounting period ended on 31st December 1999 save for the formal appointment of a senior independent director and the roles of the Chairman and Chief Executive being combined for part of the year, the reasons for which are explained below. This section describes the way in which the Principles of Good Governance are applied by the Company.

The Barclays Board is committed to business integrity and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practice. Barclays has adopted its own internal corporate governance guidelines which are available from the Group Secretary. These address the responsibilities of the Board and how they are met, the composition of the Board and selection procedures for new Directors and relationships with stakeholders.

The Board and Board Committees

The Board comprises the Chairman, seven non-executive Directors and four executive Directors. Their details appear on pages 78 and 79. Executive Directors 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, contributing to the formulation of policy and decision-making through their knowledge and experience of other businesses and sectors.

The Board meets regularly and has a formal schedule of matters reserved to it. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice of the Group Secretary and independent professional advice is available to Directors in appropriate circumstances at the Company's expense.

The roles of Chairman and Chief Executive are separate with responsibilities divided between them, although during part of the year Sir Peter Middleton held both roles. He became Group Chief Executive on 26th November 1998 following the departure of Martin Taylor until Matthew Barrett was appointed Group Chief Executive on 1st October 1999. He also succeeded Andrew Buxton as Group Chairman when he retired as a Director immediately following the annual general meeting on 23rd April 1999.

Both the chairmen of the Remuneration and Audit Committees are senior non-executive Directors and the Board believes that it is therefore not necessary to nominate one individual to assume the role of senior independent director.

Following the appointment of new Directors to the Board an induction programme is arranged, including visits to the Group's businesses and meetings with senior management as appropriate, to facilitate their understanding of the Group.

At each annual general meeting one-third of the Directors retire and offer themselves for re-election. In practice, over the last several years, this has meant that every Director has stood for re-election at least once every three years.

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

Audit Committee
Sir Nigel Mobbs, *Chairman*
Mary Baker
Sir Andrew Large
Sir Nigel Rudd DL

The Audit Committee meets at least four times a year with the Group's senior management, the internal audit team and the external auditors to review, inter alia, the Group's annual and interim financial statements, internal audit and compliance reports and the effectiveness of the Group's systems of internal control. Periodically, it also approves and reviews the appointment and retirement of the external auditors, as well as their relationship with the Group.

Remuneration Committee
Peter Jarvis CBE, *Chairman*
David Arculus
Hilary Cropper
Sir Nigel Mobbs

The Remuneration Committee usually meets at least four times a year. Its role is described further in the section on Remuneration below.

Nominations Committee
Sir Peter Middleton, *Chairman*
David Arculus
Hilary Cropper
Peter Jarvis CBE
Sir Nigel Mobbs

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

Risk Committee
Sir Peter Middleton, *Chairman*
Sir Andrew Large
Sir Nigel Rudd DL
David Allvey
Alan Brown
Bob Diamond
Patricia Dunn
Chris Lendrum
John Varley

The Risk Committee was established during 1999. It usually meets twice a year to set standards for risk management within the Group.

Report on Remuneration

The Group's remuneration policy is based on the following principles:

* to deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Group;
* to support the recruitment, motivation and retention of high quality senior executives;
* to ensure that performance is the key factor in determining individual reward taking into account internal relativities and market data of external comparator groups; and
* to communicate the reward structure clearly and effectively to executives and shareholders.

The Remuneration Committee's authority, as set out in its terms of reference, encompasses:

* remuneration policy for executive Directors;
* specific remuneration packages (including pension rights and any compensation packages) for executive Directors;
* remuneration policy and specific packages for certain senior executives; and
* employee benefits and long term incentive schemes.

The Remuneration Committee regularly takes advice from external consultants acknowledged as experts in their fields. The Committee is not responsible for setting the level of the remuneration of non-executive Directors, which is determined by the Board.

Two changes to the remuneration policy were effected during the year, namely:

* The proportion of the annual award made as a provisional allocation of shares under the Executive Share Award Scheme was changed for awards made in respect of 1999 from 40% to 25%. This is consistent with current market practice.
* The discount to the Company's share price under the Save As You Earn Share Option Scheme was increased for the 1999 invitation from 10% to 20% to align the scheme with current market practice and to further encourage all employees to participate in the Group's performance.

Annual bonus scheme and Executive Share Award Scheme (ESAS) Eligible executives qualify for an annual award of cash and shares. From 1999, 75% (60% in previous years) of any award is paid as cash and the balance as a provisional allocation of shares under ESAS by the trustees of the Barclays Group (ESAS) Employees' Benefit Trust. This allocation does not give rise to any entitlement. For awards made since March 1998, in normal circumstances the trustees will permit the executive to call for the shares from the end of the third year by granting a right to acquire shares exercisable for two years. 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. (No consideration is payable for the release of shares.) If the right is exercised, an eligible executive may lose the opportunity of receiving one-third of the bonus shares.

In addition, eligible executives may request that all or part of the cash bonus to which they would otherwise become entitled, be granted as an additional award under ESAS called Voluntary ESAS. An award under Voluntary ESAS will be granted as a right to acquire shares which will become fully exercisable after five years. The number of shares under any award will reflect the value of the amount waived together with a number of bonus shares representing 30% of the amount waived.

Barclays Group Performance Share Plan (PSP) Executives participating in the plan have each year been awarded a right (exercisable three years after the date of grant subject to satisfying the performance criteria) to acquire a number of shares, the maximum value of which will not exceed each Executive's annual salary. The percentage of these shares which Executives may actually purchase is based on Barclays total shareholder return (TSR) relative to other companies in the FT-SE 100 index over a three year performance period. Shares acquired under PSP must normally be held for a further year, subject to meeting any tax liability. The awards are exercisable in respect of a proportionate number of shares ranging between 20 per cent and 100 per cent for TSR rankings between 60th and 25th best positions against the other FT-SE 100 companies. In 1999, 41 executives were awarded rights to shares under this plan.

Executive Share Option Scheme (ESOS) Options have been granted to certain senior employees, usually annually, at the market price at the date of grant, calculated in accordance with the rules of ESOS, without any discount and are normally exercisable between three and ten years from that date. From 1996, options granted are only exercisable if the relevant performance condition set by the Remuneration Committee has been satisfied. The performance condition since 1996 has been that options will only be exercisable if the growth in earnings per share of the Company over a three year period exceeds the growth in the Retail Prices Index by at least two percentage points per annum over the period as a whole. This performance criterion has not been met for the 1997 awards and they will therefore not become exercisable on the third anniversary in August 2000. The situation will be reviewed again in 2001 to assess whether the performance criterion over the preceding three years has been met and whether the 1997 awards will then become exercisable.

The independent trustee of the Barclays Group (PSP and ESOS) Employees' Benefit Trust granted Matthew Barrett a share award on 4th October 1999 comprising (a) an option on similar terms to options granted under ESOS and (b) an award on similar terms to awards granted under PSP. The share award was made outside the normal grant window for PSP and ESOS which ended in mid September 1999 before Mr Barrett joined Barclays. The table on page 94 contains details of Mr Barrett's award.

Other Long-Term Incentive Plans The Group operates other long-term incentive plans for certain other businesses in the Group, which are designed to align the interests of executives within these businesses more closely with those of shareholders.

SAYE Share Option Scheme In common with other eligible UK employees, executive Directors may participate in the SAYE Share Option Scheme. Under this scheme, employees may enter into contracts to save up to £250 each month and, at the expiry of a fixed term of three, five or seven years, have the option to use these savings to purchase Barclays shares at a discount calculated in accordance with the rules of the SAYE scheme. The discount offered under this scheme for the 1999 invitation was 20% of the market price at the time options were granted, and the current participation rate is approximately 81% of eligible employees.

UK Profit Sharing Schemes Barclays has operated a profit sharing scheme since 1974. Participants in the profit sharing schemes are employees of the Bank, including executive Directors and employees in most of its subsidiary undertakings, but excluding employees of Barclays Capital and Barclays Global Investors. Participants can elect to take their entitlement either in cash after deduction of income tax or in ordinary shares of Barclays PLC of the equivalent market value, up to a certain annual value (currently £3,000 or 10% of salary if greater, with a maximum of £8,000). If entitlements in the form of shares are held by the trustee of the UK Profit Sharing Schemes for three years the participant will be eligible for income tax relief in respect of their shares.

Review of Share Incentive Schemes

A review has been carried out by the Remuneration Committee to consider whether PSP and ESOS continue to be the most effective means of linking senior executives' interests with the longer term interests of shareholders. As a result of this review, the Board has decided, subject to shareholder approval, to introduce a new long term incentive plan, the Incentive Share Option Plan (ISOP). The Committee believes that a better indication of Barclays performance for PSP participants would be the consistent out-performance of an appropriately constructed financial services peer group rather than the FT-SE 100 comparator used in PSP. The Committee also considers that the earnings per share performance hurdle for ESOS described above is not sufficiently demanding given that the performance criterion can be retested over the full 10 year life of the option.

The ISOP will be option-based with awards reflecting market competitive levels to deliver significant reward for exceptional performance. The ISOP will be proposed for approval at the annual general meeting on 26th April 2000. The relevant resolution is contained in the notice of the 2000 annual general meeting included with the Group Chairman's letter to shareholders which also contains a description of the ISOP.

A review of the Barclays Capital long term incentive plan, which was approved at the 1997 annual general meeting, was undertaken during the year to assess whether it remained an appropriate way of incentivising key employees following the sale of part of BZW in 1997. The Remuneration Committee concluded that as a result the plan did not best achieve the objective of aligning the interests of executives with shareholders and the shape of the new business. Participation has consequently been closed and a replacement plan introduced. As the plan is cash-based and no executive Director will participate in the plan, it has not been put to shareholders for approval.

An Equity Appreciation Plan (EAP) exists for certain executives in Barclays Global Investors, which was introduced at the time Barclays purchased Wells Fargo Nikko Investment Advisors in 1995. It is proposed to replace the EAP with a new long term incentive plan, the Equity Ownership Plan (EOP), under which options would be granted over shares in the capital of Barclays Global Investors UK Holdings Limited, a wholly owned subsidiary of Barclays Bank PLC. The EOP will be proposed for approval at the annual general meeting on 26th April 2000. The relevant resolution is contained in the notice of the 2000 annual general meeting included with the Group Chairman's letter to shareholders which also contains a description of the EOP.

The Government has announced plans to introduce a new Inland Revenue all-employees' share ownership plan which may supersede the UK Profit Sharing Scheme (PSS), which is shortly due for renewal or replacement, and may also affect the SAYE Share Option Scheme. The legislation required to establish this is not expected to become law before July or August 2000. Shareholders' approval of the establishment of an all-employees' share ownership plan (AESOP), if the Board considers it appropriate, is therefore being sought at the annual general meeting on 26th April 2000 conditional on Inland Revenue approval which will itself be dependent on the necessary legislation becoming law. The SAYE Share Option Scheme was renewed in 1990 for a further ten years. If the SAYE Share Option Scheme is to continue after 2000 the approval of shareholders must be obtained. A resolution is therefore proposed for shareholders' approval to renew the SAYE Share Option Scheme by adopting a new SAYE Share Option Scheme on similar terms to the existing SAYE Scheme. The respective resolutions are contained in the notice of the 2000 annual general meeting included with the Group Chairman's letter to shareholders which also contains a description of both the AESOP and the SAYE Share Option Scheme.

Service Contracts

The Group currently has service contracts with its executive Directors and senior executives. None of those contracts relating to Directors are for a specific term but they provide, other than in the cases of David Allvey and Matthew Barrett, for a notice period from the Group of one year and normally for retirement on the sixtieth birthday of the individual. Mr Allvey, who was appointed as a Director on 1st September 1999 and as Finance Director on 20th September 1999, and Mr Barrett, who was appointed as Chief Executive and as a Director on 1st October 1999, each have service contracts which provide for a notice period from the Group of two years during the first two years and thereafter of one year. Such provisions are increasingly common in senior recruitment and were included to assist the recruitment of Mr Allvey and Mr Barrett.

The Remuneration Committee has considered the extent to which executive Directors' service contracts should deal with payments in the event of termination of the contract. Mr Barrett's contract gives the Group the option of terminating his service contract by making a payment to him in the first two years of twice and thereafter one times his annual basic salary, pension contribution and, in the first three years only, expatriate allowance but excluding any compensation in relation to bonus. If Mr Barrett's service contract is terminated following a change of control, the termination payment is calculated on a two year period including compensation for annual basic salary, pension contribution, bonus and other benefits under his service contract. Mr Allvey's service contract gives the Group a similar option to terminate by making a payment in the first two years of twice and thereafter one times his annual basic salary and pension contribution and, in the first two years only, a discretionary bonus of not more than 50% of basic salary. These arrangements were entered into to provide additional security to Mr Barrett and Mr Allvey in the early years following their appointment.

Overall, the Committee's approach when considering payments in the event of termination is to review all the relevant circumstances, including any commitments made in a Director’s service contract and the length of the notice period, and make its decision based on the information then available.

Non-executive Directors do not have service contracts with the Group, although Sir Andrew Large had a service contract until 30th April 1999. Their fees are determined by the Board and reflect their individual responsibilities, including membership of Board committees. Appointments of non-executive Directors are made initially for a term of five years and a maximum of 10 years, normally with a six months' notice period on either side, subject to re-election at intervals of no more than three years at annual general meetings. Non-executive Director appointments are reviewed regularly and may be continued for further periods at the Board's discretion. Non-executive Directors are normally required to retire at the first annual general meeting following their sixty-fifth birthday.

Since 1998, non-executive Directors have received a portion of their fees in the form of the Barclays PLC ordinary shares. These shares are retained on behalf of the non-executive Directors until they retire from the Board, with dividends reinvested.

1999 Directors' emoluments

	Salary & fees £000	Benefits (b) £000	Other £000	Annual cash bonus £000	Profit share £000	1999 Total £000	1998 Total £000	Executive Share Award Scheme ESAS (k) 1999 £000	1998 £000
Chairman									
Sir Peter Middleton (c)	947	4	-	800	8	1,759	408	-	-
Executive									
DP Allvey (d) (e)	158	5	139	143	-	445	-	124	-
MW Barrett (d) (e)	213	95	400	638	-	1,346	-	276	-
CJ Lendrum	288	6	-	188	8	490	245	81	78
JS Varley	350	6	-	263	8	627	391	114	156
Non-executive (f)									
TDG Arculus	47	-	-	-	-	47	36	-	-
ME Baker	51	-	-	-	-	51	39	-	-
HM Cropper	47	-	-	-	-	47	21	-	-
PJ Jarvis	54	-	-	-	-	54	42	-	-
Sir Andrew Large (g)	217	2	-	-	8	227	303	-	-
Sir Nigel Mobbs	64	-	-	-	-	64	53	-	-
Sir Nigel Rudd	50	-	-	-	-	50	35	-	-
Former Directors									
ARF Buxton (h)	266	4	-	140	8	418	523	-	-
ME O'Neill (e) (i)	-	-	74	-	-	74	-	-	-
OHJ Stocken (j)	308	5	60	357	8	738	514	-	-

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) Executive Directors receive benefits in kind, which may include the use of a company owned vehicle, housing allowance, medical health insurance and beneficial loans, on similar terms to other senior executives.

(c) Sir Peter Middleton's salary was amended to reflect his appointment as Group Deputy Chairman and Group Chief Executive effective 26th November 1998. Sir Peter succeeded Andrew Buxton when he retired as Group Chairman immediately following the annual general meeting on 23rd April 1999. Sir Peter stepped down as Group Chief Executive on 1st October 1999 on the appointment of Mr Barrett as Group Chief Executive.

(d) Mr Allvey's and Mr Barrett's salary and benefits are the amounts paid since their appointment as Directors on 1st September 1999 and 1st October 1999 respectively.

(e) The Other column includes payments made in respect of the relocation and pre-employment costs of these Directors.

(f) With the exception of Sir Andrew Large, fees include an amount of not less than £5,000 which, after tax, is used to buy shares in the Company for each non-executive Director. The minimum amount that is used to buy shares for each non-executive Director was increased to £7,500 per annum, after tax, effective 1st July 1999. These shares are included in the Directors' interests on page 96.

(g) Sir Andrew Large relinquished his duties as an executive Director on 31st December 1998. He continued to receive salary and other benefits under his existing contract of employment until 30th April 1999.

(h) Mr Buxton retired from the Board on 23rd April 1999 and retired as an employee on 29th June 1999. Included in the salary and fees figure for Mr Buxton is £60,000 paid to him for consultancy services to the Middle East Group in Barclays Corporate Banking business since 1st July 1999 under an on-going consultancy arrangement.

(i) Mr O'Neill was appointed as Chief Executive and a Director with effect from 26th March 1999 and resigned on 13th April 1999.

(j) Mr Stocken retired from the Board on 30th September 1999. The £60,000 included in the Other column for Mr Stocken was paid to him to reflect the lost opportunity of his non-participation in a long term incentive scheme. Mr Stocken also received a payment of £340,000 in March 1999 as part of the arrangements for his continuing with the Group pending the appointment of a new Finance Director.
(k) The amounts shown for ESAS in 1999 represent payments which are expected to be made to the trustee to fund the provisional allocation of shares in 2000 including the 30% bonus share element. Please refer to page 88 for a description of ESAS, to the table on page 95 for a summary of all awards under ESAS.

Pension arrangements

Annual pension accrued assuming retirement at contractual date Pension is payable on retirement at contractual retirement date (normally 60), and is calculated by reference to each Director's length of service and pensionable salary.

	Age	Years of service	At 31st December 1998 (a) £000	Increase for inflation	Pensions accrued during 1999 (d) £000	At 31st December 1999 (b) £000	Other contributions made in 1999 £000
Chairman							
Sir Peter Middleton (e)	65	8	-	-	-	-	-
Executive							
DP Allvey (f)	54	-	-	-	-	-	48
MW Barrett (f)	55	-	-	-	-	-	106
CJ Lendrum (g)	53	30	126	4	26	156	-
JS Varley (g)	43	17	85	3	15	103	-
Non-executive							
Sir Andrew Large (f)	57	1	-	-	-	-	25
Former Directors							
ARF Buxton	60	36	272	2	3	277	-
OHJ Stocken	58	20	191	5	19	215	-

Notes

(a) Or on appointment as Director if later. Mr Allvey and Mr Barrett were appointed Directors on 1st September 1999 and 1st October 1999 respectively.
(b) Or date of retirement if earlier.
(c) The Group's main pension scheme 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 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 Director granted a deferred pension dies before his pension comes into payment, his widow will be paid immediately a pension of 50% of his deferred pension. In all circumstances, children's allowances are payable, usually up to the age of 18. Enhanced benefits are payable if Directors are unable to continue to work as a result of serious ill health.
(d) Pension accrued during the year represents the increase in accrued pension (excluding inflation at the prescribed rate) which occurred either during the entire year or during that part of the year for which the executive was also a Director. All pensions are reviewed annually, with a guaranteed increase in line with retail price inflation up to a maximum of 5%.
(e) Sir Peter Middleton's pension commenced payment following his retirement as an executive Director on 30th April 1998. His new contract as an executive Director, which commenced on 26th November 1998, is non-pensionable.
(f) Sir Andrew Large, Mr Allvey and Mr Barrett are not members of the Group's main pension scheme. A notional contribution is accrued on their behalf outside the pension scheme. Sir Andrew's notional contribution is in respect of his employment up to 30th April 1999. Mr Allvey and Mr Barrett are covered for up to four times salary in the event of death before retirement.
(g) Mr Lendrum and Mr Varley are entitled to pensions of two-thirds of their pensionable salary at the retirement age of 60.

Directors: details of shares under option or awarded under Group incentive schemes

	Number at 1st January 1999*	During the year Granted	Exercised	Lapsed	Number at 31st December 1999	Exercise price per share £	Market price exercise date £	Weighted average exercise price £	Date from which exercisable	Latest expiry date
Executive										
DP Allvey										
ESOS	-	13,328	-	-	13,328	17.82	-	-	06/09/02	05/09/09
PSP	-	26,566	-	-	26,566	N/A	-	-	06/09/02	05/09/09
MW Barrett (c)										
ESOS	-	191,657	-	-	191,657	17.74	-	-	04/10/02	03/10/09
PSP	-	47,914	-	-	47,914	N/A	-	-	04/10/02	03/10/09
C J Lendrum										
ESOS	35,000	-	(20,000)	-	15,000	5.50	16.65	-	30/08/98	29/08/05
PSP	29,382	13,982	(10,607)	-	32,757	N/A	18.20	-	08/08/00	05/09/09
SAYE	978	-	-	-	978	-	-	-	01/11/03	30/04/04
JS Varley										
PSP	31,150	13,982	-	-	45,132	N/A	-	-	05/09/99	05/09/09
SAYE	2,164	-	-	-	2,164	-	-	-	01/11/01	30/04/02
Non-Executive										
Sir Andrew Large										
PSP	11,201	-	-	-	11,201	N/A	-	-	12/08/01	11/08/08
Former Directors										
ARF Buxton										
ESOS	120,000	-	(60,000)	-	60,000	5.50	19.07	6.78	31/08/97	29/06/00
PSP	68,275	-	(25,810)	-	42,465	N/A	18.27	-	08/08/00	11/08/02
SAYE	2,250	-	(2,212)	(38)	-	4.19	18.31	-	-	-
ME O'Neill (d)										
ESOS	-	200,826	-	(200,826)	-	16.93	-	-	-	-
RSA	-	301,611	-	(301,611)	-	-	-	-	-	-
OHJ Stocken										
ESOS	54,700	-	(25,000)	-	29,700	7.04	19.07	5.47	31/03/97	30/09/00
PSP	31,528	-	(18,739)	-	12,789	N/A	18.20	-	08/08/00	08/08/01
SAYE	2,742	-	-	-	2,742	-	-	-	30/09/99	29/03/00

Notes

ESOS Executive Share Option Scheme, see page 88
PSP Performance Share Plan, see page 88
RSA Restricted Stock Award, see note (d) below
SAYE Save As You Earn Share Option Scheme, see page 89
* Or on appointment if later. Mr Allvey and Mr Barrett were appointed Directors on 1st September 1999 and 1st October 1999 respectively.

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

(c) Mr Barrett received an option on substantially similar terms to options granted under ESOS and an award on substantially similar terms to awards granted under PSP see page 89.

(d) Mr O'Neill received a restricted stock award (RSA) and an ESOS option grant. Both lapsed when he resigned.

Directors: details of shares provisionally allocated and shares under option under the Executive Share Award Scheme

	Number at 1st January 1999 (a)	During the year Awarded	Released (b)	Market price at release date (£)	Number at 31st December 1999	Awarded February 2000 (c)
Chairman						
Sir Peter Middleton	21,692	-	(8,016)	17.55	13,676	-
Executive						
D P Allvey	-	-	-	-	-	8,104
M W Barrett	-	-	-	-	-	18,127
C J Lendrum	12,615	4,705	(3,248)	17.55	14,072	5,332
J S Varley	55,720	9,409	(9,854)	17.55	55,275	7,464
Former Directors						
ARF Buxton	28,547	-	(9,842)	17.55	18,705	-
OHJ Stocken	30,274	-	(15,063)	17.55	15,211	-

Notes

(a) The numbers shown as at 1st January 1999, or on appointment date if later, include any bonus shares awarded under ESAS. Mr Allvey and Mr Barrett were appointed as Directors on 1st September 1999 and 1st October 1999 respectively.

(b) The trustees of the Barclays Group (ESAS) Employees' Benefit Trust may release additional shares to participants which represent accumulated net dividends in respect of shares under award. During 1999, the trustees released the following accumulated dividend shares: 1,270 shares to Sir Peter Middleton; 381 shares to Mr Lendrum; 3,179 shares to Mr Varley; 1,345 shares to Mr Buxton and 3,179 shares to Mr Stocken. These are excluded from the figures in the Released column.

(c) The shares awarded represent shares purchased by the trustees at £15.24 each in respect of a recommendation by the Company of an award, including the 30% bonus shares, of £123,500 to Mr Allvey, £276,250 to Mr Barrett, £81,250 to Mr Lendrum and £113,750 to Mr Varley.

(d) The number of shares shown as awarded during the year and in February 2000 relate to awards made in respect of 1998 and 1999 respectively.

(e) A description of ESAS is set out on page 88.

Directors interests in ordinary shares of Barclays PLC

	At 1st January 1999*		At 31st December 1999	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Chairman				
Sir Peter Middleton	28,876	25,000	34,995	17,000
Executive				
DP Allvey	-	550	500	1,000
MW Barrett	-	-	25,000	-
CJ Lendrum	9,943	-	35,905	-
JS Varley	11,997	-	20,464	-
Non-executive				
TDG Arculus	1,755	-	1,962	-
ME Baker	3,175	-	3,354	-
HM Cropper	1,051	-	1,346	-
PJ Jarvis	1,221	-	2,686	-
Sir Andrew Large	500	-	799	-
Sir Nigel Mobbs	10,437	5,000	10,615	5,000
Sir Nigel Rudd	1,046	-	1,224	-

* Or date appointed to the Board if later.

Beneficial interests in the table above represent shares held by Directors, either directly or through a nominee, their spouses and children under eighteen. They include any interests held through the 1991 UK Profit Sharing Schemes, but do not include interests under the Barclays Group Performance Share Plan and the Executive Share Award Scheme which are administered by the Trustees of the Barclays Group Employees' Benefit Trusts. At 31st December 1999, executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 9,055,824 Barclays PLC ordinary shares (1st January 1999 8,111,464) held by the trustees of the Barclays Group Employees' Benefit Trusts.

There were no changes in any of the Directors' interests in shares shown above between 31st December 1999 and 14th February 2000.

Relations with Shareholders

Meetings with Barclays principal institutional investors are held on a regular basis and the agenda and format of the annual general meeting provide a forum for questions from private shareholders.

Barclays encourages shareholders to attend the annual general meeting in 2000 which is an opportunity for shareholders to ask questions of the Board, including the chairmen of the Audit, Remuneration and Nominations Committees. All voting at Barclays annual general meetings is conducted by poll so that the votes of those shareholders who cannot attend will be taken into account.

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

As permitted by the London Stock Exchange, the Group had adopted the transitional approach to the review by the Board of the Group's system of internal control for 1999. Therefore, in December 1999, the Board reviewed the procedures in respect of the Group's system of internal control and the ongoing assessment of its effectiveness and it has established the procedures necessary to comply with the guidance 'Internal Control: Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants in England and Wales (the 'Guidance') for the year ending 31st December 2000.

The Directors have responsibility for maintaining a system of internal control which provides reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. In this context, the Directors have regard to what, in their judgement, is appropriate to the Group's business, to the materiality of the financial risks inherent in the business and to the relative costs and benefits of implementing specific controls.

The Group's business involves the acceptance and management of a range of risks and the nature of these risks means that events may occur which give rise to unanticipated losses. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. It is possible that internal controls can be circumvented or overridden. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

The Directors have established an organisational structure with defined responsibility for internal control in each of the Group's businesses and this, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally acknowledged by the chief executive of each business grouping once a year. Responsibilities and authorities are set out in the Group Governance Manual. There are established procedures and information systems in place for regular budgeting and reporting of financial information and for risk management. Further details of risk management procedures are given in the Financial review on pages 15 to 72.

The system of internal financial and operational controls is also subject to regulatory supervision in the United Kingdom and overseas, as explained under Supervision and regulation on pages 73 to 75.

The effectiveness of the Group's internal control and internal financial control systems is reviewed periodically on behalf of the Directors by the Audit Committee. Separate audit committees are also established in Retail Financial Services, Corporate Banking, Barclays Capital, Barclays Global Investors and in North America and Asia Pacific as well as in business units within those areas of activity.

Statement of Directors' responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 99, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

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

The Directors consider that, in preparing the accounts on pages 101 to 162 and 165 to 172, 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 Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and 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
14th February 2000

UK audit report to the members of Barclays PLC

We have audited the accounts on pages 101 to 162 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 101 to 104 and the additional information contained on pages 92 to 96.

Respective responsibilities of Directors and Auditors The Directors are responsible for preparing the Annual report. As described on page 98, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company or Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on page 85 reflects the Company's and Group's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December 1999 and of the profit of the Company and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors
London, England, 14th February 2000

US audit report to the Boards of Directors and shareholders of Barclays PLC and Barclays Bank PLC

We have audited the consolidated financial statements of Barclays PLC and its subsidiary undertakings on pages 101 to 162 and Barclays Bank PLC and its subsidiary undertakings on pages 101 to 162 and 165 to 172 inclusive. These financial statements are the responsibility of the 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. Those standards require that we plan and perform an 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 accounts presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us 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 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 1999, 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 1999 and the determination of the consolidated shareholders' equity at 31st December 1999 and 1998 to the extent summarised in note 61 and note g to the consolidated financial statements.

PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors
London, England, 14th February 2000

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 properties and investments. They are prepared in accordance with applicable accounting standards of the 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. Changes to the accounting policies described in the 1998 Annual report are set out on page 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. Details of the principal subsidiary undertakings are given in note 45. 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.

c 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 tangible assets acquired. In accordance with Financial Reporting Standard (FRS) 10, such goodwill is capitalised as an intangible asset and amortised against profit over its expected life, normally 20 years. Under SSAP 22 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 under SSAP 22 will be written back and reflected in the profit or loss on disposal.

d Interests in associated undertakings and joint ventures

An associated undertaking is generally 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. Consolidated profit includes income from interests in associated undertakings and joint ventures based on accounts made up to dates not earlier than 3 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 tangible assets of the undertakings concerned.

e Shareholders' interest in the long-term assurance fund

A value is placed on the shareholders' interest in the in-force policies of the Group's long-term assurance business. This value is a prudent estimate, based on the advice of a qualified actuary, of the net present value of the profits inherent in such policies. Changes in the value are included in the profit and loss account, grossed up at the underlying rate of taxation.

f Bad and doubtful debts

Specific provisions are made against advances when, in the opinion of the Directors, credit risks or economic or political factors make recovery doubtful. In addition, general provisions are raised, based on an evaluation of the portfolios of advances and other exposures, in respect of losses which, although not specifically identified, are known from experience to be present in any such portfolio. The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating profit. If the collection of interest is considered to be doubtful, it is suspended and excluded from interest income in the profit and loss account. Bad debts are written off in part, or in whole, when a loss has been confirmed.

g Debt securities and equity shares

Debt securities and equity shares are stated at market value, apart from investment debt securities and equity shares, which are stated at cost less any provision for diminution in value. Investment securities are intended for use on a continuing basis by the Group and have been identified as such. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on purchase over periods to redemption.

h Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis 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.

i Derivatives

Derivatives used for asset and liability management purposes
Derivatives are used to hedge interest and exchange rate exposures related to non-trading positions. Instruments used for hedging purposes include interest rate swaps, options, futures and currency swaps.

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 cashflows being hedged and which results from potential movements in interest rates, exchange rates and market values; and

(ii) adequate evidence of the intention to hedge and linkage with the underlying risk inherent in the assets, liabilities, other positions or cashflows being hedged, must be established at the outset of the transaction.

Profits and losses on interest rate swaps and options entered into for specifically designated hedging purposes against assets, liabilities, other positions and cashflows measured on an accrual accounting basis are included in the related category of income and expense (in accordance with the accounting treatment of the underlying transaction) 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 amounts paid or received at settlement of forward contracts are accounted for as elements of the carrying value of the associated instrument, affecting the resulting yield. Foreign exchange contracts which qualify as hedges of foreign currency exposures, including positions relating to investments the Group makes in its business outside the United Kingdom, are revalued at the spot rate with any forward premium or discount recognised over the life of the contract in net interest income. Profits and losses on foreign exchange contracts which qualify as a hedge of a firm commitment are deferred and recognised as part of the measurement of the related transaction.

Profits and losses related to qualifying hedges 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 which are superseded, cease to be effective or are terminated prior to the end of the life of the asset, liability position or cashflow being hedged are measured at fair value. Any profit or loss arising is 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 cashflow is terminated prior to the hedging transaction, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured on a fair value accounting basis 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
Derivative instruments which do not meet the criteria to be designated as a hedge are deemed to be trading transactions. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivatives entered into as trading transactions, together with any associated hedging thereof, are measured at fair value, including an allowance for credit risk, 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 Group establishes provisions for credit risk to the extent that the credit risk is not embedded in the fair value measurement prior to impairment. Associated costs of dealing are recognised when incurred. Where the market price may not be achievable, as a result of significant positions held or operating in illiquid markets, appropriate adjustments to the market value are made.

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 be terminated and all amounts outstanding will be settled on a net basis.

Transactions with positive fair values are netted against transactions with negative fair values where the Group has the ability to insist on net settlement which is assured beyond doubt, based on a legal right that would survive the insolvency of the counterparty.

The Group holds collateral in respect of credit related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship. 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.

j 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, together with any necessary provision. Fees received for providing these instruments are taken to profit over the life of the instrument and reflected in fees and commissions receivable.

k Pensions and other post-retirement benefits
The Group's main pension scheme covers over 70% of the Group's employees and 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. The pension cost relating to the defined benefit scheme 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.

The Group also provides post-retirement health care to certain staff and pensioners, the cost of which has been accrued on a similar basis.

l Finance lease receivables
Finance lease receivables are included in loans and advances to customers at the cost of the equipment less amounts charged against rentals to date. Net leasing income under finance leases is taken to profit using an actuarial method which gives a constant periodic return on the net cash investment.

m Deferred tax
Deferred tax is provided using the liability method on timing differences between the accounting and tax treatment of income and expense where it is considered probable that a liability to tax will crystallise.

n Foreign currencies
Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling on the balance sheet date. Overseas profits and losses are expressed in 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.

Translation differences arising from the application of closing rates of exchange to the opening net assets held overseas 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 operating profit.

o Loan fees
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, except where the fee is charged in lieu of interest when it is recognised on a level yield basis over the life of the advance.

Changes in accounting policy
A change in accounting policy has arisen from the adoption in 1999 of Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets' (FRS 12). The Group has a number of vacant leasehold properties where unavoidable costs exceed anticipated income for which a provision is now required under FRS 12.

The change in policy has resulted in a prior year adjustment, and the profit and loss accounts and balance sheets for previous years have been restated. This has resulted in a net charge to shareholders' funds of £81m as at 1st January 1999 comprising the cumulative impact of prior year reductions in net interest income, net provisions for property costs and associated tax credits. Comparative figures have been restated with the effect that shareholders' funds have been reduced by £63m at 1st January 1998. Profit before tax for the years ended 31st December 1998 and 1997 have been reduced by £23m and increased by £3m respectively. The effect on the 1999 results is to reduce costs by £22m.

During the year the Group also implemented FRS 13 'Derivatives and Other Financial Instruments: Disclosures'. Implementation of this standard has resulted in some additional disclosures but has had no effect on the Group's results.

There have been no other significant changes to the accounting policies as described in the 1998 Annual report.

Future UK accounting developments
In February and December 1999 the ASB issued FRS 15 'Tangible Fixed Assets' and FRS 16 'Current Tax' respectively. These standards will be effective for the year ended 31st December 2000. Implementation of FRS 15 will lead to a change in revaluation policy, although, under the transitional rules, the revalued book amounts of fixed assets will be retained without subsequent revaluation subject to the requirement to test for impairment. Implementation of FRS 15 and FRS 16 are not expected to have a material impact on the Group, though additional disclosure may be required.

US GAAP
Significant differences exist between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States, and the approximate effect on attributable profit and shareholders' funds of Barclays PLC is set out in note 61.

Accounting presentation

Changes in accounting presentation
The classification of certain items of income and costs have been reviewed and £50m has been offset between costs and income to more appropriately reflect the nature of the transactions involved. In view of the amounts involved no restatements have been made.

Nature of business
Barclays is a UK-based financial services group engaged primarily in banking and investment banking businesses. In terms of assets employed, Barclays is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world and is a principal 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.

In note 60, the global swaps business is included within the United Kingdom segment. Foreign UK-based comprises activities in the United Kingdom with overseas customers, including sovereign lendings, and the main foreign exchange trading business arising in the United Kingdom. Of the £16.8bn of assets reported under this heading in 1999, it is estimated that £5.3bn relates to customers domiciled in Other European Union countries and £5.2bn relates to customers domiciled in the United States.

United States includes business conducted through the Bahamas and the Cayman Islands.

The world-wide activities of Barclays are highly integrated and, accordingly, it is not possible to present geographical segment information without making internal allocations, some of which are necessarily subjective. Where appropriate, amounts for each geographical segment and class of business reflect the benefit of earnings on a proportion of shareholders’ funds, allocated generally by reference to weighted risk assets.

Note 60 to the accounts also presents an analysis of the results by classes of business based on the business groupings described on pages 6 to 13.

Total assets and total revenues are stated after elimination of intra-group assets and revenues. Intra-group transactions are undertaken on normal commercial terms.

In 1999, only the United Kingdom accounted for more than 10% of the total profit before tax or total gross income and at 31st December 1999 only the United Kingdom and the United States accounted for more than 10% of the total assets. In 1998, only the United Kingdom accounted for more than 10% of the total profit before tax or total gross income and at 31st December 1998 only the United Kingdom and the United States accounted for more than 10% of the total assets. In 1997 only the United Kingdom accounted for more than 10% of the total profit before tax or total gross income and at 31st December 1997 only the United Kingdom and the United States accounted for more than 10% of the total assets.

Disposals
The Group made the following significant disposals of interests in subsidiary and associated undertakings or business operations in 1999:

	Date
Merck Finck & Co	31st March 1999

The effect of this disposal on the profit for the year is reflected in note 10 to the accounts.

Consolidated profit and loss account Barclays PLC
For the year ended 31st December 1999

	Note	1999 £m	1998 £m	1997 £m
Interest receivable:				
Interest receivable and similar income arising from debt securities		**1,397**	1,419	1,305
Other interest receivable and similar income		**7,923**	8,493	7,822
		9,320	9,912	9,127
Interest payable		**4,696**	5,604	5,095
Profit on redemption/repurchase of loan capital	1	**3**	3	2
Net interest income		**4,627**	4,311	4,034
Fees and commissions receivable		**3,207**	3,008	3,197
Less: fees and commissions payable		**(275)**	(229)	(218)
Dealing profits	2	**561**	(33)	374
Other operating income	3	**244**	324	200
Operating income		**8,364**	7,381	7,587
Administrative expenses - staff costs	4	**3,057**	2,811	3,035
Administrative expenses - other	6	**1,807**	1,829	1,889
Depreciation and amortisation	7	**280**	275	269
Operating expenses		**5,144**	4,915	5,193
Operating profit before provisions		**3,220**	2,466	2,394
Provisions for bad and doubtful debts	19	**621**	492	227
Provisions for contingent liabilities and commitments	8	**1**	76	4
Provisions		**622**	568	231
Operating profit		**2,598**	1,898	2,163
Loss on sale or restructuring of BZW	9	**(30)**	(3)	(469)
(Loss)/profit on disposal of other Group undertakings	10	**(108)**	4	44
Write-down of fixed asset investments	11	**-**	(4)	(19)
Profit on ordinary activities before tax		**2,460**	1,895	1,719
Tax on profit on ordinary activities	12	**649**	533	542
Profit on ordinary activities after tax		**1,811**	1,362	1,177
Minority interests - equity		**(24)**	(20)	(20)
Minority interests - non-equity	13	**(28)**	(25)	(24)
Profit for the financial year attributable to the members of Barclays PLC (Net income)		**1,759**	1,317	1,133
Dividends	14	**(746)**	(646)	(563)
Profit retained for the financial year		**1,013**	671	570
Basic earnings per £1 ordinary share	15	**117.5p**	87.2p	74.6p
Diluted earnings per £1 ordinary share	15	**115.8p**	85.9p	73.3p

For each of the years reported above, there was no material difference between profit before tax and profit retained and historical cost profits.

The Board of Directors approved the accounts set out on pages 101 to 162 on 14th February 2000.

Statement of total recognised gains and losses
For the year ended 31st December 1999

	1999 £m	1998 £m	1997 £m
Profit for the financial year attributable to the members of Barclays PLC	**1,759**	1,317	1,133
Exchange rate translation differences	**(70)**	32	(101)
Other items	**4**	30	-
Total recognised gains relating to the period	**1,693**	1,379	1,032
Prior period adjustment (see page 103)	**(81)**		
Total gains and losses recognised since 31st December 1998	**1,612**		

Consolidated balance sheet Barclays PLC
As at 31st December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m
Assets					
Cash and balances at central banks			**1,166**		942
Items in course of collection from other banks			**2,492**		2,475
Treasury bills and other eligible bills	16		**7,176**		4,748
Loans and advances to banks - banking		**13,071**		20,316	
- trading		**29,585**		16,296	
	17		**42,656**		36,612
Loans and advances to customers - banking		**95,006**		81,469	
- trading		**18,532**		14,641	
	18		**113,538**		96,110
Debt securities	20		**53,919**		45,180
Equity shares	21		**5,604**		4,888
Interests in associated undertakings and joint ventures	22		**106**		150
Intangible fixed assets	23		**183**		196
Tangible fixed assets	24		**1,800**		1,939
Other assets	26		**15,910**		16,617
Prepayments and accrued income	28		**2,203**		2,552
			246,753		212,409
Retail life-fund assets attributable to policyholders	27		**8,040**		7,085
Total assets			**254,793**		219,494

Sir Peter Middleton GCB Chairman

Matthew Barrett Chief Executive

David Allvey Finance Director

Consolidated balance sheet Barclays PLC

As at 31st December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m
Liabilities					
Deposits by banks - banking		**26,915**		25,951	
- trading		**17,571**		8,469	
	29		**44,486**		34,420
Customer accounts - banking		**105,027**		96,099	
- trading		**18,939**		12,706	
	30		**123,966**		108,805
Debt securities in issue	31		**23,329**		17,824
Items in course of collection due to other banks			**1,400**		1,279
Other liabilities	32		**35,119**		33,350
Accruals and deferred income	33		**3,290**		3,074
Provisions for liabilities and charges - deferred tax	34		**596**		702
Provisions for liabilities and charges - other	35		**651**		651
Dividend	14		**484**		414
Subordinated liabilities:					
Undated loan capital - convertible to preference shares	36		**309**		301
Undated loan capital - non-convertible	36		**1,440**		1,441
Dated loan capital - non-convertible	37		**2,848**		1,992
			237,918		204,253
Minority interests and shareholders' funds					
Minority interests - equity		**82**		51	
Minority interests - non-equity	13	**270**		263	
Total minority interests			**352**		314
Called up share capital	38	**1,495**		1,511	
Share premium account		**1,583**		1,381	
Capital redemption reserve		**207**		179	
Other capital reserve		**320**		320	
Revaluation reserve		**37**		36	
Profit and loss account		**4,841**		4,415	
Shareholders' funds - equity	39		**8,483**		7,842
			8,835		8,156
			246,753		212,409
Retail life-fund liabilities to policyholders	27		**8,040**		7,085
Total liabilities and shareholders' funds			**254,793**		219,494

	Note	1999 £m	1998 £m
Memorandum items	46		
Contingent liabilities:			
Acceptances and endorsements		**1,530**	1,384
Guarantees and assets pledged as collateral security		**12,044**	8,784
Other contingent liabilities		**5,360**	5,069
		18,934	15,237
Commitments - standby facilities, credit lines and other		**82,479**	68,191

Consolidated statement of changes in reserves Barclays PLC

For the year ended 31st December 1999

	1999 £m	1998 £m	1997 £m
Share premium account			
At beginning of year	**1,381**	1,281	1,186
Premium arising on shares issued	**202**	100	95
At end of year	**1,583**	1,381	1,281
Capital redemption reserve			
At beginning of year	**179**	150	120
Repurchase of ordinary shares	**28**	29	30
At end of year	**207**	179	150
Other capital reserve			
At beginning and end of year	**320**	320	320
Revaluation reserve			
At beginning of year	**36**	35	44
Exchange rate translation differences	**(3)**	1	(3)
Realisation of revaluation surplus	**-**	-	(5)
Revaluation of interest in associated undertaking	**5**	-	-
Other items	**(1)**	-	(1)
At end of year	**37**	36	35
Profit and loss account			
At beginning of year	**4,415**	4,241	3,989
Profit retained	**1,013**	671	570
Exchange rate translation differences	**(67)**	31	(98)
Repurchase of ordinary shares	**(476)**	(472)	(321)
Transfer to capital redemption reserve	**(28)**	(29)	(30)
Goodwill written back on disposals	**138**	10	126
Realisation of revaluation surplus	**-**	-	5
Shares issued to the QUEST in relation to share option schemes for staff	**(154)**	(67)	-
Other items	**-**	30	-
At end of year	**4,841**	4,415	4,241
Total reserves	**6,988**	6,331	6,027

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 1999 totalled £789m (1998 £732m, 1997 £511m). 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 £215m (1998 £353m, 1997 £363m) 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 Save As You Earn (SAYE) Share Option Scheme. During 1999 the Group received £208m (1998 £98m) on the issue of shares in respect of the exercise of options awarded under these SAYE schemes. Employees paid £54m (1998 £31m) to the Group for the issue of these shares and the balance of £154m (1998 £67m) comprised contribution to the QUEST from subsidiary undertakings.

Accumulated exchange rate translation differences included in reserves are £498m debit (1998 £428m debit, 1997 £460m debit).

For the year ended 31st December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m	1997 £m	1997 £m
Net cash inflow/(outflow) from operating activities	50		**8,923**		(1,337)		8,979
Dividends received from associated undertakings			**5**		3		7
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(253)**		(220)		(270)	
Preference dividends paid by subsidiary undertaking		**(28)**		(25)		(24)	
Dividends paid to minority shareholders		**(9)**		(7)		(9)	
Net cash outflow from returns on investment and servicing of finance			**(290)**		(252)		(303)
Tax paid			**(636)**		(547)		(263)
Capital expenditure and financial investment:							
Capital expenditure		**(224)**		(305)		(342)	
Sale of property and equipment		**58**		107		159	
Purchase of investment securities		**(13,094)**		(10,866)		(11,942)	
Redemption of investment securities		**2,476**		3,874		1,481	
Sale of investment securities		**2,894**		9,523		3,131	
Net cash (outflow)/inflow from capital expenditure and financial investment			**(7,890)**		2,333		(7,513)
Acquisitions and disposals:							
Acquisition of subsidiary undertakings	54	**60**		(70)		-	
Acquisition of associated undertakings and joint ventures		**-**		(43)		-	
Sale of associated undertakings		**8**		7		2	
Sale of other group undertakings	51	**174**		690		48	
Net cash inflow from acquisitions and disposals			**242**		584		50
Equity dividend paid			**(676)**		(591)		(445)
Net cash (outflow)/inflow before financing			**(322)**		193		512
Financing:	52						
Issue of loan capital and other subordinated liabilities (net of expenses)		**859**		962		478	
Redemption/repurchase of loan capital and other subordinated liabilities		**(15)**		(240)		(640)	
Repurchase of ordinary shares		**(504)**		(501)		(351)	
Issue of ordinary shares (net of contribution to the QUEST)		**60**		43		45	
Net cash inflow/(outflow) from financing			**400**		264		(468)
Increase in cash	53		**78**		457		44

Profit and loss account and changes in reserves	1999 £m	1998 £m	1997 £m
Interest income	**2**	2	1
Operating expenses:			
Management charge from subsidiary undertaking	**2**	2	1
Operating profit	**-**	-	-
Dividends from subsidiary undertaking	**1,404**	1,214	914
Profit on ordinary activities before tax	**1,404**	1,214	914
Tax on profit on ordinary activities	**-**	-	-
Profit on ordinary activities after tax	**1,404**	1,214	914
Dividends	**(746)**	(646)	(563)
Profit retained by Barclays PLC	**658**	568	351
Profit retained by subsidiary undertakings	**372**	88	215
(Loss)/profit retained by associated undertakings and joint ventures	**(17)**	15	4
Profit retained for the financial year	**1,013**	671	570
Premium arising on shares issued	**202**	100	95
Reduction in reserves arising from repurchase of shares	**(476)**	(472)	(321)
Shares issued to the QUEST in relation to share option schemes for staff	**(154)**	(67)	-
Other movements in investment in Barclays Bank PLC	**72**	72	24
Profit and loss account and other reserves brought forward	**6,331**	6,027	5,659
Profit and loss account and other reserves carried forward	**6,988**	6,331	6,027

Balance sheet	Note	1999 £m	1998 £m
Fixed assets			
Investment in Barclays Bank PLC	40	**8,483**	7,842
Current assets			
Amounts falling due within one year:			
Due from subsidiary undertaking		**484**	414
Current liabilities			
Amounts falling due within one year - dividend		**(484)**	(414)
Net current assets		**-**	-
Assets less current liabilities		**8,483**	7,842
Capital and reserves			
Called up share capital	38	**1,495**	1,511
Share premium account		**1,583**	1,381
Capital redemption reserve		**207**	179
Revaluation reserve		**4,317**	3,890
Profit and loss account		**881**	881
Shareholders' funds - equity	39	**8,483**	7,842

Sir Peter Middleton GCB Chairman
Matthew Barrett Chief Executive
David Allvey Finance Director

1 Profit on redemption/repurchase of loan capital

In 1999, $30m of undated loan capital was repurchased at a discount of £3m (1998 discount of £3m on $32m of undated loan capital). The profit of £2m in 1997 was attributable to the repurchase of $101m and £55m of undated loan capital at a discount of £6m and the redemption of $123m of dated loan capital at a premium of £4m.

2 Dealing profits

	1999 £m	1998 £m	1997 £m
Rates related business	**398**	135	399
Credit related business	**163**	(168)	(25)
	561	(33)	374

Of the total dealing profit, £252m was earned on securities (1998 £256m loss, 1997 £288m profit).

3 Other operating income

	1999 £m	1998 £m	1997 £m
(Loss)/income from associated undertakings and joint ventures	**(14)**	22	16
Dividend income from equity shares	**12**	14	20
Profits on disposal of equity investment securities	**41**	41	46
Income from the long-term assurance business	**44**	109	33
Property rentals	**27**	44	39
Premium income on insurance underwriting	**102**	31	1
Other income	**32**	63	45
	244	324	200

4 Administrative expenses – staff costs

	1999 £m	1998 £m	1997 £m
Salaries and accrued incentive payments	**2,387**	2,211	2,380
Social security costs	**190**	173	200
Pension costs	**38**	37	65
Post-retirement health care	**15**	17	23
UK profit sharing	**80**	88	101
Other staff costs	**347**	285	266
	3,057	2,811	3,035

Staff costs reported above for 1999 include £192m of exceptional costs relating to staff reductions and relocations under the 1999 restructuring plan.

The following amounts relating to the regulated sales force and administration staff of Barclays Financial Management Limited, whose remuneration is reflected in the valuation of the long-term assurance fund, are excluded from staff costs reported above:

	1999 £m	1998 £m	1997 £m
Salaries and accrued incentive payments	**80**	70	67
Social security costs	**8**	7	6
UK profit sharing	**3**	3	3
Other staff costs	**26**	36	24
	117	116	100

Average number of employees

The average number of persons employed by the Group world wide during the year, excluding agency staff, was 77,000 (1998 80,200, 1997 84,300). All staff fall within a single structure.

In addition, the average number of the regulated sales force and administration staff of Barclays Financial Management Limited, whose remuneration is reflected in the valuation of the long-term assurance fund, was 2,300 (1998 2,200, 1997 2,100).

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

Pensions

Barclays provides pension plans for employees in most parts of the world. The majority of UK staff are members of The Barclays Bank UK Retirement Fund (the UK Retirement Fund). Other UK staff are covered by broadly comparable schemes. The assets of the Fund are held separately from the assets of the Group and are administered by a trustee. The Fund comprises two sections:

The Retirement Investment Scheme (RIS) - a defined contribution plan for new joiners. Between 5.5% and 13.5% of pensionable pay is credited to members' retirement accounts; precise amounts are dependent upon each member's age and contribution decision. In addition the costs of ill-health and death in service benefits are generally borne by the Fund.

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.

Formal actuarial valuations of the UK Retirement Fund are carried out triennially by a professionally qualified independent actuary using the attained age method. The most recent valuation was conducted as at 30th September 1998 and expresses the assets and liabilities at market values (previous valuations showed actuarially assessed values). This change has not materially affected the financial balance of the Fund as reported in this note. The market value of the assets attributable to the 1964 Pension Scheme at the valuation date was £9,546m and the valuation revealed a surplus of assets over 1964 Pension Scheme accrued liabilities of 13% after allowing for expected future salary increases. This surplus was estimated to be sufficient to allow the Bank to continue its contribution holiday for both sections at least until the next valuation due in 2001. Protected Rights contributions in respect of RIS members will be paid as required by the contracting-out regulations. The principal financial assumptions underlying the valuation made allowance for the taxation changes introduced in the July 1997 Budget and were:

Price inflation	3.0%	Earnings growth	4.5% *
Dividend growth	3.75%	Return on new investments	7.25%
Pension increases	3.0%		

* 4.0% for the first three years from the valuation date

In calculating the surplus of assets over accrued liabilities, assets were taken at their market value and a discount rate of 6.5% pa was used to value the 1964 Pension Scheme accrued liabilities. This rate of 6.5% was derived by taking a weighted average of the market yields on the day, weighting by reference to the Fund's strategic allocation; for the equity component allowance was made for future dividend growth. In 1999 benefit improvements were granted which increased accrued liabilities on the valuation basis by approximately 1% and added marginally to future service costs. In view of the continuing financial health of the UK Retirement Fund no adjustment has been made to the current contribution holiday, which commenced in January 1998. The contribution holiday is still expected to continue at least until the next valuation due in 2001. The pensions charge in the accounts will be 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 would be some 16.5% of pensionable salaries (on the projected unit method) assessed using the assumption regarding return on new investments, whilst contributions to the RIS would equal the contributions described above plus the costs of ill-health and death in service benefits.

	1999 £m	1998 £m	1997 £m
The Pensions costs vary from regular costs as follows (1964 & RIS Schemes):			
Regular costs	**185**	187	179
Variation from regular costs (including interest)	**(183)**	(186)	(154)
	2	1	25

Of the total regular cost in 1999 of £185m, £175m relates to the 1964 Pension Scheme.

The approach taken to calculating the pensions charge in the accounts for the 1964 Pension Scheme is to take assets and liabilities at actuarially assessed values rather than market values.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 8.25% p.a. which is also the rate used to value accrued liabilities, and dividend growth is assumed to be 4.5% p.a. As a result of this, the assets attributable to the 1964 Pension Scheme have been valued at £7,924m for accounting purposes, producing a surplus of assets over accrued liabilities on this basis of 27%, after allowing for expected future salary increases.

5 Pensions, post-retirement benefits, profit sharing and other staff costs (cont)

Total pension costs of the Group are summarised as follows:

	1999 £m	1998 £m	1997 £m
The Barclays Bank UK Retirement Fund - 1964 Pension Scheme	**-**	-	25
- Retirement Investment Scheme	**2**	1	-
Other UK pension schemes	**14**	14	20
Overseas pension schemes	**22**	22	20
	38	37	65

Note 61 provides additional disclosures required by US Statement of Financial Accounting Standards No. 132

Post-retirement benefits
Some 10,000 UK and US pensioners are provided with private health care on similar terms to eligible staff. In addition, 5,000 members of staff in the United Kingdom who had, at 1st January 1991, satisfied the qualification criteria may also become eligible for this benefit on retirement. Barclays Bank PLC members retiring after 30th June 1999 will have the benefit withdrawn over a 10 year period ending on 30th June 2008.

Profit sharing scheme
Barclays has operated a profit sharing scheme since 1974. Participants in the 1991 scheme (which consolidated the 1974 and 1979 schemes) are employees of the Bank, including executive Directors and employees of most of its UK subsidiary undertakings, but excluding staff and Directors employed by Barclays Capital and Barclays Global Investors. Participants can elect to take their entitlement either in cash after deduction of income tax, or in ordinary shares of Barclays PLC of the equivalent current market value, up to a certain annual value (currently £3,000 or 10% of salary, if greater, with a maximum of £8,000). If entitlements in the form of shares are held by the trustee of the UK Profit Sharing Schemes for three years, the participant will be eligible for income tax relief in respect of their shares. The UK Government has announced plans to introduce new all-employee share schemes which may supersede the current profit sharing scheme.

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

6 Administrative expenses – other

Property and equipment expenses	1999 £m	1998 £m	1997 £m
Hire of equipment	**21**	28	35
Property rentals	**218**	195	210
Other property and equipment expenses	**632**	638	619
Other administrative expenses	**936**	968	1,025
	1,807	1,829	1,889

Other property and equipment expenses include £134m of exceptional costs relating to the restructuring in 1999. Other administration expenses include £18m of exceptional costs relating to the restructuring in 1999.

The figures shown in the narrative below relate to amounts paid to Price Waterhouse prior to 1st January 1998, amounts paid either to Price Waterhouse or to Coopers & Lybrand from 1st January 1998 to 30th June 1998 and amounts paid to PricewaterhouseCoopers since 1st July 1998.

The statutory and regulatory audit and accountancy fees paid to the Group's main Auditors, PricewaterhouseCoopers and its associates (being the predecessor partnerships of Price Waterhouse and Coopers & Lybrand), comprised £4.2m (1998 £4.2m, 1997 £4.4m) in respect of the Group's audit and £5.6m (1998 £5.4m, 1997 £3.8m) relating to other accounting and regulatory work required of them. Prior to 1st July 1998, no fees were paid to Coopers & Lybrand in respect of the Group's audit and £0.3m were paid in respect of accounting and regulatory work.

Of total consultancy fees of £121m (1998 £126m, 1997 £103m) included in Other administrative expenses above, the Group's main Auditors received £29.2m (1998 £26.2m, 1997 £5.9m). Of this amount Coopers & Lybrand received £6.4m prior to 1st July 1998.

Of the total non audit fees of £34.8m (1998 £31.6m, 1997 £9.7m), fees paid to the Group's main Auditors in relation to their work in the United Kingdom was £29.1m (1998 £22.6m, 1997 £7.7m). Of this amount Coopers & Lybrand received £4.8m prior to 1st July 1998. The Group has a competitive tender policy for all consultancy projects.

7 Depreciation and amortisation

	1999 £m	1998 £m	1997 £m
Property depreciation	**93**	88	106
Equipment depreciation	**170**	172	170
Goodwill amortisation	**13**	12	12
Loss on sale of equipment	**4**	5	3
Write-back of surplus properties	**-**	(2)	(22)
	280	275	269

8 Provisions for contingent liabilities and commitments

	1999 £m	1998 £m	1997 £m
	1	76	4

The charge in 1998 represented a contribution of some £116m to the Administrators of British & Commonwealth Holdings PLC in relation to proceedings which arose in connection with that company's acquisition of Atlantic Computers PLC in 1988, adjusted for insurance cover of £40m.

9 Loss on sale or restructuring of BZW

	1999 £m	1998 £m	1997 £m
	(30)	(3)	(469)

Final losses and costs of £502m have been incurred on the sale and restructuring of BZW against an original charge of £469m in 1997. An additional £30m has been booked in 1999 (1998 £3m).

The loss on sale of businesses and related goodwill write-off in 1998 is in respect of the sale of the Australasian investment banking business.

The loss on sale of businesses in 1997 of £57m represented a provision relating to the disposal of the equities, equities capital markets and mergers and acquisitions advisory business in the United Kingdom, continental Europe and Asia. The sale of these businesses was completed in 1998.

10 (Loss)/profit on disposal of other Group undertakings

	1999 £m	1998 £m	1997 £m
Net (loss)/profit on disposal of Group undertakings	**(108)**	4	44

The net loss on disposal of Group undertakings comprised profits on disposal of £20m (1998 £14m) and losses on disposal of £128m (1998 £10m).

Goodwill previously written off to reserves on these disposals amounted to £138m (1998 £nil, 1997 £nil). No tax credit is attributable to the losses on disposal in 1999 (1998 £2m, 1997 £3m). No tax was payable on the 1999 gains (1998 £3m, 1997 £nil).

Up to the date of sale, the businesses sold in 1999 contributed £24m to Group profit before tax (1998 £nil, 1997 £12m).

The profits on disposal of Group undertakings in 1998 includes a further £11m realisation in respect of the sale of Barclays Global Securities Services in 1997, and £3m profit on disposal of part of the Hong Kong fund management business. The losses include a further £6m loss on the sale of Masterworks in 1997 after a write-off of capitalised goodwill of £1m.

The profits on disposal of Group undertakings in 1997 include a £42m gain on the disposal of the Group's remaining investment in 3i Group plc and a net gain of £2m on other disposals after a write-off of capitalised goodwill of £21m.

11 Write-down of fixed asset investments

	1999 £m	1998 £m	1997 £m
	-	(4)	(19)

The charge in 1997 was primarily in respect of the write-down of the cost of investments in certain Asian banking associates.

12 Tax

The charge for tax assumes an effective UK corporation tax rate of 30.25% (1998 31%, 1997 31.5%) and comprises:

	1999 £m	1998 £m	1997 £m
Current tax:			
United Kingdom	**427**	378	436
Overseas	**276**	171	114
Total current tax	**703**	549	550
Deferred tax (credit)/charge:			
United Kingdom	**(19)**	(24)	1
Overseas	**(33)**	4	(14)
Total deferred tax	**(52)**	(20)	(13)
Associated undertakings, including overseas tax of £2m (1998 £3m, 1997 £5m)	**(2)**	4	5
Total charge	**649**	533	542
Analysis of deferred tax charge/(credit):			
Leasing transactions	**4**	10	15
Short-term and other timing differences	**(56)**	(30)	(28)
	(52)	(20)	(13)

Current tax includes £nil (1998 £4m, 1997 £20m) in respect of advance corporation tax on franked investment income, together with notional tax of £7m (1998 £25m, 1997 £10m) on the shareholders' interest in the long-term assurance fund.

Available overseas tax credits of £118m (1998 £17m, 1997 £64m) have been applied to reduce UK tax in accordance with UK legislation.

Further information is provided in the tax section on page 35 of the Financial review.

13 Minority interests (non-equity) – Barclays PLC

Non-equity minority interests in the balance sheet comprise non-cumulative dollar-denominated preference shares issued by Barclays Bank PLC of $437m (1998 and 1997 $437m). Further details of the rights of holders of preference shares are given in note a to the accounts of Barclays Bank PLC on page 170.

14 Dividends – Barclays PLC

Dividends per ordinary share	1999 £m	1998 £m	1997 £m
First interim	**262**	232	204
Second interim (1997 final)	**484**	414	359
	746	646	563
	(pence per share)		
First interim	**17.50**	15.50	13.50
Second interim (1997 final)	**32.50**	27.50	23.50
	50.00	43.00	37.00

Dividends amounting to £0.2m are payable on the staff shares, which in respect of payments after 5th April 1999 carry a fixed dividend of 20% per annum (previously 14% per annum) unless no dividend is paid for the year on the ordinary shares.

15 Earnings per £1 ordinary share – Barclays PLC

	1999 £m	1998 £m	1997 £m
Basic and diluted earnings	**1,759**	1,317	1,133
Basic weighted average number of shares	**1,497**	1,510	1,519
Add potential ordinary shares	**22**	23	26
Diluted weighted average number of shares	**1,519**	1,533	1,545

Basic and diluted earnings are based upon the results after deducting tax, profit attributable to minority interests and dividends on staff shares.

15 Earnings per £1 ordinary share – Barclays PLC (continued)

Certain incentive plan shares 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 EPS is in accordance with FRS 14 'Earnings per Share'.

See note 61 for approximate earnings per £1 ordinary share calculated in accordance with the accounting principles generally accepted in the United States.

16 Treasury bills and other eligible bills

	1999 £m	1998 £m
Treasury bills	**5,529**	3,624
Other eligible bills	**1,647**	1,124
	7,176	4,748
Treasury bills and other eligible bills comprise:		
Banking business	**4,511**	2,838
Trading business	**2,665**	1,910
	7,176	4,748

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 £11m at 31st December 1999 (1998 £708m).

17 Loans and advances to banks

Repayable	1999 £m	1998 £m
on demand	**967**	1,174
not more than three months	**34,176**	29,502
over three months but not more than one year	**6,375**	4,621
over one year but not more than five years	**934**	1,137
over five years	**228**	219
	42,680	36,653
Less:		
Provisions (including country risk)	**(24)**	(41)
	42,656	36,612

By geographical area Banking business:	1999 £m	1998 £m
United Kingdom	**6,307**	4,037
Other European Union	**2,173**	3,847
United States	**2,118**	2,230
Rest of the World	**2,497**	10,243
Total banking business	**13,095**	20,357
Total trading business	**29,585**	16,296
	42,680	36,653

At 31st December 1999, there were loans and advances to banks of £61m (1998 £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 £454m at 31st December 1999 (1998 £302m).

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 51 to 63 of the Financial review.

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 United Kingdom and the United States, is more international in nature and has not been analysed geographically. It primarily constitutes settlement and reverse repo balances.

18 Loans and advances to customers

Repayable	1999 £m	1999 £m	1998 £m	1998 £m
on demand		**9,903**		9,080
not more than three months		**32,228**		26,747
over three months but not more than one year		**16,476**		10,262
over one year but not more than five years		**25,319**		22,322
over five years		**31,651**		29,678
		115,577		98,089
Less:				
Provisions	**(1,959)**		(1,902)	
Interest in suspense	**(80)**		(77)	
		(2,039)		(1,979)
		113,538		96,110

By geographical area	1999 £m	1998 £m
Banking business:		
United Kingdom	**78,677**	70,434
Other European Union	**5,976**	5,939
United States	**4,048**	4,164
Rest of the World	**8,344**	2,911
Total banking business	**97,045**	83,448
Total trading business	**18,532**	14,641
	115,577	98,089

At 31st December 1999, there were loans and advances to customers of £738m (1998 £719m) outstanding from associated undertakings and joint ventures.

Banking business loans and advances to customers include finance lease receivables of £5,660m (1998 £5,852m) which are stated in the balance sheet after deducting £3,979m (1998 £4,073m) of unearned charges and interest.

Assets acquired in the year for letting under finance leases amounted to £781m (1998 £382m).

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 51 to 63 of the Financial review.

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 United Kingdom and the United States, is more international in nature and has not been analysed geographically. It primarily constitutes settlement and reverse repo balances.

Securitisation 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 1999 and 1998 comprised portfolios of mortgage loans. The principal benefits of these loans were acquired from the Bank by special purpose securitisation companies which were funded primarily through the issue of floating rate notes. No gain or loss was recognised on the transfer.

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 companies' respective 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 companies involved are Gracechurch Mortgage Finance (No. 2) PLC, Gracechurch Mortgage Finance (No. 3) PLC and Millshaw SAMS (No. 1) Limited. All the shares in Gracechurch Mortgage Finance (No. 2) PLC and Gracechurch Mortgage Finance (No. 3) PLC are held beneficially by Gracechurch Mortgage (Holdings) Limited. All the shares in Millshaw SAMS (No. 1) Limited are held beneficially by Millshaw SAMS Holdings Limited. All the shares in Gracechurch Mortgage (Holdings) Limited and 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 the securitisation companies or their parent companies.

18 Loans and advances to customers (continued)

The Bank has made an interest bearing subordinated loan to each of the Gracechurch Mortgage Finance securitisation companies repayable on final redemption of the floating rate notes. The Bank receives payments from the securitisation companies in respect of fees for loan administration services, and also under the terms of interest rate swaps written between the Bank and the Gracechurch Mortgage Finance securitisation companies to hedge their respective exposures to movements in interest rates arising from these transactions. In each case the effect of the interest rate swaps between the Bank and the securitisation companies, in conjunction with certain interest rate swaps with third parties, is that the securitisation companies swap all or part of the interest flows receivable from customers in respect of the securitised loans into variable rate interest flows which are designed broadly to match the interest payable to floating rate noteholders.

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 1999			Outstanding at 31st December 1998		
	Customer loans	Non-returnable finance	Funding provided by the Bank*	Customer loans	Non-returnable finance	Funding provided by the Bank*
	£m	£m	£m	£m	£m	£m
	333	268	65	278	269	9

*Funding provided by the Bank includes £11m (1998 £9m) of subordinated loans.

Gross assets presentation - During 1999 the Barclaycard credit and charge card receivables portfolio in the United Kingdom was securitised. The noteholders in this securitisation have a proportionate interest in each balance in the portfolio and at 31st December 1999 the sterling equivalent of this interest was £607m. This securitisation does not qualify for linked presentation under Financial Reporting Standard 5 and therefore the total portfolio is included within gross loans. The funding giving rise to the noteholders interest is included within Debt securities in issue (note 31 on page 125).

19 Provisions for bad and doubtful debts

Movements in provisions for bad and doubtful debts	1999 Specific £m	1999 General £m	1999 Total £m	1998 Specific £m	1998 General £m	1998 Total £m
Provisions at beginning of year	1,215	728	1,943	1,122	728	1,850
Acquisitions and disposals	(2)	(8)	(10)	-	-	-
Exchange and other adjustments	21	(34)	(13)	6	-	6
	1,234	686	1,920	1,128	728	1,856
Provision for the year, net of recoveries of £93m (1998 £176m)	635	(14)	621	492	-	492
Amounts written off, net of recoveries	(558)	-	(558)	(405)	-	(405)
Provisions at end of year	1,311	672	1,983	1,215	728	1,943

Provisions at 31st December	1999 £m	1998 £m
Specific provisions - credit risk:		
United Kingdom	1,075	928
Other European Union	126	213
United States	23	23
Rest of the World	74	35
	1,298	1,199
Specific provisions - country risk	13	16
	1,311	1,215
General provisions - credit risk	615	663
- country risk	57	65
	1,983	1,943

20 Debt securities

Investment securities:	1999 Balance Sheet £m	Gross unrealised gains £m	Gross unrealised losses £m	1999 Valuation £m	1998 Balance Sheet £m	Gross unrealised gains £m	Gross unrealised losses £m	1998 Valuation £m
UK government	**1,666**	**4**	**(6)**	**1,664**	1,730	45	-	1,775
other government	**9,315**	**128**	**(103)**	**9,340**	5,937	136	(20)	6,053
other public bodies	**69**	**2**	**-**	**71**	87	2	-	89
other issuers	**9,741**	**32**	**(25)**	**9,748**	6,548	86	(39)	6,595
	20,791	**166**	**(134)**	**20,823**	14,302	269	(59)	14,512
Other debt securities:								
UK government	**1,278**	**-**	**-**	**1,278**	3,621	-	-	3,621
other government	**7,031**	**-**	**-**	**7,031**	10,377	-	-	10,377
other public bodies	**503**	**-**	**-**	**503**	775	-	-	775
bank and building society certificates								
of deposit	**18,005**	**-**	**-**	**18,005**	8,677	-	-	8,677
other issuers	**6,311**	**-**	**-**	**6,311**	7,428	-	-	7,428
	53,919	**166**	**(134)**	**53,951**	45,180	269	(59)	45,390

Debt securities comprise:	1999 Balance Sheet £m	1999 Valuation £m	1998 Balance Sheet £m	1998 Valuation £m
Banking business	**30,164**	**30,196**	21,305	21,515
Trading business	**23,755**	**23,755**	23,875	23,875
	53,919	**53,951**	45,180	45,390

Movements in Investment securities	1999 Cost £m	1999 Provisions £m	1999 Balance Sheet £m
At beginning of year	**14,323**	**(21)**	**14,302**
Exchange adjustments	**(496)**	**1**	**(495)**
Acquisitions	**12,975**	**-**	**12,975**
Redemption of Investment securities	**(2,476)**	**-**	**(2,476)**
Sale of Investment securities	**(2,694)**	**-**	**(2,694)**
Provisions raised	**-**	**(11)**	**(11)**
Transfers	**(803)**	**-**	**(803)**
Write-offs	**(2)**	**2**	**-**
Amortisation of discounts and premiums	**(7)**	**-**	**(7)**
At end of year	**20,820**	**(29)**	**20,791**

The total value of debt securities at 31st December 1999 includes securities which are subject to sale and repurchase agreements of £913m (1998 £4,024m), and unamortised net premium on available for sale securities of £61m (1998 £91m). The value of securities due within one year at 31st December 1999 was £18,787m (1998 £14,547m). The Group had no holdings of securities issued by associated undertakings or joint ventures at 31st December 1999 or 31st December 1998.

During the year the Group securitised a portfolio of investment debt securities. Linked presentation under FRS 5 has not been adopted and therefore the portfolio with a sterling equivalent book value of £1,049m at 31st December 1999 is included within the total above. The funding from this transaction is reported in Other liabilities (note 32 on page 126).

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m (1998 £0.1m). As part of its normal market making activities, Barclays Capital holds positions in Barclays Bank PLC's loan capital.

20 Debt securities (continued)

Gross gains of £2m (1998 £42m) and gross losses of £10m (1998 £3m) were realised on the sale and redemption of Investment securities. Other debt securities comprise dealing securities and short-term certificates of deposit. Other debt securities are marked to market and all profits and losses are deemed realised.

The cost of Other debt securities is not available and would be unreasonably expensive to obtain.

Of the total debt securities disclosed above, £27,063m (1998 £25,881m) were listed on a recognised exchange. These listed debt securities had a market value of £27,116m (1998 £26,053m).

Under US GAAP all Investment securities are classified as 'available for sale' and Other debt securities are classified as 'trading securities'.

See pages 46 and 47 of the Financial review for the valuation and maturity analysis of Investment securities.

21 Equity shares

	1999 Balance Sheet £m	1999 Valuation £m	1998 Balance Sheet £m	1998 Valuation £m
Investment securities	**179**	**206**	336	379
Other securities	**5,425**	**5,425**	4,552	4,552
	5,604	**5,631**	4,888	4,931

Movements in Investment securities	1999 Cost £m	1999 Provisions £m	1999 Balance Sheet £m
At beginning of year	**348**	**(12)**	**336**
Exchange adjustments	**(14)**	**1**	**(13)**
Acquisitions	**119**	**-**	**119**
Sale of Investment securities	**(258)**	**2**	**(256)**
Transfers	**(1)**	**-**	**(1)**
Provisions raised	**-**	**(6)**	**(6)**
Provisions written off	**(1)**	**1**	**-**
At end of year	**193**	**(14)**	**179**

The total value of equity shares included above, which are subject to sale and repurchase agreements, was £nil at 31st December 1999 (1998 £nil).

Gross unrealised gains on equity shares amounted to £26m (1998 £43m). There were no unrealised losses in either year.

Gross gains of £58m (1998 £49m) and gross losses of £nil (1998 £nil) were realised on the sale of Investment securities. Investment securities represent those equity shares held within the banking business.

Other equity securities, comprising the Group's trading business, are marked to market and all profits and losses are deemed realised.

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, £5,466m (1998 £4,612m) were listed on a recognised exchange. These listed equity securities had a market value of £5,479m (1998 £4,638m).

In 1998 the Group, as part of a consortium of major international banks, invested $300m in Long Term Capital Portfolio, a hedge fund. This holding, the majority of which was repaid in the year, is included at cost in investment equity securities.

22 Interests in associated undertakings and joint ventures

	Associates		Joint Ventures	
	1999	1998	1999	1998
Share of net assets	£m	£m	£m	£m
At beginning of year	**99**	57	**51**	-
Exchange and other adjustments	**7**	30	**-**	-
Acquisitions	**-**	3	**-**	51
Disposals	**(9)**	(6)	**-**	-
Transfers	**(25)**	-	**-**	-
(Loss)/profit retained	**(16)**	15	**(1)**	-
At end of year	**56**	99	**50**	51

Associated undertakings included £37m in respect of banks (1998 £82m).

Dividend income from associated undertakings amounted to £7m (1998 £3m).

On an historical cost basis, the Group's interests in associated undertakings at 31st December 1999 amounted to £20m (1998 £28m).

Of the above interests in associates, £nil (1998 £8m) are listed on a recognised exchange and these shares had a market value of £nil (1998 £8m).

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).

	Associates		Joint Ventures	Total
	Banco Barclays e Galicia	Other*		
	£m	£m	£m	£m
Fixed assets	**1**	**170**	**207**	**378**
Debt and equity securities	**307**	**76**	**-**	**383**
Loans to banks and customers	**319**	**205**	**-**	**524**
Other assets	**187**	**33**	**16**	**236**
Total assets	**814**	**484**	**223**	**1,521**
Deposits from banks and customers	**566**	**249**	**-**	**815**
Other liabilities	**182**	**151**	**145**	**478**
Shareholders' funds	**66**	**84**	**78**	**228**
Total liabilities	**814**	**484**	**223**	**1,521**
Profit before tax	**(35)**	**2**	**(1)**	**(34)**
Taxation	**4**	**-**	**-**	**4**
Profit after tax	**(31)**	**2**	**(1)**	**(30)**

*The amounts included above are based on accounts made up to 31st December 1999 with the exception of certain undertakings included within the Other Associates category for which the amounts are based on accounts made up to dates not earlier than 3 months before the balance sheet date.

At 31st December 1999 the Group's interest in the equity capital of Banco Barclays e Galicia amounted to 50% (1998 50%).

23 Intangible fixed assets

Goodwill	1999 £m	1998 £m
At beginning of year	**196**	191
Additions	**10**	20
Disposals	**(16)**	(2)
Amortisation charge for year	**(13)**	(12)
Exchange and other adjustments	**6**	(1)
At end of year	**183**	196

Accumulated amortisation 31st December 1999 was £45m (31st December 1998 £32m).

24 Tangible fixed assets

Cost or valuation	Property 1999 £m	Equipment 1999 £m	Property 1998 £m	Equipment 1998 £m
At beginning of year	**2,155**	**1,459**	2,141	1,416
Acquisitions and disposals of Group undertakings	**8**	**(12)**	(1)	(23)
Exchange and other adjustments	**(18)**	**(15)**	(56)	53
Additions at cost	**106**	**136**	127	178
Sale of assets	**(201)**	**(122)**	(54)	(150)
Fully depreciated assets written off	**(10)**	**(48)**	(2)	(15)
At end of year	**2,040**	**1,398**	2,155	1,459
Accumulated depreciation and diminution in value				
At beginning of year	**701**	**974**	603	938
Acquisitions and disposals of Group undertakings	**-**	**(8)**	-	(12)
Exchange and other adjustments	**(4)**	**(10)**	22	(5)
Charge for year	**93**	**170**	88	172
Sale of assets	**(120)**	**(100)**	(10)	(104)
Fully depreciated assets written off	**(10)**	**(48)**	(2)	(15)
At end of year	**660**	**978**	701	974
Cost or valuation				
At valuation				
1979 to 1993	**887**	**-**	924	-
At cost	**1,153**	**1,398**	1,231	1,459
	2,040	**1,398**	2,155	1,459
Accumulated depreciation	**(660)**	**(978)**	(701)	(974)
Net book value	**1,380**	**420**	1,454	485

Balance sheet value of property	1999 £m	1998 £m
Freehold	**972**	1,038
Leasehold over 50 years unexpired	**58**	72
Leasehold up to 50 years unexpired	**292**	302
Assets in the course of construction	**58**	42
	1,380	1,454
Historical cost of property		
At cost	**1,732**	1,809
Accumulated depreciation and diminution in value	**(629)**	(666)
Net book value	**1,103**	1,143

The net book value of property occupied by the Group for its own use was £1,353m at 31st December 1999 (1998 £1,370m). In 1999 book value included £nil (1998 £28m) in respect of property held under finance leases, on which the depreciation charge was £nil (1998 £2m). The book value of property at 31st December 1999 included £296m (1998 £294m) in respect of land.

25 Commitments for capital expenditure not provided in these accounts

At 31st December 1999, commitments for capital expenditure under contract amounted to £7m (1998 £37m).

26 Other assets

	1999 £m	1998 £m
Own shares	**5**	43
Balances arising from off-balance sheet financial instruments	**13,390**	13,725
Shareholders' interest in the long-term assurance fund	**555**	530
London Metal Exchange warrants and other metals trading positions	**331**	457
Sundry debtors	**1,629**	1,862
	15,910	16,617

Own shares represent Barclays PLC shares held in employee benefit trusts that have not yet been expensed.

27 Long-term assurance fund

The increase in the shareholders' interest in the long-term assurance fund is calculated as follows:

	1999 £m	1998 £m
Value of the shareholders' interest at beginning of year	**530**	460
Value of the shareholders' interest at end of year	**555**	530
Increase for the year after tax	**25**	70
Increase before tax	**32**	95

In addition to the increase in the shareholders' interest in the long-term assurance fund detailed above, a further £12m (1998 £14m) 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:

Risk discount rate (net of tax)	**10.0**	10.0
Gross equities returns for unit linked business*	**8.0**	8.0
Gross fixed interest returns for unit linked business	**5.0**	5.0
Renewal expense inflation	**5.0**	5.0

*The assumption used for UK equities is 8.0% (1998 8.0%) less the unrecoverable tax credit of 0.6% (1998 0.6%), derived as 20% (1998 20%) of the assumed dividend yield of 3% (1998 3%).

The retail life-fund assets attributable to policyholders comprise:	£m	£m
Assets:		
Investments	**8,051**	7,068
Group undertakings	**12**	4
Other debtors	**58**	101
	8,121	7,173
Current liabilities	**81**	88
	8,040	7,085

28 Prepayments and accrued income

	1999 £m	1998 £m
Accrued interest and commission	**2,008**	2,396
Prepayments	**195**	156
	2,203	2,552

29 Deposits by banks

Repayable	1999 £m	1998 £m
on demand	**1,720**	1,372
not more than three months	**37,728**	27,786
over three months but not more than six months	**1,748**	2,244
over six months but not more than one year	**1,600**	1,668
over one year but not more than five years	**656**	634
over five years	**1,034**	716
	44,486	34,420

By geographical area		
Banking business:		
United Kingdom	**15,457**	14,569
Other European Union	**2,575**	4,793
United States	**4,178**	3,668
Rest of the World	**4,705**	2,921
Total banking business	**26,915**	25,951
Total trading business	**17,571**	8,469
	44,486	34,420

There were no balances due to associated undertakings and joint ventures at 31st December 1999 or 31st December 1998. Deposits by banks are mostly over £25,000.

A further analysis of Deposits by banks is given within the Deposits section on page 44 of the Financial review.

30 Customer accounts

Repayable	1999 £m	1998 £m
on demand	**44,997**	41,884
not more than three months	**71,216**	59,651
over three months but not more than six months	**2,135**	1,826
over six months but not more than one year	**1,728**	2,167
over one year but not more than five years	**2,128**	2,077
over five years	**1,762**	1,200
	123,966	108,805

By geographical area		
Banking business:		
United Kingdom	**90,204**	81,653
Other European Union	**4,394**	5,560
United States	**2,323**	2,643
Rest of the World	**8,106**	6,243
Total banking business	**105,027**	96,099
Total trading business	**18,939**	12,706
	123,966	108,805

30 Customer accounts (continued)

	1999	1998
By type	£m	£m
In offices in the United Kingdom:		
current and demand accounts - interest free	**9,727**	8,814
current and demand accounts - interest bearing	**13,601**	11,315
savings accounts	**27,014**	24,129
other time deposits - retail	**22,726**	22,176
other time deposits - wholesale	**20,406**	18,841
In offices outside the United Kingdom:		
current and demand accounts - interest free	**1,600**	1,336
current and demand accounts - interest bearing	**1,988**	2,340
savings accounts	**1,267**	1,218
other time deposits	**25,637**	18,636
	123,966	108,805

There were no balances due to associated undertakings and joint ventures at 31st December 1999 or 31st December 1998.

Deposits in offices in the United Kingdom received from non-residents amounted to £11,242m (1998 £8,781m).

Other time deposits in the United Kingdom and the United States are mostly over £25,000.

A further analysis of customer accounts is provided within the Deposits section on page 44 of the Financial review.

31 Debt securities in issue

	1999	1998
Bonds and medium-term notes repayable:	£m	£m
within one year	**117**	397
one year and over	**1,482**	1,305
	1,599	1,702
Other debt securities in issue repayable:		
not more than three months	**16,070**	13,799
over three months but not more than one year	**4,341**	1,830
over one year but not more than five years	**1,318**	282
over five years	**1**	211
	23,329	17,824

Debt securities at 31st December 1999 included certificates of deposit of £19,496m (1998 £14,764m) and commercial paper of £1,082m (1998 £1,098m). There were no balances due to associated undertakings and joint ventures at 31st December 1999 or 31st December 1998.

Debt securities in issue include £607m raised from the securitisation of credit card receivables (see note 18).

32 Other liabilities

	1999	1998
Obligations under finance leases payable:	£m	£m
not more than one year	**16**	18
over one year but not more than five years	**107**	76
over five years	**125**	166
	248	260
Less: future finance charges	**108**	119
	140	141
Balances arising from off-balance sheet financial instruments	**13,619**	15,849
Short positions in securities	**16,813**	13,682
Cash receipts from securitisation	**1,049**	-
Current tax	**462**	479
Sundry creditors	**3,036**	3,199
	35,119	33,350

Short positions in securities comprise:		
Treasury bills and other eligible bills	**1,375**	161
Debt securities - government	**11,362**	9,937
Debt securities - other public sector	**141**	32
Debt securities - other	**3,054**	1,521
Equity shares	**881**	2,031
	16,813	13,682

Cash receipts from securitisation are in respect of a portfolio of investment debt securities (see note 20) which did not qualify for linked presentation under Financial Reporting Standard 5.

33 Accruals and deferred income

	1999	1998
	£m	£m
Accrued interest and commission	**1,565**	1,366
Other accruals and deferred income	**1,725**	1,708
	3,290	3,074

34 Deferred tax

Deferred tax is provided using the liability method on timing differences where it is considered probable a liability to tax will crystallise. The movements on deferred tax during the year were:

	1999	1998
	£m	£m
At beginning of year	**702**	744
Exchange and other adjustments	**(54)**	(22)
Credit to profit and loss account	**(52)**	(20)
At end of year	**596**	702

Deferred tax at 31st December:		
Leasing transactions	**731**	782
Other timing differences	**(135)**	(80)
	596	702

Potential tax liabilities not provided in the accounts in respect of leasing transactions are computed at estimated future tax rates and amounted to £229m (1998 £228m). No tax is provided on capital gains which might arise on the disposal of Group subsidiary or associated undertakings at their balance sheet amounts. Furthermore, no provision is made for tax on capital gains which might arise on the disposal of properties at their balance sheet amounts, as the Directors are of the opinion that, in view of the substantial number of properties involved and the law relating to rollover relief, the likelihood of any such material tax liability arising is remote and no useful purpose would be served by attempting to quantify it.

35 Other provisions for liabilities and charges

	Employee pensions and post retirement benefit contributions £m	Onerous contracts £m	Customer loyalty provisions £m	Redundancy and restructuring £m	Sundry provisions £m	Total £m
At 1st January 1999	173	-	64	108	206	551
Prior year adjustment	-	100	-	-	-	100
At 1st January 1999 restated	173	100	64	108	206	651
Exchange and other adjustments	(24)	7	-	3	6	(8)
Additions	22	5	22	358	53	460
Amounts used	(4)	(22)	(9)	(272)	(131)	(438)
Unused amounts reversed	-	-	-	(5)	(14)	(19)
Amortisation of discount	-	5	-	-	-	5
	167	95	77	192	120	651

Employee pension and post retirement benefits obligations

The Group operates various defined benefit pension schemes. Provisions for pensions arise when the profit and loss charge exceeds the contribution to the scheme as a result of actuarial valuations. The provision will be eliminated over the estimated service life of the employees in line with SSAP 24. The Group operates various unfunded post retirement benefit plans and has a provision to cover the expected cost.

Onerous contracts

The Group has a number of leasehold properties where unavoidable costs exceed anticipated income. Under FRS 12 a provision is now required for such properties, this change in policy has resulted in a prior year adjustment of £100m. Provision has been made for residual lease commitments, together with outgoings, after taking into account existing and probable sub-tenant arrangements. This provision has been discounted due to the long-term nature of the cashflows.

Customer loyalty provisions

The Group operates customer loyalty bonus schemes. A provision is made for future claims on redemption under the schemes.

Redundancy and restructuring

The redundancy and restructuring charge for 1999 relates primarily to Retail Financial Services and Corporate Banking. Gross job reductions of 7,500 have been achieved from the 1999 restructuring programme and the Barclaycard change programme.

Sundry provisions

Other provisions are incurred in the course of business. Included within Sundry provisions are provisions for commission clawbacks, warranties and litigation claims. £116m of the opening balance relates to the claim made by the administrators of British & Commonwealth Holdings PLC. This claim has been settled during the year.

36 Undated loan capital

Undated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen its capital base, comprised:

	1999	1998
Convertible to preference shares	£m	£m
8% Convertible Capital Notes Series E ($500m)	**309**	301
Non-convertible		
Junior Undated Floating Rate Notes ($138m, 1998 $168m)	**85**	101
Undated Floating Rate Primary Capital Notes Series 1 ($358m)	**221**	216
Undated Floating Rate Primary Capital Notes Series 2 ($442m)	**273**	266
Undated Floating Rate Primary Capital Notes Series 3	**145**	145
9.875% Undated Subordinated Notes	**300**	300
9% Permanent Interest Bearing Capital Bonds	**100**	100
7.875% Undated Subordinated Notes	**100**	100
6.5% Undated Subordinated Notes (FFr 1,000m)	**95**	107
5.03% Reverse Dual Currency Undated Subordinated Notes (Yen 8,000m)	**48**	42
5% Reverse Dual Currency Undated Subordinated Notes (Yen 12,000m)	**73**	64
	1,440	1,441

Security and subordination
None of the Bank's undated loan capital 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 undated loan capital rank pari passu with each other and behind the claims of the holders of the Junior Notes.

Interest
The Junior Notes, the Undated Floating Rate Primary Capital Notes Series 1 (the Series 1 Notes) and the Undated Floating Rate Primary Capital Notes Series 2 (the Series 2 Notes), bear interest at rates fixed in advance for periods of six months. At 31st December 1999, the rates were $6^{5}/_{16}$% (1998 $5^{1}/_{2}$%) on the Junior Notes, $5^{13}/_{16}$% (1998 $5^{15}/_{16}$%) on the Series 1 Notes and $6^{1}/_{16}$% (1998 $5^{13}/_{16}$%) on the Series 2 Notes. The Undated Floating Rate Primary Capital Notes Series 3 (the Series 3 Notes) bear interest at rates fixed in advance for periods of three months and, at 31st December 1999, the rate was 6.7% (1998 $7^{3}/_{4}$%). In each case, interest is fixed at $^{1}/_{4}$% or 0.7% above rates determined by reference to the London inter-bank market for each interest period. In the case of the Series 3 Notes, the rate will rise to LIBOR plus 100 basis points in October 2009.

The interest rates on the 9.875% Undated Subordinated Notes (the 9.875% Notes) and the 7.875% Undated Subordinated Notes (the 7.875% Notes) are fixed until May 2008 and October 2003 respectively. The 6.5% Undated Subordinated Notes (the 6.5% Notes) bear interest at 6.5% until July 2009. After that date the coupon will be FFr PIBOR plus 142 basis points and the rate will be fixed in advance for periods of three months. The 5.03% Reverse Dual Currency Undated Subordinated Notes (the 5.03% Notes) bear interest until 28th April 2028 at 5.03% based on a US dollar principal amount of $62,992,000 but the coupons have been swapped until then, resulting in an interest rate payable of Yen LIBOR plus 40 basis points (0.65% at 31st December 1999, 0.79766% at 31st December 1998) and the rate is fixed in advance for periods of three months. After 28th April 2028 the coupons will be Yen LIBOR plus 132 basis points and the rate will be fixed in advance for periods of six months. The 5% Reverse Dual Currency Undated Subordinated Notes (the 5% Notes) bear interest until 30th October 2028 at 5% based on a US dollar principal amount of $90,293,454 but the coupons have been swapped until then, resulting in an interest rate payable of Yen LIBOR plus 38 basis points (0.64% at 31st December 1999, 0.77563% at 31st December 1998) and the rate is fixed in advance for periods of three months. After 30th October 2028 the coupons will be Yen LIBOR plus 132 basis points and the rate will be fixed in advance for periods of six months. The interest rates on the 9% Permanent Interest Bearing Capital Bonds (the 9% Bonds) and the 8% Convertible Capital Notes, Series E (the Series E Notes) are fixed for the life of those issues.

The Bank is not obliged to make a payment of interest on its undated loan capital (other than the Junior Notes) 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. 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 may be made unless the Bank satisfies a specified solvency test.

Interest payable on undated loan capital amounted to £125m (1998 £127m, 1997 £125m).

36 Undated loan capital (continued)

Repayment and conversion

The Junior Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date. The Series 1 Notes, the Series 2 Notes and the Series 3 Notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The 9.875% Notes are repayable, at the option of the Bank, in whole in May 2008, or on any fifth anniversary thereafter. The 6.5% Notes are repayable, at the option of the Bank, in whole in July 2009, or on any fifth anniversary thereafter. The 5.03% Notes are repayable, at the option of the Bank, in whole in April 2028, or on any fifth anniversary thereafter. The 5% Notes are repayable, at the option of the Bank, in whole in October 2028, or on any fifth anniversary thereafter. The 9% Bonds are repayable, at the option of the Bank, in whole at any time and the 7.875% Notes are so repayable at any time up to and including October 2003, or on any tenth anniversary thereafter. The Series E 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, at the option of the Bank, into 40,000,000 non-cumulative dollar-denominated preference shares of the Bank. 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, have not been so registered.

In addition, each issue of undated loan capital is repayable, at the Bank's option, 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.

During the year a subsidiary of the Bank purchased $30m of Junior Notes at a discount of $4m (£3m).

37 Dated loan capital – non-convertible

Dated loan capital, issued by the Bank and its finance subsidiaries for the development and expansion of the Group's business and to strengthen its capital base, comprised:

	Repayment terms	1999 £m	1998 £m
The Bank			
Floating Rate Subordinated Notes 2000 ($100m)		**62**	60
5.875% Subordinated Notes 2000 ($225m)		**140**	135
5.95% Subordinated Notes 2001 ($225m)		**140**	135
9.5% Subordinated Redeemable Bonds 2001 (FFr 350m)		**33**	39
Floating Rate Unsecured Capital Loan Stock 2006	(a, b)	**4**	4
Floating Rate Subordinated Notes 2006 (DM 350m)	(a)	**111**	126
Floating Rate Subordinated Notes 2006 (Yen 20,000m)	(a)	**121**	106
16% Unsecured Capital Loan Stock 2002/07	(a)	**100**	100
4.875% Step-up Callable Subordinated Notes 2008 (FFr 1,000m)	(a)	**95**	107
Floating Rate Subordinated Notes 2008 (ITL 250,000m)	(a)	**80**	91
Subordinated Floating Rate Notes 2008 ($250m)	(a)	**155**	150
Subordinated Floating Rate Notes 2009 ($60m)	(a)	**37**	36
Floating Rate Subordinated Step-up Callable Notes 2009 ($550m)	(a)	**340**	-
Floating Rate Subordinated Step-up Callable Notes 2009 ($115m)	(a)	**71**	-
7.4% Subordinated Notes 2009 ($400m)		**248**	-
Subordinated Fixed to CMS-Linked Notes 2009 (€31m)		**19**	-
Floating Rate Subordinated Step-up Callable Notes 2009 (€150m)	(a)	**93**	-
Variable Floating Rate Subordinated Notes 2009 (Yen 5,000m)	(a)	**30**	26
12% Unsecured Capital Loan Stock 2010		**25**	25
Floating Rate Unsecured Capital Loan Stock 2010	(a, c)	**1**	1
Fixed/Floating Rate Subordinated Notes 2011 (Yen 5,000m)	(a)	**30**	26
Floating Rate Subordinated Notes 2012	(a)	**298**	298
5.5% Subordinated Notes 2013 (DM 500m)	(a)	**159**	180
Floating Rate Subordinated Notes 2019 (€50m)		**31**	-
5.4% Reverse Dual Currency Subordinated Notes 2027 (Yen 15,000m)		**91**	80
6.33% Subordinated Notes 2032		**50**	-
Barclays Overseas Investment Company B.V. (BOIC)			
Guaranteed Notes 2007 (Yen 15,000m)	(a)	**91**	80
Barclays North American Capital Corporation (BNACC)			
9¾% Guaranteed Capital Notes 2021 ($311m)	(a)	**193**	187
		2,848	1,992
Repayable			
not more than one year		**207**	5
over one year but not more than two years		**173**	195
over two years but not more than five years		**-**	174
over five years		**2,468**	1,618
		2,848	1,992

37 Dated loan capital – non-convertible (continued)

None of the Group's dated loan capital is secured. The debt obligations of the Bank, BOIC and BNACC rank ahead of the interests of holders of their equity. Dated loan capital of the Bank has been issued on the basis that the claims thereunder are subordinated to the claims of depositors and other unsecured unsubordinated creditors. Loan capital issued by BOIC and BNACC carries the guarantee of the Bank, which is subordinated on a similar basis. All loan capital issued by BOIC and BNACC has been on-lent to the Bank on a subordinated basis.

'The Floating Rate Unsecured Capital Loan Stock 2006 (the '2006 Loan Stock') and the Floating Rate Subordinated Notes 2019 (the '2019 Notes') bear interest at rates fixed in advance for periods of six months. The Floating Rate Subordinated Notes 2000 (the '2000 Notes'), the DM Floating Rate Subordinated Notes 2006 (the 'DM 2006 Notes'), the Yen Floating Rate Subordinated Notes 2006 (the 'Yen 2006 Notes'), the ITL Floating Rate Subordinated Notes 2008 (the 'ITL Notes'), the $ Subordinated Floating Rate Notes 2008 (the '$ 2008 Notes'), the $60m Subordinated Floating Rate Notes 2009 (the '$60m 2009 Notes'), the $550m Floating Rate Subordinated Step-up Callable Notes 2009 (the '$550m 2009 Notes'), the $115m Floating Rate Subordinated Step-up Callable Notes 2009 (the '$115m 2009 Notes'), the €150m Floating Rate Subordinated Step-up Callable Notes 2009 (the €150m 2009 Notes'), the Yen Variable Floating Rate Subordinated Notes 2009 (the 'Yen 2009 Notes'), the Floating Rate Unsecured Capital Loan Stock 2010 (the '2010 Loan Stock') and the Floating Rate Subordinated Notes 2012 (the '2012 Notes') bear interest at rates fixed in advance for periods of three months.

At 31st December 1999, the rates in force were 6.4275% (1998 5.62109%) on the 2000 Notes, 6.12% (1998 $5^3/_4$%) on the 2006 Loan Stock, 3.58% (1998 3.79328%) on the DM 2006 Notes, 0.34% (1998 0.47891%) on the Yen 2006 Notes, 3.69813% (1998 3.50625%) on the ITL 2008 Notes, 6.40125% (1998 5.55%) on the $ 2008 Notes, 6.44% (1998 5.53844%) on the $60m 2009 Notes, 6.6275% on the $550m 2009 Notes, 6.6575% on the $115m 2009 Notes, 3.808% on the €150m 2009 Notes, 0.42375% (1998 0.51547%) on the Yen 2009 Notes, 5.97% (1998 $6^1/_8$%) on the 2010 Loan Stock, 6.18234% (1998 6.56469%) on the 2012 Notes and 3.624% on the 2019 Notes.

The coupon on the DM 2006 Notes is DM LIBOR plus 20 basis points, increasing in July 2001 to DM LIBOR plus 70 basis points. The coupon on the Yen 2006 Notes is Yen LIBOR plus 10 basis points, increasing in October 2001 to Yen LIBOR plus 60 basis points. The coupon on the ITL 2008 Notes is ITL LIBOR plus 25 basis points, increasing in March 2003 to ITL LIBOR plus 75 basis points. The coupon on the $ 2008 Notes is $ LIBOR plus 30 basis points, increasing in May 2003 to $ LIBOR plus 80 basis points. The coupon on the $60m 2009 Notes is $ LIBOR plus 32 basis points, increasing in June 2004 to $ LIBOR plus 82 basis points. The coupon on the $550m 2009 Notes is $ LIBOR plus 45 basis points, increasing in April 2004 to $ LIBOR plus 95 basis points. The coupon on the $115m 2009 Notes is $ LIBOR plus 55 basis points, increasing in November 2004 to $ LIBOR plus 105 basis points. The coupon on the €150m 2009 Notes is Euribor plus 55 basis points, increasing in November 2004 to Euribor plus 105 basis points. The coupon on the Yen 2009 Notes is Yen LIBOR plus 10 basis points, increasing in September 2004 to Yen LIBOR plus 60 basis points and further increasing in December 2006 to Yen LIBOR plus 110 basis points. The 4.875% Step-up Callable Subordinated Notes 2008 bear interest at 4.875% until 1st April 2003. After that date the coupon will be FFr PIBOR plus 82.5 basis points and the rate will be fixed in advance for periods of three months. The Subordinated Fixed to CMS-Linked Notes 2009 bear interest at 4.5% until 6th April 2000. After that date the coupon will be 83% of the 10 year Euribor swap rate, subject to a minimum of 4% and the rate will be fixed in advance for periods of 1 year. The Fixed/Floating Rate Subordinated Notes 2011 bear interest at 3.09% until 5th December 2006. After that date the coupon will be Yen LIBOR plus 110 basis points and the rate will be fixed in advance for periods of six months. The 5.5% Subordinated Notes 2013 bear interest at 5.5% until 12th March 2008. After that date the coupon will be DM LIBOR plus 136 basis points and the rate will be fixed in advance for periods of three months.

The 5.4% Reverse Dual Currency Subordinated Yen Notes 2027 bear interest at 5.4% based on a US dollar principal amount of $130,867,222.22 but the coupons have been swapped, resulting in an interest rate payable of Yen LIBOR plus 10 basis points (0.40875% at 31st December 1999, 0.52547% at 31st December 1998) and the rate is fixed in advance for periods of three months.

The coupons on the Guaranteed Notes 2007 have been swapped until March 2002, resulting in an interest rate payable until then of Yen LIBOR plus 40 basis points (0.72375% at 31st December 1999, 0.89703% at 31st December 1998). After that date, the coupon will be Yen LIBOR plus 115 basis points. Both rates are fixed in advance for periods of three months.

The Bank has swapped the proceeds of the 5.875% Subordinated Notes 2000 (the '5.875% Notes'), the 2000 Notes and the 5.95% Subordinated Notes 2001 (the '5.95% Notes') for sterling under three swaps the durations of which will match the respective terms of the 5.875% Notes, the 2000 Notes and the 5.95% Notes. The payment obligations of the Bank under these three swaps are subordinated so that the claims against the Bank in respect of the swaps rank pari passu with claims against the Bank in respect of its dated loan capital. The sterling values of the 5.875% Notes, the 2000 Notes and the 5.95% Notes in the figures set out above take into account these subordinated swaps.

Interest payable on loan capital with a final maturity within five years amounted to £23m (1998 £16m, 1997 £56m).

37 Dated loan capital – non-convertible (continued)

The notes issued by BNACC and the 5.875% Notes, the 2000 Notes, the 5.95% Notes and 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 and BOIC, which were made in non-US markets, have not been so registered. With respect to the 5.875% Notes, the 2000 Notes, the 5.95% Notes and 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. In addition (except the 7.4% Notes) the Bank may also defer the payment of interest and principal on any such Notes in the event that the Financial Services Authority has required or requested the Bank to make such a deferral.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 1999 is redeemable only on maturity subject, in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law.

(a) 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.
(b) Holders of the Floating Rate Unsecured Capital Loan Stock 2006 have certain cumulative rights to call for redemption of their holdings.
(c) Holders of the Floating Rate Unsecured Capital Loan Stock 2010 have certain rights to call for the redemption of their holdings.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

38 Called up share capital

The authorised share capital of Barclays PLC is £2,000m (1998 £2,000m), comprising 1,999 million (1998 1,999 million) ordinary shares of £1 each and 1 million (1998 1 million) staff shares of £1 each.

Called up share capital, allotted and fully paid	1999 £m	1998 £m
Ordinary shares:		
At beginning of year	**1,510**	1,529
Issued to staff under the SAYE Share Option Scheme (see below)	**11**	9
Issued under Executive Share Option Scheme	**1**	1
Repurchase of shares	**(28)**	(29)
At end of year	**1,494**	1,510
Staff shares	**1**	1
	1,495	1,511

40.8 million (1998 45.7 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.9 million (1998 3.4 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for ordinary shares between 2000 and 2009, at prices ranging from 272p to 1782p per share.

In 1999, the Company repurchased ordinary shares with a nominal value of £28m at a total cost of £504m. In 1998, ordinary shares with a nominal value of £29m were repurchased at a total cost of £501m.

39 Shareholders' funds

	Consolidated £m	Barclays PLC £m	Associated undertakings £m
At beginning of year	**7,842**	**7,842**	**72**
Proceeds of shares issued (net of expenses)	**214**	**214**	**-**
Exchange rate translation differences	**(70)**	**-**	**2**
Repurchase of ordinary shares	**(504)**	**(504)**	**-**
Goodwill written back on disposals	**138**	**-**	**-**
Revaluation of investment in subsidiary undertaking	**-**	**427**	**-**
Shares issued to the QUEST in relation to SAYE share option scheme	**(154)**	**(154)**	**-**
Other items	**4**	**-**	**(21)**
Profit/(loss) retained	**1,013**	**658**	**(17)**
At end of year	**8,483**	**8,483**	**36**

The revaluation reserve of Barclays PLC arises from the revaluation of the investment in Barclays Bank PLC.

The decrease in consolidated shareholders' funds of £70m arising from exchange rate translation differences is net of a related tax credit of £8m.

40 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. The net increase of £641m during the year comprised the cost of additional shares of £214m and an increase of £427m in other net assets of Barclays Bank PLC. The cost of the investment was £3,717m (1998 £3,503m).

Details of principal subsidiary undertakings, held through Barclays Bank PLC, are shown in note 45.

41 Leasing activities

Aggregate amounts received and receivable during the year under finance leases were £1,070m (1998 £1,031m, 1997 £824m), including interest income of £413m (1998 £474m, 1997 £527m).

42 Assets and liabilities denominated in sterling and foreign currencies

	1999	1998
	£m	£m
Denominated in sterling	**117,178**	106,855
Denominated in currencies other than sterling	**137,615**	112,639
Total assets	**254,793**	219,494
Denominated in sterling	**130,371**	105,732
Denominated in currencies other than sterling	**124,422**	113,762
Total liabilities	**254,793**	219,494

43 Assets pledged to secure liabilities

At 31st December 1999, the amount of assets pledged to secure liabilities, primarily in respect of settlement and payment systems, was £6,813m (1998 £1,573m). The secured liabilities outstanding amounted to £9,330m (1998 £7,123m).

44 Future rental commitments under operating leases

At 31st December 1999, the Group held various leases on land and buildings, many for extended periods, and other leases for equipment.

	1999	**1999**	1998	1998
	Property	**Equipment**	Property	Equipment
Annual commitments under non-cancellable operating leases expiring:	**£m**	**£m**	£m	£m
not more than one year	**4**	**1**	8	1
over one year but not more than five years	**21**	**1**	28	-
over five years	**111**	**-**	130	-
	136	**2**	166	1

The following aggregate rental payments outstanding at 31st December 1999 fall due as follows:

	Year ended 31st December					
						Total
	2000	2001	2002	2003	2004	thereafter
	£m	£m	£m	£m	£m	£m
Aggregate rental payments	138	131	129	118	109	1,091

The rentals for leasehold land, buildings and equipment, included in operating expenses for the year ended 31st December 1999, amounted to £239m (1998 £204m, 1997 £252m).

45 Principal subsidiary undertakings

Country of registration or incorporation		Percentage of equity capital held
England	Barclays Bank PLC - ordinary shares	100*
England	Barclays Private Bank Limited	100*
England	Barclays Mercantile Business Finance Limited	100
England	Barclays Global Investors UK Holdings Limited	100
England	Barclays Life Assurance Company Limited	100
England	Barclays Funds Limited	100
England	Barclays Bank Trust Company Limited	100
England	Barclays Stockbrokers Limited	100
England	Barclays Capital Securities Limited	100
England	Barclays Global Investors Pensions Management Limited	100*
Guernsey	Barclays Finance Company (Guernsey) Limited	100
Jersey	Barclays Bank Finance Company (Jersey) Limited	100
Jersey	Barclays Private Bank and Trust Limited	100*
Isle of Man	Barclays Finance Company (Isle of Man) Limited	99.9
France	Barclays Capital France SA	100
Spain	Barclays Bank SA	99.7
Botswana	Barclays Bank of Botswana Limited	74.9
Egypt	Cairo Barclays Bank SAE	60
Ghana	Barclays Bank of Ghana Ltd	90
Kenya	Barclays Bank of Kenya Limited	68.5
Zimbabwe	Barclays Bank of Zimbabwe Limited	64.9*
USA	Barclays Capital Inc.	100*
USA	Barclays Global Investors, National Association	100*
Switzerland	Barclays Bank (Suisse) SA	100*
Cayman Islands	Barclays Capital Japan Limited	50*

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 is 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 *. Barclays Bank PLC also has in issue 34,920,000 (1998 34,920,000) non-cumulative dollar-denominated preference shares of $0.01 each, none of which are held by Barclays PLC.

46 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 for 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 off-balance sheet items, the contract or underlying principal amounts are initially converted to credit risk equivalents by applying specified conversion factors.

Nature of instruments
For a description of the nature of derivative financial instruments, see pages 67 to 69 of the Financial review.

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.

46 Contingent liabilities and commitments (continued)

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 1999.

	1999 Contract or underlying principal amount	1998 Contract or underlying principal amount
Contingent liabilities	£m	£m
Acceptances and endorsements	**1,530**	1,384
Guarantees and assets pledged as collateral security	**12,044**	8,784
Other contingent liabilities	**5,360**	5,069
Off-balance sheet credit risk	**18,934**	15,237
Commitments		
Commitments arising out of sale and option to resell transactions	**-**	-
Other commitments:		
documentary credits and other short-term trade related transactions	**489**	419
forward asset purchases and forward forward deposits placed	**418**	7
undrawn note issuance and revolving underwriting facilities	**47**	47
undrawn formal standby facilities, credit lines and other commitments to lend:		
over one year	**17,048**	15,895
in one year or less	**64,477**	51,823
Off-balance sheet credit risk	**82,479**	68,191

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 64.

Accounting for derivatives and credit related instruments
The Group's policies for accounting for derivatives and credit related instruments are set out on pages 102 and 103.

Risks
Credit exposure or replacement cost of derivative instruments represents the cost to replace contracts with a positive value and is usually a small fraction of the notional amount of the contracts. Credit risk exposures, however, relate to accounting losses that would be recognised if counterparties failed completely to perform their obligations. Options written do not expose the Group to credit risk (apart from unremitted premiums), except to the extent of the underlying risk in the financial instrument that the Group may be obligated to acquire under certain written put options. The risk that counterparties to both derivative and cash instruments might default on their obligations is monitored on an ongoing basis. To control the level of credit risk taken, the Group assesses counterparties using the same techniques and corporate grading structure as for lending decisions, in order to deal predominantly with counterparties of high credit quality.

Cash requirements
The cash requirement of a credit related instrument has the same features as the risk set out above.

For a further description of the nature and management of credit risks and market risks, see Risk management and Treasury asset and liability management on pages 47 and 69 of the Financial review.

47 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 47 to 72 of the operating and financial review under the headings 'Risk management'; 'Trading activities - market risk'; 'Trading activities - derivatives' 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 47 exclude these short-term balances.

Interest rate sensitivity gap analysis

The table below summarises the repricing profiles on the Group's non-trading book as at 31st December 1999. 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

	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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets:										
Treasury bills and other eligible bills	445	109	94	3	-	-	-	-	6,525	7,176
Loans & advances to banks	2,534	596	186	7	63	-	-	255	39,015	42,656
Loans & advances to customers	52,329	3,308	3,361	8,932	5,833	3,262	774	284	35,455	113,538
Debt securities & equity shares	430	143	148	2,887	1,508	1,234	17	176	52,980	59,523
Other assets	853	-	-	-	-	-	-	7,220	15,787	23,860
Total assets	56,591	4,156	3,789	11,829	7,404	4,496	791	7,935	149,762	246,753
Liabilities:										
Deposits by banks	2,606	99	23	231	176	634	-	310	40,407	44,486
Customer accounts	80,515	2,480	1,474	1,080	166	2	188	11,208	26,853	123,966
Debt securities in issue	651	22	8	180	560	412	61	-	21,435	23,329
Other liabilities	-	-	-	-	-	-	-	7,136	34,404	41,540
Loan capital & other subordinated liabilities	2,093	86	140	264	195	931	696	-	192	4,597
Minority interests & shareholders' funds	-	-	-	-	-	-	-	8,835	-	8,835
Internal funding of trading business	(21,473)	29	361	62	6	91	176	(5,723)	26,471	-
Total liabilities	64,392	2,716	2,006	1,817	1,103	2,070	1,121	21,766	149,762	246,753
Off-balance sheet items	(1,349)	(3,906)	1,831	(3,925)	7,261	105	(17)	-	-	-
Interest rate repricing gap	(9,150)	(2,466)	3,614	6,087	13,562	2,531	(347)	(13,831)	-	-
Cumulative gap	(9,150)	(11,616)	(8,002)	(1,915)	11,647	14,178	13,831	-	-	-

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 where the risk is managed by DVAR (see pages 66 and 67).

47 Derivatives and other financial instruments (continued)

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 as at 31st December 1999 were as follows:

Functional currency of the operations involved	Net investments in overseas operations £m	Borrowings taken out to hedge the net investments £m	Remaining structural currency exposures £m
US dollar	627	620	7
Yen	87	56	31
Euro	2,752	2,264	488
Other non-sterling	394	48	346
Total	3,860	2,988	872

In accordance with Group policy, as at 31st December 1999 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.

Trading 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 66 and 67. 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 the trading market risk related DVAR for the Group as an average for the year and the high and low during the year.

	Twelve months to 31st December 1999		
	Average £m	High* £m	Low* £m
Interest rate risk	13.7	30.2	6.2
Foreign exchange risk	2.8	11.7	0.8
Equities risk	1.7	3.7	0.6
Commodities risk	1.2	2.2	0.5
Diversification effect	(3.3)		
Total DVAR	16.1	32.5	7.7

* 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 1999 was £20.2m.

47 Derivatives and other financial instruments (continued)

Hedging

Non-trading derivatives are measured on an accruals basis, consistent with the assets, liabilities or positions 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. Instead, they are either not recognised at all or are recognised and carried forward in the balance sheet. 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 tables below summarise, firstly, the unrecognised gains and losses on hedges at 31st December 1999 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 1999, pending their recognition in the profit and loss account.

Unrecognised gains and losses on hedges	Gains £m	Losses £m	Total net gains/(losses) £m
At 1st January 1999	1,406	(1,210)	196
(Gains)/losses arising in previous years that were recognised in 1999	(767)	496	(271)
Brought forward gains/(losses) not recognised in 1999	639	(714)	(75)
Gains/(losses) arising in 1999 that were not recognised in 1999	16	(275)	(259)
At 31st December 1999	655	(989)	(334)
Of which:			
Gains/(losses) expected to be recognised in 2000	218	(298)	(80)
Gains/(losses) expected to be recognised in 2001 or later	437	(691)	(254)

Deferred gains and losses on hedges carried forward in the balance sheet	Gains £m	Losses £m	Total net gains/(losses) £m
At 1st January 1999	65	(100)	(35)
Deferred (gains)/losses brought forward that were recognised in income in 1999	(51)	56	5
Brought forward deferred gains/(losses) not recognised in 1999	14	(44)	(30)
Gains/(losses) that became deferred in 1999	30	(20)	10
At 31st December 1999	44	(64)	(20)
Of which:			
Gains/(losses) expected to be recognised in income in 2000	36	(28)	8
Gains/(losses) expected to be recognised in income in 2001 or later	8	(36)	(28)

The majority of deferred gains and losses will be recognised in income not later than 2004.

Where a non-trading derivative no longer represents a hedge because either the underlying non-trading asset, liability or position has been derecognised, 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. No such gains or losses were recognised in the year to 31st December 1999.

The disclosure of the fair value of financial instruments as required by FRS 13 is provided in note 48 on pages 142 and 143.

47 Derivatives and other financial instruments (continued)

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.

	1999 Contract or underlying principal amount £m	1999 Year-end positive fair value £m	1999 Year-end negative fair value £m	1999 Average positive fair value £m	1999 Average negative fair value £m
Foreign exchange derivatives					
Forward foreign exchange	221,681	3,286	3,271	3,775	4,018
Currency swaps	82,350	3,261	3,812	2,756	3,301
OTC options bought and sold	55,675	631	500	699	772
Other foreign exchange contracts	-	-	-	-	-
OTC derivatives	359,706	7,178	7,583	7,230	8,091
Exchange traded futures - bought and sold	9,754	-	-	-	-
Exchange traded options - bought and sold	1	-	-	-	-
Total	369,461	7,178	7,583	7,230	8,091
Interest rate derivatives					
Swaps	882,871	13,587	13,338	14,717	14,383
Forward rate agreements	40,471	30	36	47	54
OTC options bought and sold	265,898	2,543	2,216	2,311	2,147
Other interest rate contracts	14	-	-	-	-
OTC derivatives	1,189,254	16,160	15,590	17,075	16,584
Exchange traded futures - bought and sold	68,693	-	-	-	-
Exchange traded options - bought and sold	1,909	-	-	-	-
Total	1,259,856	16,160	15,590	17,075	16,584
Equity and stock index derivatives					
OTC options bought and sold	24,447	1,882	2,350	1,617	2,045
Equity swaps and forwards	3,797	183	30	236	93
OTC derivatives	28,244	2,065	2,380	1,853	2,138
Exchange traded futures - bought and sold	11,285	-	-	-	-
Exchange traded options - bought and sold	6,372	154	238	277	422
Total	45,901	2,219	2,618	2,130	2,560
Commodity derivatives					
OTC options bought and sold	653	14	17	11	16
Commodity swaps and forwards	5,075	261	222	190	156
OTC derivatives	5,728	275	239	201	172
Exchange traded futures - bought and sold	10,679	364	398	329	339
Exchange traded options - bought and sold	753	14	11	6	6
Total	17,160	653	648	536	517
Total trading derivatives		26,210	26,439		
Effect of netting		(12,820)	(12,820)		
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 26 and 32)		13,390	13,619		

The contract or underlying principal amount for interest rate swaps includes £3,816m relating to credit derivatives.

Collateral held that reduced credit risk in respect of derivative instruments at 31st December 1999, but did not meet the offset criteria amounted to £557m (1998 £549m).

47 Derivatives and other financial instruments (continued)

	1998 Contract or underlying principal amount £m	1998 Year-end positive fair value £m	1998 Year-end negative fair value £m	1998 Average positive fair value £m	1998 Average negative fair value £m
Foreign exchange derivatives					
Forward foreign exchange	259,788	6,063	6,836	5,037	5,668
Currency swaps	73,528	2,476	3,653	3,020	3,463
OTC options bought and sold	98,415	1,374	1,573	1,802	1,742
Other foreign exchange contracts	-	-	-	-	-
OTC derivatives	431,731	9,913	12,062	9,859	10,873
Exchange traded futures - bought and sold	1,366	-	-	-	-
Exchange traded options - bought and sold	1,355	-	-	-	-
Total	434,452	9,913	12,062	9,859	10,873
Interest rate derivatives					
Swaps	710,988	17,517	17,114	14,464	14,723
Forward rate agreements	80,474	133	138	56	59
OTC options bought and sold	222,242	2,433	2,351	1,694	1,682
Other interest rate contracts	23	-	-	-	-
OTC derivatives	1,013,727	20,083	19,603	16,214	16,464
Exchange traded futures - bought and sold	97,363	-	-	-	-
Exchange traded options - bought and sold	768	-	-	-	-
Total	1,111,858	20,083	19,603	16,214	16,464
Equity and stock index derivatives					
OTC options bought and sold	20,613	1,289	1,439	1,065	1,507
Equity swaps and forwards	2,439	82	73	84	88
OTC derivatives	23,052	1,371	1,512	1,149	1,595
Exchange traded futures - bought and sold	7,574	-	-	-	-
Exchange traded options - bought and sold	7,677	288	685	364	603
Total	38,303	1,659	2,197	1,513	2,198
Commodity derivatives					
OTC options bought and sold	279	9	9	19	20
Commodity swaps and forwards	5,690	246	200	231	192
OTC derivatives	5,969	255	209	250	212
Exchange traded futures - bought and sold	6,872	323	285	385	350
Exchange traded options - bought and sold	100	3	4	2	3
Total	12,941	581	498	637	565
Total trading derivatives		32,236	34,360		
Effect of netting		(18,511)	(18,511)		
Balances arising from off-balance sheet financial instruments		13,725	15,849		

47 Derivatives and other financial instruments (continued)

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 £6,998m (1998 £7,637m) contract amount of foreign exchange derivatives and £98,112m (1998 £91,174m) of interest rate derivatives which were made for asset and liability management purposes with independently managed dealing units of the Group.

	1999 Contract or underlying principal amount £m	1999 Year-end positive fair value £m	1999 Year-end negative fair value £m	1999 Year-end positive book value £m	1999 Year-end negative book value £m	1998 Contract or underlying principal amount £m	1998 Positive fair value £m	1998 Negative fair value £m
Foreign exchange derivatives								
Forward foreign exchange	3,837	28	17	33	19	4,170	84	86
Currency swaps	6,103	386	25	360	13	5,919	361	31
OTC options bought and sold	25	-	-	-	-	174	7	3
OTC derivatives	9,965	414	42	393	32	10,263	452	120
Exchange traded futures - bought and sold	-	-	-	-	-	-	-	-
Exchange traded options - bought and sold	1	-	-	-	-	-	-	-
Total	9,966	414	42	393	32	10,263	452	120
Interest rate derivatives								
Swaps	92,849	798	1,162	608	620	76,498	1,842	1,333
Forward rate agreements	9,106	12	8	3	6	19,486	84	71
OTC options bought and sold	187	-	-	-	-	347	4	-
Other interest rate related contracts	-	-	-	-	-	57	1	-
OTC derivatives	102,142	810	1,170	611	626	96,388	1,931	1,404
Exchange traded futures - bought and sold	1,759	-	-	-	-	5,678	-	-
Exchange traded options - bought and sold	15	-	-	-	-	114	-	-
Total	103,916	810	1,170	611	626	102,180	1,931	1,404
Equity, stock index and commodity derivatives	44	4	-	4	-	103	6	3

The contract or underlying principal amount for interest rate swaps includes £4,082m, relating to credit derivatives.

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:

	One year or less £m	Over one year but not more than five years £m	Over five years £m	Total £m
£/Euro	387	3,034	497	3,918
£/Yen	822	1,534	124	2,480
£/US Dollar	399	237	133	769
US Dollar/Euro	548	10	-	558
US Dollar/Yen	55	44	188	287
US Dollar/South African Rand	393	-	-	393
Other	1,404	77	79	1,560
Total	4,008	4,936	1,021	9,965

47 Derivatives and other financial instruments (continued)

Maturity of notional principal amounts

At 31st December 1999 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
	£m	£m	£m	£m
Foreign exchange derivatives				
Forward foreign exchange	222,068	3,450	-	225,518
Currency swaps	22,113	46,231	20,109	88,453
OTC options bought and sold	54,226	1,340	134	55,700
Other foreign exchange contracts	-	-	-	-
OTC derivatives	298,407	51,021	20,243	369,671
Exchange traded futures - bought and sold	9,754	-	-	9,754
Exchange traded options - bought and sold	2	-	-	2
Total	308,163	51,021	20,243	379,427
Interest rate derivatives				
Swaps	237,848	437,404	300,468	975,720
Forward rate agreements	45,319	4,258	-	49,577
OTC options bought and sold	69,359	147,262	49,464	266,085
Other interest rate contracts	14	-	-	14
OTC derivatives	352,540	588,924	349,932	1,291,396
Exchange traded futures - bought and sold	70,452	-	-	70,452
Exchange traded options - bought and sold	1,924	-	-	1,924
Total	424,916	588,924	349,932	1,363,772
Equity and stock index derivatives				
OTC options bought and sold	9,599	14,779	113	24,491
Equity swaps and forwards	3,084	39	674	3,797
OTC derivatives	12,683	14,818	787	28,288
Exchange traded futures - bought and sold	11,285	-	-	11,285
Exchange traded options - bought and sold	5,184	388	800	6,372
Total	29,152	15,206	1,587	45,945
Commodity derivatives				
OTC options bought and sold	392	210	51	653
Commodity swaps and forwards	4,335	735	5	5,075
OTC derivatives	4,727	945	56	5,728
Exchange traded futures - bought and sold	10,083	596	-	10,679
Exchange traded options - bought and sold	742	11	-	753
Total	15,552	1,552	56	17,160

47 Derivatives and other financial instruments (continued)

Maturity and counterparty analyses of net replacement cost

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date. The totals of positive and negative fair values arising on trading derivatives at the balance sheet date have been netted where the Group has a legal right of offset with the relevant counterparty. The total positive fair value after netting equates to net replacement cost.

The residual maturity and counterparty analyses of the net replacement cost of OTC and non-margined exchange traded derivatives held for trading purposes or asset and liability management purposes at 31st December 1999 are as follows:

	Not more than one year	Over one year but not more than five years	Over five years	Total
	£m	£m	£m	£m
Foreign exchange derivatives	**3,196**	**901**	**480**	**4,577**
Interest rate derivatives	**602**	**2,180**	**3,228**	**6,010**
Equity and stock index derivatives	**870**	**1,331**	**21**	**2,222**
Commodity derivatives	**576**	**46**	**2**	**624**
	5,244	**4,458**	**3,731**	**13,433**
Net replacement cost analysed by counterparty as follows:				
Central banks				**734**
Banks, building societies and other financial institutions				**9,340**
Other corporate and public bodies				**3,359**
				13,433

48 Fair values of financial instruments

Financial instruments include both financial assets and financial liabilities and also derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Wherever possible, the Group has estimated fair value using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by the Group. In certain cases, however, including loans and advances to customers, no ready markets currently exist in the United Kingdom wherein exchanges between willing parties occur. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be.

These estimation techniques are necessarily subjective in nature and involve several assumptions. There have been no significant changes in the estimation techniques or the methodology used compared with December 1998.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful. Readers of these accounts are thus advised to use caution when using this data to evaluate the Group's financial position.

Fair value information is not provided for items that do not meet the definitions of a financial instrument. These items included short terms debtors and creditors, intangible assets such as the value of the Group's branch network, the long-term relationships with depositors (core deposit intangibles), premises and equipment and shareholders' equity. These items are material and accordingly the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying value of the Group as a going concern at 31st December 1999.

The following table shows the carrying amount and the fair value of the Group's financial instruments analysed between trading and non-trading assets and liabilities.

48 Fair values of financial instruments (continued)

	Note	1999 Carrying amount £m	1999 Fair value £m	1998 Carrying amount £m	1998 Fair value £m
Trading					
Assets					
Treasury bills and other eligible bills	(a)	**2,665**	**2,665**	1,910	1,910
Loans and advances to banks (including reverse repurchase agreements)	(a)	**29,585**	**29,585**	16,296	16,296
Loans and advances to customers (including reverse repurchase agreements)	(a)	**18,532**	**18,532**	14,641	14,641
Debt Securities	(a)	**23,755**	**23,755**	23,875	23,875
Equity shares	(a)	**5,425**	**5,425**	4,552	4,552
Derivatives (see analysis in note 47)	(b)	**13,390**	**13,390**	13,725	13,725
Liabilities					
Deposits by Banks and customers accounts (including repurchase agreements)	(a)	**36,510**	**36,510**	21,175	21,175
Short positions in securities	(a)	**16,813**	**16,813**	13,682	13,682
Derivatives (see analysis in note 47)	(b)	**13,619**	**13,619**	15,849	15,849
Non trading					
Assets					
Cash and balances at central banks	(a)	**1,166**	**1,166**	942	942
Items in course of collection from other banks	(a)	**2,492**	**2,492**	2,475	2,475
Treasury bills and other eligible bills	(a)	**4,511**	**4,511**	2,838	2,838
Loans and advances to banks	(c)	**13,071**	**13,100**	20,316	20,300
Loans and advances to customers	(d)	**95,006**	**95,800**	81,469	82,200
Debt securities	(e)	**30,164**	**30,196**	21,305	21,515
Equity shares	(e)	**179**	**206**	336	379
Derivatives (see analysis in note 47)	(b)	**1,008**	**1,228**	1,217	2,389
Liabilities					
Deposits by Banks and customers accounts	(f)	**131,942**	**131,900**	122,050	122,000
Debt securities in issue	(g)	**23,329**	**23,334**	17,824	17,888
Items in course of collection due to other banks	(a)	**1,400**	**1,400**	1,279	1,279
Undated loan capital	(h)	**1,749**	**1,669**	1,742	1,684
Dated loan capital	(h)	**2,848**	**2,869**	1,992	2,063
Non-equity minority interests and shareholders' funds	(i)	**270**	**277**	263	283
Derivatives (see analysis in note 47)	(b)	**658**	**1,212**	551	1,527

Notes:

(a) Financial assets and financial liabilities where fair value approximates carrying value because they are either (i) carried at market value or (ii) have minimal credit losses and were either short-term in nature or repriced frequently.

(b) Derivatives held for trading purposes are carried at fair value. Derivatives held for non-trading purposes are accounted for in accordance with the accounting treatment of the underlying transaction or transactions being hedged. The fair value of these instruments is estimated using market prices or pricing models consistent with the methods used for valuing similar instruments used for trading purposes.

48 Fair values of financial instruments (continued)

(c) Within this calculation, the fair value for placings to banks was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by other financial institutions for placings with similar characteristics. The fair values for loans to banks in countries experiencing liquidity problems were estimated by reference to secondary market prices.

(d) The Group provides lending facilities of varying rates and maturities to corporate and personal customers. Several different techniques are employed, as considered appropriate, in estimating the fair value of such instruments. The fair value of personal loans was estimated either by discounting cash flows at market rates for similar loans offered by the Group and other financial institutions, or by taking into consideration market prices for securities backed by comparable loans, adjusted for differences in loan characteristics. The fair value of corporate loans was estimated by selecting a discount rate reflecting the effects of interest rate changes and making adjustments to take account of the effects of changes in credit risk. The fair values for loans to countries experiencing liquidity problems were arrived at by reference to secondary market prices. The carrying amount of finance lease receivables is considered a reasonable approximation of fair value.

e) The valuation of listed securities and investments is at mid-market prices and that of unlisted securities and investments is based on the Directors' estimate, which takes into consideration discounted cash flows, price earnings ratios and other suitable valuation techniques.

(f) Fair values of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) are equal to their carrying value. The fair value of all other deposits and other borrowings was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by the Group for deposits of similar remaining maturities.

(g) Fair values of short-term debt securities in issue are approximately equal to their carrying amount. Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable, are estimated using other valuation techniques.

(h) The estimated fair values for dated and undated convertible and non-convertible loan capital were based upon quoted market rates for the issue concerned or equivalent issues with similar terms and conditions.

(i) The fair value of non-equity minority interests and shareholders' funds was calculated using quoted market prices.

49 Legal proceedings

Barclays is party to various legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the Group.

50 Reconciliation of operating profit to net cash flow from operating activities

	1999 £m	1998 £m	1997 £m
Operating profit	**2,598**	1,898	2,163
Provisions for bad and doubtful debts	**621**	492	227
Depreciation and amortisation	**276**	270	266
Net (decrease)/increase in accrued expenditure and prepayments	**(149)**	(719)	729
Provisions for contingent liabilities and commitments	**1**	76	4
Other provisions for liabilities and charges	**445**	79	423
Interest on dated and undated loan capital and other subordinated liabilities	**263**	244	265
Associated undertakings - loss/(profit) included	**14**	(22)	(16)
Increase in shareholders' interest in the long-term assurance fund	**(32)**	(95)	(19)
Profit on redemption/repurchase of loan capital	**(3)**	(3)	(2)
Net decrease/(increase) in net interest and commission receivable	**691**	(23)	70
Net profit on disposal of investments and fixed assets	**(51)**	(106)	(104)
Other non-cash movements	**7**	53	13
	4,681	2,144	4,019
Net change in items in course of collection	**96**	(311)	500
Net increase/(decrease) in other credit balances	**516**	(4,253)	13,939
Net (increase)/decrease in loans and advances to banks and customers	**(23,862)**	8,652	(21,324)
Net increase/(decrease) in deposits and debt securities in issue	**32,100**	(14,958)	33,695
Net (increase)/decrease in other assets	**(307)**	3,215	(5,516)
Net (increase)/decrease in other debt securities and equity shares	**(1,922)**	3,642	(15,122)
Net (increase)/decrease in treasury and other eligible bills	**(2,462)**	777	(1,226)
Other non-cash movements	**83**	(245)	14
Net cash inflow/(outflow) from operating activities	**8,923**	(1,337)	8,979

51 Sale of other Group undertakings during the year

	1999 £m	1998 £m	1997 £m
Goodwill written off	**154**	12	23
Advances and other accounts	**1,549**	1,561	1,183
Deposits and other borrowings	**(1,400)**	(829)	(1,139)
Net assets disposed of	**303**	744	67
Net (loss)/profit on disposal	**(138)**	(51)	10
	165	693	77
Amounts not yet settled (including deferred consideration)	**9**	(3)	(29)
Settled by net cash received	**174**	690	48

The assets and liabilities relating to the sale of former BZW businesses are included in 1998.

52 Changes in financing during the year

The following table does not include a further £476m paid in respect of the repurchase of 28.0 million ordinary shares.

Barclays PLC	Undated loan capital £m	Dated loan capital £m	Ordinary shares £m	Barclays Bank PLC preference shares £m	Share premium £m
At beginning of year	**1,742**	**1,992**	**1,511**	**263**	**1,381**
Exchange rate and other movements	**25**	**(3)**	**-**	**7**	**-**
Profit on redemption/repurchase of loan capital	**(3)**	**-**	**-**	**-**	**-**
Net cash (outflow)/inflow from financing	**(15)**	**859**	**(16)**	**-**	**202**
At end of year	**1,749**	**2,848**	**1,495**	**270**	**1,583**

53 Analysis of cash balances

	31.12.99 £m	Change £m	31.12.98 £m	Change £m	31.12.97 £m	Change £m	31.12.96 £m
Cash and balances at central bank	**1,166**	**224**	942	192	750	21	729
Loans and advances to other banks repayable on demand	**967**	**(207)**	1,174	266	908	(50)	958
	2,133	**17**	2,116	458	1,658	(29)	1,687

	1999 £m	1999 £m	1998 £m	1998 £m	1997 £m	1997 £m
Balance at beginning of year		**2,116**		1,658		1,687
Net increase in cash before the effect of exchange rate movements	**78**		457		44	
Effect of exchange rate movements	**(61)**		1		(73)	
		17		458		(29)
Balance at end of year		**2,133**		2,116		1,658

54 Analysis of the net (inflow)/outflow of cash in respect of the acquisition of subsidiary undertakings

	1999 £m	1998 £m	1997 £m
Cash consideration	**66**	74	-
Cash at bank and in hand acquired	**(126)**	(4)	-
Net (inflow)/outflow of cash in respect of the purchase of subsidiary undertakings	**(60)**	70	-

55 Acquisitions

The Group made the following acquisitions of subsidiary undertakings or net assets and operations in 1999 which are accounted for on an acquisition basis:

	% Acquired	Date
Cairo Barclays SAE	**11**	**7th June 1999**
Barafor Limited	**100**	**3rd March 1999**
FOSPV Limited	**100**	**2nd December 1999**

	1999 £m
Net assets acquired:	
Cash and balances at central banks	**126**
Loans and advances to banks and customers	**347**
Debt securities and equity shares	**126**
Other	**188**
Customer accounts	**(398)**
Other liabilities	**(287)**
Minority shareholders' interests	**(21)**
Transfer from associated undertaking	**(25)**
	56
Goodwill	**10**
Satisfied by cash	**66**

There were no significant adjustments to the valuation of assets and liabilities of the above acquisitions.

56 Related party transactions

a) Subsidiary undertakings

Details of the principal subsidiary companies are shown in note 45. In accordance with FRS 8, transactions or balances between Group entities that have been eliminated on consolidation are not reported.

b) Associated undertakings and joint ventures

The Group provides certain banking and financial services for associated undertakings and joint ventures. These are conducted on similar terms to third party transactions and are not material to the Group's results. Details of lendings to associated undertakings and joint ventures are set out in notes 17 and 18.

c) Pension funds, unit trusts and investment funds

The Group provides a number of normal banking and financial services for the Barclays Bank pension funds (principally the UK Retirement Fund), and also for unit trusts and investment funds managed by Group companies which are conducted on similar terms to third party transactions and are not material to the Group.

d) Directors

Details of Directors' emoluments are set out in note 57 and in the Corporate governance section on pages 87 to 96. Details of transactions between Directors and the Group are set out in note 59.

57 Directors' emoluments and other benefits

The aggregate emoluments and other benefits of the Directors of Barclays PLC set out below are disclosed in accordance with Part I of Schedule 6 to the Companies Act 1985.

	1999 £000	1998 £000
Aggregate emoluments	**7,372**	4,196
Gains made on the exercise of share options	**1,369**	1,142
Amounts paid under long-term incentive schemes	**1,006**	115
Compensation for loss of office	**-**	1,588
Notional pension contributions to money purchase schemes (1999: 3 Directors and 1998: 2 Directors)	**179**	266

2 Directors are accruing retirement benefits under a defined benefit scheme (1998 5 directors). In addition, pensions in respect of management services of former Directors amount to £45,017 (1998 £51,995).

57 Directors' emoluments and other benefits (continued)

Of the figures in the table above, the amounts attributable to the highest paid Director (1999 Sir Peter Middleton, 1998 Mr Taylor) are as follows:

	1999 £000	1998 £000
Aggregate emoluments	1,759	957
Notional pension contribution to money purchase schemes	-	212
Defined benefit scheme: accrued pension at year end	-	7

Further information on Directors' emoluments, shareholdings and options is given in the Corporate governance section on pages 87 to 96.

58 Directors' and officers' shareholdings and options

Details of Directors' share interests and holdings of options are given in the Corporate governance section on pages 94 to 96.

The beneficial ownership of the ordinary share capital of Barclays PLC by all Directors and officers of Barclays PLC (involving 19 persons) and Barclays Bank PLC (involving 20 persons) at 31st December 1999 amounted to 207,866 £1 ordinary shares (0.01% of ordinary share capital outstanding).

Executive Directors and officers of Barclays PLC as a group (involving 12 persons) held, at 31st December 1999, options to purchase 647,664 Barclays PLC £1 ordinary shares at prices ranging from 628p to 1,235p under the SAYE Share Option Scheme and ranging from 704p to 1782p under the Executive Share Option Scheme, exercisable in the period from 2000 to 2009.

59 Contracts with Directors and connected persons and with senior executives

The aggregate amounts outstanding at 31st December 1999 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were during the year, Directors of Barclays PLC and persons connected with them and for senior executives, within the meaning of the Banking Act 1987, of Barclays Bank PLC were:

	Number of Directors or senior executives	Number of connected persons	Amount £000
Directors			
Loans	2	2	135
Quasi-loans and credit card accounts	9	6	783
Senior executives			
Loans	25	-	3,058
Quasi-loans and credit card accounts	26	-	64

There are no transactions, arrangements or agreements with Barclays PLC or its subsidiary undertakings in which Directors, or persons connected with them, or senior executives of Barclays Bank PLC had a material interest and which are disclosable under the relevant provisions of the Companies Act 1985, other than options to subscribe for ordinary shares under the Barclays PLC Executive and SAYE Share Option Schemes.

60 Segmental analysis

By geographical segments (a, b)	1999 £m	1999 %	1998 £m	1998 %	1997 £m	1997 %
Interest receivable						
United Kingdom	**6,808**	**73**	7,150	72	6,522	71
Foreign UK-based	**474**	**5**	645	7	552	6
Other European Union	**732**	**8**	832	8	921	10
United States	**702**	**8**	653	7	528	6
Rest of the World	**604**	**6**	632	6	604	7
	9,320	**100**	9,912	100	9,127	100
Fees and commissions receivable						
United Kingdom	**2,298**	**72**	2,168	72	2,267	71
Foreign UK-based	**87**	**2**	104	3	55	2
Other European Union	**226**	**7**	227	8	238	7
United States	**347**	**11**	281	9	260	8
Rest of the World	**249**	**8**	228	8	377	12
	3,207	**100**	3,008	100	3,197	100
Dealing profits						
United Kingdom	**381**	**68**	11	(33)	108	29
Foreign UK-based	**70**	**12**	(70)	212	190	51
Other European Union	**(1)**	**-**	4	(12)	2	1
United States	**81**	**15**	-	-	17	4
Rest of the World	**30**	**5**	22	(67)	57	15
	561	**100**	(33)	100	374	100
Other operating income						
United Kingdom	**83**	**34**	182	56	78	39
Foreign UK-based	**1**	**-**	16	5	8	4
Other European Union	**156**	**64**	73	23	59	30
United States	**6**	**3**	27	8	16	8
Rest of the World	**(2)**	**(1)**	26	8	39	19
	244	**100**	324	100	200	100
Gross income (f)						
United Kingdom	**9,570**	**72**	9,511	72	8,975	70
Foreign UK-based	**632**	**5**	695	5	805	6
Other European Union	**1,113**	**8**	1,136	9	1,220	10
United States	**1,136**	**8**	961	7	821	6
Rest of the World	**881**	**7**	908	7	1,077	8
	13,332	**100**	13,211	100	12,898	100
Profit/(loss) on ordinary activities before tax						
United Kingdom	**1,625**	**66**	1,547	82	1,116	65
Foreign UK-based	**247**	**10**	(64)	(3)	289	17
Other European Union	**318**	**13**	241	13	118	7
United States	**131**	**5**	67	3	96	5
Rest of the World	**139**	**6**	104	5	100	6
	2,460	**100**	1,895	100	1,719	100
Attributable profit/(loss)						
United Kingdom	**1,207**	**69**	1,107	84	726	64
Foreign UK-based	**156**	**9**	(71)	(5)	155	14
Other European Union	**262**	**15**	213	16	107	9
United States	**71**	**4**	21	2	86	8
Rest of the World	**63**	**3**	47	3	59	5
	1,759	**100**	1,317	100	1,133	100

60 Segmental analysis (continued)

Total assets	1999 £m	1999 %	1998 £m	1998 %	1997 £m	1997 %
United Kingdom	**154,977**	**61**	140,428	64	145,954	63
Foreign UK-based	**16,795**	**7**	14,018	6	18,303	8
Other European Union	**17,017**	**7**	18,490	9	19,872	8
United States	**39,536**	**15**	24,886	11	25,667	11
Rest of the World	**26,468**	**10**	21,672	10	22,633	10
	254,793	**100**	219,494	100	232,429	100
Net assets						
United Kingdom	**6,845**	**77**	6,245	77	5,851	74
Foreign UK-based	**397**	**5**	454	5	371	5
Other European Union	**467**	**5**	484	6	530	7
United States	**753**	**9**	599	7	637	8
Rest of the World	**373**	**4**	374	5	494	6
	8,835	**100**	8,156	100	7,883	100
By class of business (a, b)						
Net Interest Income						
Retail Financial Services (g)	**2,959**	**64**	2,825	65	2,597	64
Corporate Banking (g), (e)	**1,252**	**27**	1,174	27	1,059	26
Barclays Capital	**400**	**9**	417	10	326	9
Barclays Global Investors	**6**	**-**	9	-	7	-
Businesses in transition	**-**	**-**	(1)	-	31	1
Other (c)	**10**	**-**	(113)	(2)	14	-
	4,627	**100**	4,311	100	4,034	100
Non interest income						
Retail Financial Services (e)	**1,967**	**53**	1,894	62	1,791	50
Corporate Banking	**678**	**18**	637	21	593	17
Barclays Capital	**757**	**20**	174	6	547	16
Barclays Global Investors	**318**	**8**	279	9	260	7
Businesses in transition	**-**	**-**	31	1	434	12
Other (c)	**143**	**4**	162	5	140	4
Inter business class income included above	**(126)**	**(3)**	(107)	(4)	(212)	(6)
	3,737	**100**	3,070	100	3,553	100
Total income (f)						
Retail Financial Services (e), (g)	**4,926**	**59**	4,719	64	4,388	58
Corporate Banking (e), (g)	**1,930**	**23**	1,811	24	1,652	22
Barclays Capital	**1,157**	**14**	591	8	873	12
Barclays Global Investors	**324**	**4**	288	4	267	3
Businesses in transition	**-**	**-**	30	-	465	6
Other (c)	**153**	**2**	49	1	154	2
Inter business class income included above	**(126)**	**(2)**	(107)	(1)	(212)	(3)
	8,364	**100**	7,381	100	7,587	100
Profit/(loss) on ordinary activities before tax						
Retail Financial Services (e)	**1,713**	**70**	1,477	78	1,233	72
Corporate Banking (e)	**947**	**38**	951	50	863	50
Barclays Capital	**316**	**13**	(270)	(14)	247	14
Barclays Global Investors	**43**	**2**	52	3	51	3
Businesses in transition	**-**	**-**	15	1	(126)	(7)
Other (c)	**(64)**	**(3)**	(239)	(13)	(93)	(5)
Unallocated items (d)	**(495)**	**(20)**	(91)	(5)	(456)	(27)
	2,460	**100**	1,895	100	1,719	100

60 Segmental analysis (continued)

Total assets	1999 £m	1999 %	1998 £m	1998 %	1997 £m	1997 %
Retail Financial Services	**48,726**	**19**	46,197	21	41,749	18
Corporate Banking	**47,422**	**19**	45,341	21	38,985	17
Barclays Capital	**144,811**	**57**	114,706	52	132,200	57
Barclays Global Investors	**232**	**-**	183	-	161	-
Businesses in transition	**-**	**-**	554	-	9,248	4
Other (c)	**5,562**	**2**	5,428	3	4,127	2
Retail life-fund attributable to policyholders	**8,040**	**3**	7,085	3	5,959	2
	254,793	**100**	219,494	100	232,429	100
Net assets						
Retail Financial Services	**2,664**	**30**	2,534	31	2,345	30
Corporate Banking	**2,662**	**30**	2,427	30	2,122	27
Barclays Capital	**2,532**	**29**	2,362	29	2,210	28
Barclays Global Investors	**186**	**2**	95	1	59	1
Businesses in transition	**-**	**-**	35	-	483	6
Other (c)	**791**	**9**	703	9	664	8
	8,835	**100**	8,156	100	7,883	100

Notes

(a) The analyses above are for Barclays PLC. Figures for attributable profit differ for Barclays Bank PLC and are shown on page 171.

(b) Basis of geographical and business analysis – see Analyses by geographical segments and classes of business on page 104.

(c) The term 'Other' covers (i) Other operations and (ii) Head office functions.

(d) 'Unallocated items' in 1999 consist of (i) settlement of Atlantic litigation £nil (1998 £76m, 1997 £nil), (ii) Goodwill amortisation £13m, (1998 £12m, 1997 £12m), (iii) Loss on disposal of Group undertakings £108m, (1998 profit £4m, 1997 profit £44m), (iv) Loss on sale or restructuring of BZW £30m (1998 £3m, 1997 £469m), (v) write-down of fixed asset investments £nil (1998 £4m, 1997 £19m) and (vi) Restructuring charge £344m (1998 £nil, 1997 £nil).

(e) Figures for Retail Financial Services and Corporate Banking include respectively the life-fund charge and write-down of leases arising from the relevant 1997 and 1998 Finance Acts.

(f) Gross income for geographical disclosure includes interest receivable, fees and commissions receivable, dealing profits and other operating income. Total income for class of business disclosure analyses operating income from the profit and loss account.

(g) Net interest income and total income include the following amounts relating to problem country debt management, Retail Financial Services £nil, (1998 £nil, 1997 £2m) and Corporate Banking £nil, (1998 £2m, 1997 £4m).

61 Differences between UK GAAP (UK) and US GAAP (US) accounting principles

The accounts presented in this report have been prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP). Such principles vary in significant respects from those generally accepted in the United States (US GAAP). Preparing the financial statements requires the use of management's estimates. The significant differences applicable to the Group's accounts are summarised below (see also notes 62 to 65).

UK GAAP	US GAAP
Goodwill	
Goodwill arising on acquisitions of subsidiary and associated undertakings and joint ventures is capitalised and amortised through income over its expected life (with a maximum of 20 years). Capitalised goodwill is written off when judged to be irrecoverable. There is therefore no UK/US GAAP difference for goodwill arising since the introduction of FRS 10 during 1998. However, in the event of a subsequent disposal, any goodwill previously charged directly against reserves under Statement of Standard Accounting Practice (SSAP 22) will be written back and reflected in the profit or loss on disposal.	Goodwill is capitalised and amortised through income over the period estimated to benefit. In Barclays case, a period of 20 years has been used. Goodwill is written off when judged to be irrecoverable.
Pension cost	
In respect of defined benefit schemes, pension fund assets are assessed actuarially at the present value of the expected future investment income, which is consistent with SSAP 24. Most liabilities are discounted at a long-term interest cost and most variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current employees.	In respect of defined benefit schemes, the same basic actuarial method is used under Statement of Financial Accounting Standards (SFAS) No. 87 as under UK GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations from regular cost are allocated in equal amounts over the average remaining services lives of current employees.
For defined contribution schemes the net pension cost for a period is the contribution called for in that period in accordance with SSAP 24.	For defined contribution schemes SFAS No. 87 provides for the same treatment as SSAP 24.
Post-retirement benefits	
Post-retirement health care liabilities are assessed actuarially on a similar basis to pension liabilities under SSAP 24 and are discounted at a long-term rate. Variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current eligible employees.	Under SFAS No. 106, there are certain differences in the actuarial method used and variations in the computation of regular cost as compared with UK GAAP.
Leasing – lessor	
Finance lease income is recognised in proportion to the funds invested in the lease using a method which results in a level rate of return on the net cash investment.	Application of SFAS No. 13 gives rise to a level rate of return on the investment in the lease, but without taking into account tax payments and receipts. This results in income being recognised in different periods than under UK GAAP.
Leasing – lessee	
In accordance with FRS 5, leases are categorised as finance leases when the substance of the agreement is that of a financing transaction and the lessee assumes substantially all of the risks and benefits relating to the asset. All other leases are categorised as operating leases.	Leases are classified as capital leases when any of certain criteria are met as outlined under SFAS No. 13. All other leases are classified as operating leases.
Deferred tax	
Deferred tax is provided using the liability method on timing differences where it is considered probable that a liability to tax will crystallise. No deferred tax asset is created in respect of the general provision for bad and doubtful debts which is not deductible in arriving at UK taxable profits.	Under SFAS No. 109, a liability method is also used, but deferred tax assets and liabilities are calculated for all temporary differences, including the general provision for bad and doubtful debts. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realised.
Property depreciation	
Depreciation is charged on the cost or revalued amounts of freehold and long leasehold properties over their estimated useful economic lives.	Freehold and long-leasehold property is depreciated based on the historical cost.

61 Differences between UK and US accounting principles (continued)

UK GAAP

Revaluation of property
Property is carried either at original cost or at subsequent valuation less related depreciation (as described in Accounting policies), calculated on the revalued amount where applicable. Revaluation surpluses are taken directly to shareholders' funds, while deficits below cost, less any related depreciation, are included in attributable profit.

Shareholders' interest in the long-term assurance fund
The shareholders' interest in the in-force life assurance and pensions policies of the long-term assurance fund is valued at the net present value of the profits inherent in such policies.

Disposal of investments
Exchange rate translation differences, which arise in respect of foreign currency denominated investments, are included in the carrying value of the investment and are also accumulated in the reserves in the consolidated accounts. The profit or loss on any disposal is calculated by comparing the net proceeds with the then carrying value of the investment.

Share compensation schemes
Where shares are purchased, the difference between the purchase price and any contribution made by the employee is charged to the profit and loss account in the period to which it relates. Where shares are issued, no charge is made to the profit and loss account.

Net unrealised gain/loss on investment securities
Investment debt securities and equity shares are stated at amortised amount less provision for diminution in value. Investment securities are those intended for use on a continuing basis by the Group.

Provision for credit losses
The Group establishes, through charges or credits against profit, sufficient specific provision to cover the estimated loss as soon as the recovery of a lending is identified as doubtful. General provisions are raised to cover losses which are judged to be present in the loan portfolio, but have not been specifically identified as such. This provision is adjusted by an appropriate charge or release.

US GAAP

Revaluations of property are not permitted in the accounts under US GAAP. As a result, when a property is disposed of, a greater profit or lower loss is generally recorded under US GAAP than under UK GAAP.

The net present value of the profits inherent in the in-force life and pensions policies of the long-term assurance fund is not recognised by the Group under US GAAP. An adjustment is made for the amortisation of acquisition costs and fees in accordance with SFAS No. 97.

SFAS No. 52 requires similar treatment of exchange rate translation differences, except that, on disposal, cumulative exchange rate translation differences, which have previously been taken to reserves, are reversed and reported as part of the profit or loss on sale of the investment.

SFAS No. 123 encourages the adoption of accounting for share compensation schemes, based on their estimated fair values at the date of the grant.

SFAS No. 115 requires that certain securities which are intended for use on a continuing basis be recorded at fair value with unrealised gains and losses recorded in shareholders' equity. The securities so treated are debt securities which are 'available for sale' - the absence of intent and ability to hold them to maturity - and certain marketable equity securities.

SFAS No. 114 requires the overall credit risk provision of impaired loans to be determined based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or, as a practical expedient, on the loan's observable market value, or the fair value of collateral if the loan is collateral dependent. A corresponding charge or credit for bad debt provisions should accompany any adjustment in the overall credit risk provision. Smaller balance homogeneous consumer loans that are collectively evaluated for impairment are outside the scope of SFAS No. 114, as are debt securities and leases.

61 Differences between UK and US accounting principles (continued)

UK GAAP	US GAAP
Dividend payable Dividends declared after the period end are recorded in the period to which they relate.	Dividends are recorded in the period in which they are declared.
Taxation Profit before tax and the tax charge for the year includes advance corporation tax on dividends received, together with notional tax at the effective rate on the shareholders' interest in the long-term fund.	Income before tax and the tax charge do not include adjustments for notional tax.
Acceptances Acceptances are not recorded within the balance sheet.	Acceptances and the related customer liabilities are recorded within the balance sheet.
Transfer and servicing of financial assets Under FRS 5 where a transaction involving a previously recognised asset transfers to others (a) all significant rights or other access to benefits relating to that asset and (b) all significant exposure to the risks inherent in those benefits, the entire asset should cease to be recognised.	Under SFAS No. 125 control passes where the following criteria are met: (a) the assets are isolated from the transferor (the seller), i.e. they are beyond the reach of the transferor, even in bankruptcy, receivership etc., (b) the transferee (the buyer) has the right - free of any conditions that constrain it from taking advantage of the right - to pledge or exchange the assets, and (c) the transferor does not maintain effective control over the transferred assets.
Extinguishment of liabilities Under FRS 5, a liability is extinguished if an entity's obligation to transfer economic benefits is satisfied or removed. Satisfaction would encompass an 'in-substance' defeasance transaction where liabilities are satisfied from the cash flows arising from essentially risk free assets transferred by the debtor to an irrecoverable defeasance trust.	Under SFAS No. 125 a debtor may de-recognise a liability if and only if either (a) the debtor pays the creditor and is relieved of its obligation for the liability, or (b) the debtor is legally released from being the primary obligor under the liability either financially or by the creditor. SFAS No. 125 does not allow for the de-recognition of a liability by means of an 'in-substance' defeasance transaction.
Restructuring of business provisions In accordance with FRS 3 and FRS 12, provisions have been made for any direct costs and net future operating losses arising from a business that management is committed to terminate, has a detailed formal plan for exit, and has raised a valid expectation of carrying out the restructuring plan.	The application of Emerging Issues Task Force (EITF) 94-3 has created recognition timing differences in respect of certain of the termination provisions. EITF 94-3 sets out specific conditions which must be met to enable liabilities relating to involuntary terminations to be recognised in the period management approve the termination plan. In respect of costs other than employee termination benefits, the basic requirement for recognition at the date of commitment to the plan to terminate are that they are not associated with, or do not benefit, activities that will be continued.
Computer software developed or obtained for internal use All computer software costs are expensed in the year of purchase unless the cost of the computer program cannot be separated from the hardware cost.	AICPA SOP 98-1 requires certain costs incurred in respect of software for internal use to be capitalised and subsequently amortised. The SOP is applicable for the first time in 1999 and is not applied retrospectively.
Internal hedging The hedging of derivatives undertaken with an independently managed trading unit of the Group may be accrual accounted by the hedging entity.	A recent interpretation of SFAS No. 80 by the SEC requires there to be a one-to-one link between the internal transaction and a transaction with the external market by the trading unit for hedge accounting to take place. If this is not evident, then the internal derivative must be fair valued by the hedging entity.

61 Differences between UK and US accounting principles (continued)

Developments in US GAAP

SFAS No. 133 'Accounting for Derivative Instruments and Hedging Activities' is now applicable for reporting from 1st January 2001 in accordance with the delay in its introduction through the provisions of SFAS No. 137. Barclays continues to renew the implications of the standard which introduces new criteria which need to be met in order to achieve hedge accounting and requires that all derivatives be measured at fair value.

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	Note	1999 £m	1998 £m	1997 £m
Attributable profit of Barclays PLC Group (UK GAAP)		**1,759**	1,317	1,133
Goodwill	(a)	**123**	(78)	34
Pension cost	(b)	**(176)**	154	114
Post-retirement benefits	(b)	**(4)**	(5)	-
Leasing - lessor	(c)	**(16)**	84	91
Leasing - lessee	(d)	**(2)**	3	3
Onerous leases	(e)	**(100)**	23	(3)
Deferred tax	(f)	**130**	35	3
Property depreciation		**4**	4	5
Share compensation schemes	(g)	**(30)**	(19)	(11)
Shareholders' interest in the long-term assurance fund		**(50)**	(55)	(18)
Property revaluation differences		**21**	18	15
Disposal of investment		**(43)**	(9)	(4)
Restructuring of business provisions	(m)	**(19)**	(17)	36
Advance corporation tax and notional tax		**7**	(13)	(26)
Internal use software		**95**	-	-
Internal hedging	(r)	**(94)**	-	-
Tax effect on the above UK/US GAAP reconciling items		**90**	(72)	(98)
Approximate net income (US GAAP)		**1,695**	1,370	1,274
Barclays PLC Group		**p**	p	p
Basic earnings per £1 ordinary share	(h)	**113.2**	90.8	83.9
Diluted earnings per £1 ordinary share	(h)	**111.3**	89.4	82.3

	Note	1999 £m	1998 £m
Shareholders' funds (UK GAAP)		**8,483**	7,842
Goodwill		**78**	93
Pension cost	(b)	**(66)**	110
Post-retirement benefits	(b)	**-**	4
Leasing - lessor	(c)	**(154)**	(137)
Leasing - lessee	(d)	**10**	12
Onerous leases	(e)	**-**	100
Deferred tax	(f)	**162**	34
Property depreciation		**(44)**	(48)
Share compensation schemes	(g)	**(66)**	(36)
Shareholders' interest in the long-term assurance fund		**(674)**	(624)
Revaluation of property	(j)	**(278)**	(303)
Net unrealised gain on investment securities	(i)	**68**	230
Dividend payable		**484**	414
Own shares	(q)	**(5)**	(43)
Restructuring of business provisions	(m)	**-**	19
Internal use software		**95**	-
Internal hedging	(r)	**(94)**	-
Tax effect on the above UK/US GAAP reconciling items		**263**	114
Approximate shareholders' equity (US GAAP)		**8,262**	7,781

61 Differences between UK and US accounting principles (continued)

Selected financial data, adjusted from UK GAAP to reflect the main differences from US GAAP, is given on page 174.

FAS 130 - Comprehensive income

The following tables detail the approximate comprehensive income and accumulated other comprehensive income under US GAAP.

	1999	1998	1997
	£m	£m	£m
Barclays PLC - Approximate net income (US GAAP)	**1,695**	1,370	1,274
Net exchange translation differences *	**(26)**	40	(96)
Net unrealised gains on investment securities**	**(111)**	7	(25)
Barclays PLC - Approximate comprehensive income (US GAAP)	**1,558**	1,417	1,153

Net exchange translation differences	**(322)**	(296)	
Net unrealised gains on investment securities**	**48**	159	
Accumulated other comprehensive income	**(274)**	(137)	

* Including reclassification to net income on disposal of investments.

** Net of tax effect

a) Goodwill

The credit adjustment in 1999 arises from the difference between the UK GAAP charge to profit and loss on provisions for disposals and that under US GAAP. The credit is after allowing for the ongoing amortisation of goodwill under US GAAP.

b) Pension cost and post-retirement benefits

The measurement of US GAAP pension expense and post-retirement benefits charge is undertaken in accordance with the requirements of SFAS No. 87 'Employers' Accounting for Pensions', and SFAS No. 106 'Employers' Accounting for Post-retirement Benefits other than Pensions' respectively. The disclosures below reflect the amendments to the requirements of the two statements arising from SFAS No. 132 'Employers' Disclosures about Pensions and Other Post-retirement Benefits'.

In accordance with SFAS No. 87 the excess of pension plan assets over the projected benefit obligation, as at the transition date, is recognised as a reduction of pension expense on a prospective basis over approximately 15 years.

The provisions of US GAAP have only been applied to the main UK pension scheme, the UK Retirement Fund (previously known as the Barclays Bank (1964) Pension Fund). The following analysis relates to the 1964 Pension Scheme (defined benefit) element of the UK Retirement Fund, which makes up approximately 90% of all the Group's schemes in terms of assets and actuarial liabilities. The impact on income of applying US GAAP on the other Group schemes is considered to be immaterial.

The components of the pension and post-retirements expense which arise under US GAAP are estimated to be as follows:

	1999		1998		1997	
	Pensions	**Post-retirement benefits**	Pensions	Post-retirement benefits	Pensions	Post-retirement benefits
Components of net periodic benefit cost	**£m**	**£m**	£m	£m	£m	£m
Service cost	**302**	**2**	235	4	214	6
Interest cost	**506**	**10**	465	12	505	10
Expected return on plan assets	**(607)**	**-**	(692)	-	(676)	-
Amortisation of prior service cost	**(25)**	**2**	(25)	6	(25)	7
Recognised net actuarial gain	**-**	**5**	(137)	-	(107)	-
Net periodic benefit cost	**176**	**19**	(154)	22	(89)	23

The US GAAP pension charge compares with a £nil charge under UK GAAP (1998 £nil charge, 1997 £25m charge).

The US GAAP post-retirement benefits expense compares with £15m in 1999 under UK GAAP (1998 £17m, 1997 £23m).

61 Differences between UK and US accounting principles (continued)

b) Pension cost and post-retirement benefits (continued)

The following table presents the estimated funded status of the Pension scheme and post-retirement benefits (the latter are unfunded) under US GAAP:

	1999		1998		1997	
	Pensions	**Post-retirement benefits**	Pensions	Post-retirement benefits	Pensions	Post-retirement benefits
	£m	**£m**	£m	£m	£m	£m
Change in benefit obligation						
Benefit obligation at beginning of year	**10,277**	**243**	7,311	184	6,463	173
Plan amendment - reduction in obligation	**-**	**(58)**	-	-	-	-
Service cost	**302**	**2**	235	4	214	6
Interest cost	**506**	**10**	465	12	505	10
Amendments (amortisation of transitional amount)	**-**	**-**	-	-	-	2
Actuarial loss/(gain)	**122**	**(10)**	2,578	52	433	1
Benefits paid	**(335)**	**(11)**	(312)	(9)	(304)	(8)
Benefit obligation at end of year	**10,872**	**176**	10,277	243	7,311	184
Change in plan assets						
Fair value of plan assets at beginning of year	**9,493**	**-**	10,026	-	8,584	-
Actual return on plan assets	**2,162**	**-**	(192)	-	1,701	-
Employer contribution/transfers	**17**	**-**	(29)	-	45	-
Benefits paid	**(335)**	**-**	(312)	-	(304)	-
Fair value of plan assets at end of year	**11,337**	**-**	9,493	-	10,026	-
Funded status	**465**	**(176)**	(784)	(243)	2,715	(184)
Unrecognised transition amount	**(90)**	**19**	(115)	80	(140)	86
Unrecognised net actuarial loss/(gain)	**(440)**	**56**	1,010	71	(2,620)	19
(Accrued)/prepaid benefit cost	**(65)**	**(101)**	111	(92)	(45)	(79)

Pension plan assets are invested primarily in equities, fixed interest securities and property.

Further details of the post-retirement health care expense under UK GAAP are given in note 5 to the accounts.

Barclays Bank PLC members retiring after 30th June 1999 will have the benefit withdrawn over a 10 year period ending on 30th June 2008. This has been accounted for as a reduction in the unrecognised transition amount.

In accordance with US GAAP requirements the actuaries for the pensions plan used the following assumptions on a weighted average basis; discount rate of 5.25% (1998 5.0%, 1997 6.5%), rate of compensation increase of 4.5% (1998 4.0%, 1997 5.0%), and expected long-term rate of return on plan assets of 6.75% (1998 6.5%, 1997 7.0%).

In accordance with the US GAAP requirements the accounting for the post-retirement benefits charge assumed a discount rate of 5.5% (1998 5.0%, 1997 7.5%) for UK benefits and 7.25% (1998 6.75%, 1997 7.0%) for US benefits, on a weighted average basis.

c) Leasing – lessor

The leasing adjustment is dependent upon the value and average age of the leasing portfolio at each period end.

d) Leasing – lessee

Under US GAAP, provisions are made for losses arising on subleases of certain operating leases which are treated as finance leases under UK GAAP.

e) Onerous leases

The charge for the year of £100m has arisen as a result of a review of leasehold properties and relates to those where unavoidable costs exceed anticipated income. The credit in the year to 31st December 1998 relates to the reversal of the prior year adjustments recorded under UK GAAP on the implementation in 1999 of Financial Reporting Standard 12.

61 Differences between UK and US accounting principles (continued)

f) Deferred tax

In accordance with SFAS No. 109 'Accounting for Income Taxes', the components of the net US GAAP deferred tax liability are as follows:

	1999 £m	1998 £m
Deferred tax liabilities:		
Leasing transactions	**(960)**	(1,010)
Capital allowances	**(31)**	(55)
ACT	**-**	(1)
Other	**(14)**	(20)
Total deferred tax liabilities	**(1,005)**	(1,086)
Deferred tax assets:		
Specific allowances	**30**	87
General allowance	**192**	214
Tax losses	**337**	287
Leasing transactions	**-**	-
Other	**158**	78
Total deferred tax assets before valuation allowance	**717**	666
Less: valuation allowance	**(146)**	(267)
Deferred tax assets less valuation allowance	**571**	399
Net deferred tax liability under US GAAP	**(434)**	(687)

(i) The main components of the tax charge attributable to continuing operations are shown in note 12 to the accounts.

(ii) A reconciliation of tax payable at the UK standard corporation tax rate and Barclays effective tax rate is shown on page 35 in the Financial review.

(iii) The valuation allowance relates to the Group's capital losses and unrelieved overseas tax losses. These assets will be recognised in the future when it becomes likely that they will be utilised.

g) Share compensation schemes

With effect from 1st January 1996, the Group adopted SFAS No. 123 'Accounting for Stock-Based Compensation'.

SFAS No.123 encourages the adoption of accounting for share compensation schemes based on their estimated fair value at the date of grant. The requirements are only applicable to options and other awards granted from 1st January 1995 onwards and, in the initial phase-in period, the amounts reported will not be representative of the effect on reported net income for future years. The SFAS No. 123 charge for the fair value of options granted since 1995 is £30m (1998 £19m, 1997 £11m).

The Executive Share Option Scheme and SAYE Share Option Scheme fall within the scope of SFAS No.123.

Analysis of the movement in the number and weighted average exercise price of options are set out below:

	Executive Share Option Scheme				SAYE Share Option Scheme			
	Number (000's)		Weighted av. ex. price (£)		Number (000's)		Weighted av. ex. price (£)	
	1999	1998	1999	1998	1999	1998	1999	1998
	1999	1998	1999	1998	1999	1998	1999	1998
Outstanding at beginning of year	**3,119**	2,336	**12.82**	10.04	**31,393**	24,751	**9.67**	8.72
Granted in the year	**1,209**	1,314	**17.82**	15.90	**8,047**	8,156	**14.26**	12.35
Exercised in the year	**(507)**	(488)	**7.57**	7.75	**(1,950)**	(261)	**8.02**	7.58
Less: Forfeited in the year	**(37)**	(43)	**12.55**	13.39	**(1,286)**	(1,253)	**10.48**	8.82
Outstanding at end of year	**3,784**	3,119	**15.12**	12.82	**36,204**	31,393	**10.75**	9.67

The disclosures of options outstanding only relate to those granted from 1995 onwards.

61 Differences between UK and US accounting principles (continued)

g) Share compensation schemes (continued)

The range of exercise prices, weighted average fair values at the date of grant and the weighted average remaining contractual life for options outstanding at the balance sheet date are as follows:

	1999 Exercise price range £	1999 Weighted average exercise price £	1999 Weighted average fair value £	1999 Weighted average remaining life Years	1998 Exercise price range £	1998 Weighted average exercise price	1998 Weighted average fair value £	1998 Weighted average remaining life Years
Executive Share Option Scheme	**7.04-17.82**	**15.12**	**4.53**	**5**	7.04-15.90	12.82	4.36	7
SAYE Share Option Scheme	**6.28-14.26**	**10.75**	**4.46**	**3**	6.28-12.67	9.67	3.80	3

Fair values are calculated at the date of grant using a binomial model which produces similar results to the Black-Scholes model. The significant weighted average assumptions used to estimate the fair value of the options granted in 1999 are as follows:

	ESOS	SAYE
Risk-free interest rate	**6.90 %**	**6.88 %**
Expected life (years)	**10**	**5**
Expected volatility	**40 %**	**40 %**

The range, weighted average exercise price, weighted average remaining contractual life and number of options outstanding at the year end are as follows:

Exercise Price Range	Weighted average exercise price £	Average remaining life Yrs	Number of options
Executive Share Option Scheme			
£6.00 - £9.99	**8.17**	**5**	**469,622**
£10.00 - £13.99	**13.88**	**6**	**810,500**
£14.00 - £17.99	**16.83**	**5**	**2,504,338**
SAYE Share Option Scheme			
£6.00 - £9.99	**7.17**	**2**	**14,426,663**
£10.00 - £13.99	**12.49**	**3**	**13,724,646**
£14.00 - £17.99	**14.26**	**4**	**7,957,071**

The range, weighted average exercise price and number of options exercisable at the year end are as follows:

Exercise Price Range	Weighted average exercise price £	Number of options
SAYE Share Option Scheme		
£6.00 - £9.99	**7.97**	**95,756**

The expected dividends for both schemes are 54p with an assumed 5% per annum until exercise estimated average growth for the industry sector.

The Executive Share Option Scheme is a long-term incentive scheme and is currently available by invitation to certain senior executives of the Group with grants usually made annually. Options are issued at the market price at the date of the grant without any discount, calculated in accordance with the rules of the Scheme, and are normally exercisable between three and ten years from that date.

Eligible employees in the United Kingdom may participate in the SAYE Share Option Scheme. Under this Scheme, employees may enter into contracts to save up to £250 per month and, at the expiry of a fixed term of three, five or seven years, have the option to use these savings to acquire shares in the Company at a discount, calculated in accordance with the rules of the scheme. The discount is currently 20% of the market price at the date the options were granted.

40.8 million (1998 45.7 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.9 million (1998 3.4 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for ordinary shares between 2000 and 2009, at prices ranging from 272p to 1782p per share.

61 Differences between UK and US accounting principles (continued)

h) Earnings per share
Basic earnings per share (EPS) under US GAAP differs from UK GAAP (see note 15) only to the extent that income calculated under US GAAP differs from that under UK GAAP.

Diluted EPS measures the effect that existing options would have on the basic EPS if they were to be exercised, by increasing the number of ordinary shares.

Under US GAAP, the number of those increased shares are reduced by the number of shares that could be bought (using the average market price in the year) with the assumed exercise proceeds (actual proceeds arising on exercise plus unamortised compensation costs, where appropriate). Any options that are antidilutive are excluded from this calculation. (An option is antidilutive when the value of the deemed proceeds is greater than the market price used in the above calculation).

	1999 Income £m	1999 Share no. (in millions)	1999 Per-Share amount Pence	1998 Income £m	1998 Share no. (in millions)	1998 Per-Share amount Pence	1997 Income £m	1997 Share no. (in millions)	1997 Per-Share amount Pence
Basic EPS									
Approximate net income (US GAAP) available to ordinary shareholders	**1,695**	**1,497**	**113.2**	1,370	1,510	90.8	1,274	1,519	83.9
Effect of dilutive securities									
Employee share options		**21**			19			24	
Other schemes		**5**			4			4	
Diluted EPS	**1,695**	**1,523**	**111.3**	1,370	1,533	89.4	1,274	1,547	82.4

Of the total number of employee share options existing at the year end, the following were not included in the dilution calculation above because they were antidilutive:

1999 in millions	1998 in millions	1997 in millions
3	15	8

Certain incentive plan shares have been excluded from the calculation of the basic EPS as the trustee has waived all dividend and voting rights. These shares are subsequently brought into the diluted earnings per share calculation (called 'Other schemes') above.

i) Net unrealised gain on investment securities
Unlisted investment equity securities are outside the scope of SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities' and continued to be carried at cost of £124m at 31st December 1999 (1998 £275m). The estimated fair value of these securities was £136m (1998 £292m).

All quoted Investment securities are classified as being 'available for sale' and Other debt securities are classified as trading securities.

There were no material gross gains or gross losses realised on the transfer of debt and equity securities from the available for sale category into the trading category in 1999 or 1998.

j) Revaluation of property
In 1990 £449 million of property revaluation reserve was capitalised by the issue of bonus shares.

k) Loan impairment
SFAS No. 114 applies only to impaired loans, the measurement of which is primarily based upon the present value of expected future cash flows discounted at the loan's effective interest rate. In certain instances this measurement may reflect the loan's observable market value, or the fair value of the collateral if the loan is collateral dependent. Smaller balance homogeneous consumer loans that are collectively evaluated for impairment are outside the scope of SFAS No. 114, as are debt securities and leases. At 31st December 1999, the element of impaired loans outside the scope of SFAS No. 114 amounted to £1,808m (1998 £1,550m).

In accordance with SFAS No. 114, the Group's total impaired loans are those reported as non-performing on page 63, less impaired loans outside the scope of SFAS No. 114, and amount to £801m at 31st December 1999 (1998 £1,027m). Credit risk provisions of £416m, estimated in accordance with SFAS No. 114, were held against these loans (1998 £512m). The average level of such impaired lendings in 1999 was approximately £892m (1998 £1,051m).

61 Differences between UK and US accounting principles (continued)

Having compared the value of the impaired loan portfolio calculated in accordance with SFAS No. 114 with the carrying value under UK GAAP, no adjustment was required to either shareholders' equity at 31st December 1999 or 31st December 1998, or to net income for these years.

Where cash received represents the realisation of security, or there is doubt regarding the recovery of a loan, such receipts are treated as repayments of the loan principal. Otherwise, cash received in respect of impaired loans is recognised as interest income. Estimated interest income which was recognised in 1999 on impaired loans within the scope of SFAS No. 114 was £6m (1998 £14m).

SFAS No. 114 modifies the accounting for in-substance foreclosure, in that only collateralised loans where the Group takes physical possession of the collateral, regardless of formal insolvency procedures, would be reclassified as 'other real estate owned' under US GAAP. At 31st December 1999, other real estate owned and borrowings which would be classified as in-substance foreclosure amounted to approximately £4m (1998 £5m) and are recorded at the lower of cost or market value.

l) Impairment of long-lived assets
With effect from 1st January 1996, the Group adopted SFAS No. 121 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of'. At 31st December 1999 having compared the value of long-lived assets calculated in accordance with SFAS No. 121 with the carrying value under UK GAAP, no adjustment to net income or shareholders' funds was required.

m) Restructuring
In the year ended 31st December 1997 a restructuring charge, excluding goodwill, of £340m was raised under UK GAAP in relation to the reorganisation of the Group's investment banking and trading businesses. Under US GAAP some £304m of this charge would have been recognised in 1997. In 1999 the remaining £19m of the residual UK GAAP charge of £36m became effective for US GAAP purposes.

The original US GAAP restructuring charge of £304m reflects severance and other termination related costs (£99m), costs in connection with planned dispositions of certain facilities (£84m) and other related costs (£64m); and losses on sale of businesses (£57m).

During 1999 the Group announced programmes to reduce the workforce primarily in Retail Financial Services and Corporate Banking. This restructuring largely focused on activities within the United Kingdom involving a reshaping of the Group's operations through the centralisation of core processes and the application of new technologies. The Retail Financial Services programme also includes a reduction in the workforce in its international operations.

At 30th June the restructuring charge was booked as £345m reflecting severance and other termination related costs (£247m), costs in connection with planned disposition of certain facilities (£83m) and other related costs (£15m). At the year end the restructuring charge has been revised down to £344m reflecting severance and other termination related costs (£192m), costs in connection with planned disposition of certain facilities (£134m) and other related costs (£18m). The reduced staff costs reflects the achievement of targeted job reductions at lower than expected cost. The increase in the facility and other costs results from the identification of additional redundant properties.

n) Other EITF 94-3 disclosures
For exit plans which meet the conditions of EITF 94-3 as clarified by SAB 100, the US GAAP balance sheet liability at 31st December 1999 would have been £184m of which £89m was in respect of staff reduction costs (covering 2,400 employees), £94m in respect of the planned disposition of certain facilities and £1m covering other related costs. Costs paid in the year to 31st December 1999 amounted to £103m in respect of staff reduction (3,500 employees), £40m relating to disposition of facilities and £17m for other related costs.

o) Transfer and servicing of financial assets and extinguishment of liabilities
With effect from 1st January 1997, the Group adopted SFAS No. 125 'Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities'. At 31st December 1999, the application of this standard resulted in an addition to US GAAP total assets of £11,491m. This increase consisted of £11,363m in respect of the recording of collateral in relation to reverse repo transactions and £128m in respect of funded loan participations which did not meet the SFAS requirements for derecognition. At 31st December 1998 the addition to US GAAP total assets amounted to £4,319m which related solely to the recording of collateral in relation to reverse repo transactions. No adjustment to net income or shareholders' funds was required for 1999 or 1998.

p) Provisions for bad and doubtful debts
The UK GAAP specific provision charge in 1999 included a £13m release (1998 £95m charge) in respect of credit losses in derivatives. No element of the year end specific provisions related to credit losses in derivatives (1998 £19m). At 31st December 1999 some £30m of the general provision (December 1998 some £30m) was held in respect of off balance sheet exposures (including derivatives).

Specific provisions for contingent liabilities and commitments are accounted for separately (see note 35).

61 Differences between UK and US accounting principles (continued)

q) Own shares
In accordance with ARB No. 51, Barclays PLC shares shown for UK GAAP within Other assets in note 26 on page 123 have been netted against US GAAP shareholders' equity.

r) Internal Hedging
The US GAAP adjustment arises from marking to market internal hedging transactions involving derivatives, entered into from 1st January 1999, that have not been passed directly to the market. Under UK GAAP, these transactions are measured as hedges on an accrual accounting basis in accordance with the accounting treatment of the transactions being hedged. These activities are described more fully in pages 71 to 72.

Derivative financial instruments such as these form part of a portfolio of derivative and on-balance sheet financial instruments which are used as part of the Group's treasury asset and liability management strategy. Overall, these hedging instruments and the related on-balance sheet positions had a net fair value in excess of book value at both 31st December 1999 and 31st December 1998.

s) Total assets
In addition to the adjustments to total assets arising from the GAAP differences dealt with in the tables on page 154, and notes o) and q) above, there are other adjustments resulting from differences in GAAP including the treatment of acceptances. At 31st December 1999 the increase in total assets under US GAAP from these other adjustments amounted to £2,637m (1998 £1,954m).

t) Profit and loss account presentation
There are certain differences in the presentation of the profit and loss account between UK GAAP and US GAAP. For example, profits or losses on redemption of loan capital would be classified as an extraordinary item under US GAAP rather than as a component of net interest income, while profit on disposal of Group undertakings and the write-down of surplus properties would be classified as operating income or expense under US GAAP rather than being shown separately. Under US GAAP, interest and dividends relating to trading activities would be shown within net interest revenue and other revenue respectively, rather than included in dealing profits.

62 Consolidated statement of cash flows – discussion of differences between FRS 1 (revised) and SFAS No. 95 (as amended by SFAS No. 104)

There are many similarities between SFAS No. 95, as amended by SFAS No. 104, and the UK FRS 1 (revised), which was implemented by Barclays in 1997.

The two statements differ with regard to the classification of items within the cash flow statement and with regard to the definition of cash.

	Classification under FRS 1 (revised)	**Classification under SFAS No. 95**
Dividends received	Returns on investment and servicing of finance	Operating activities
Dividends paid - equity	Equity dividends paid	Financing activities
Tax paid	Taxation	Operating activities
Net change in loans and advances, including finance lease receivables	Operating activities	Investing activities
Net change in deposits and debt securities in issue	Operating activities	Financing activities

Under FRS 1 (revised), cash is defined as cash and balances at central banks and loans and advances to banks repayable on demand. SFAS No. 95 defines cash as being inclusive of cash equivalents which are short-term highly liquid investments that are both readily convertible into known amounts of cash and that are so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

Under FRS 1 (revised), transactions undertaken to hedge another transaction are reported under the same classification as that which is the subject of the hedge.

Interest paid in the year, including amounts relating to trading activities, was £8,194m (1998 £9,463m, 1997 £8,226m).

Set out below, for illustrative purposes, is a summary consolidated statement of cash flows presented on a US GAAP basis	**1999 £m**	1998 £m	1997 £m
Net cash provided by operating activities	**3,792**	1,092	12,010
Net cash (used in)/provided by investing activities	**(40,547)**	20,832	(38,092)
Net cash provided by/(used in) financing activities	**31,787**	(15,317)	32,749
Effect of exchange rate changes on cash and due from banks	**393**	(1,305)	347
Net (decrease)/increase in cash and cash equivalents	**(4,575)**	5,302	7,014
Cash and cash equivalents at beginning of year	**40,187**	34,885	27,871
Cash and cash equivalents at end of year	**35,612**	40,187	34,885

63 Regulatory capital requirements

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 Regulations and Supervisory Practices (the Basel Committee) and European Community Directives, as implemented by the Financial Services Authority (FSA) for supervisory purposes. The FSA regards the risk asset ratio calculation originally developed by the Basel Committee as a key supervisory tool and sets individual minimum ratio requirements for banks in the United Kingdom at or above the minimum of 8%. The ratio calculation involves the aggregation of risk weighted assets across both banking and trading activities. Weightings reflect an estimate of relative risks associated with broad categories of transactions and counterparties. The concept of risk weighting and the basis for calculating eligible capital resources are described under Capital ratios on page 42.

The following tables analyse capital resources and capital ratios, as defined for regulatory purposes:

Barclays PLC Group and Barclays Bank PLC Group

	Amount	Ratio
As at 31st December 1999	£m	%
Total net capital resources	**13,134**	**11.3**
Tier 1 capital resources	**8,696**	**7.5**
	Amount	Ratio
As at 31st December 1998	£m	%
Total net capital resources	11,685	10.6
Tier 1 capital resources	8,031	7.3

64 Significant Group concentrations of credit risk

SFAS No. 105 defines a concentration of credit risk as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Barclays exposure to credit risk is concentrated in the United Kingdom where the majority of the Group's activities are conducted. As one of the largest UK banks, Barclays accounts for a significant share of credit exposure to almost all sectors of the economy and the Group is therefore significantly affected by the general economic conditions in the United Kingdom. However, credit risk is well spread over a diversity of both personal and commercial customers, reflecting the Group's risk management policy of imposing limits on exposure to any one single counterparty (see Financial review – Potential credit risk lendings and Risk management). Outside the United Kingdom, the Group's geographical spread ensures a wide variety of counterparties in the main areas of operation in Europe, the United States and other areas of the world. As an active participant in the international banking markets, the Group has a significant concentration of credit risk with financial institutions. In total, credit risk exposure to financial institutions at 31st December 1999 was estimated to have amounted to £83bn (1998 £67.5bn) of which £57bn (1998 £41.5bn) consisted of placings and negotiable certificates of deposit and £10bn (1998 £11.2bn) of mark to market balances in respect of exchange and interest rate contracts. The remaining credit risk exposure is largely related to letters of credit and guarantees. Within the overall exposure, the Group maintains relationships with some 1,100 banking groups in countries all over the world. Credit risk in respect of the property sector, included within loans and advances to customers, totalled £4bn worldwide at 31st December 1999 (1998 £3.5bn), with a further exposure of £1.8bn (1998 £1.8bn) in respect of committed facilities.

See Financial review – Loans and advances to banks and customers, Securities and Trading activities.

65 Ratio of earnings to fixed charges and preference share dividends

Ratio of earnings to fixed charges	1999	1998	1997	1996	1995
UK GAAP:					
Excluding interest on deposits	**1.47**	1.35	1.37	1.78	1.73
Including interest on deposits	**1.29**	1.20	1.20	1.33	1.27
US GAAP:					
Excluding interest on deposits	**1.44**	1.37	1.42	1.76	1.69
Including interest on deposits	**1.27**	1.21	1.23	1.32	1.26
Ratio of earnings to combined fixed charges and preference share dividends					
UK GAAP:					
Excluding interest on deposits	**1.46**	1.34	1.36	1.76	1.71
Including interest on deposits	**1.28**	1.19	1.19	1.32	1.27
US GAAP:					
Excluding interest on deposits	**1.43**	1.36	1.41	1.74	1.67
Including interest on deposits	**1.27**	1.21	1.22	1.31	1.25

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19 **Financial statements and exhibits n/a**

Currency of presentation

In this report, unless otherwise specified, all amounts are expressed in pounds sterling. For the years indicated, the high, low, average and year-end noon buying rates in New York City for cable transfers in pounds sterling, as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate), were:

	1999	1998	1997	1996	1995
		(US dollars per pound sterling)			
High	**1.68**	1.72	1.70	1.71	1.64
Low	**1.55**	1.61	1.58	1.49	1.53
Average*	**1.62**	1.66	1.64	1.56	1.58
Year-end	**1.62**	1.66	1.65	1.71	1.55

*The average of the Noon Buying Rates on the last day of each month.

On 22nd February 2000, the Noon Buying Rate was $1.62 per pound sterling. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into US dollars at that rate or at any of the above rates. For the purpose of presenting financial information in this report, exchange rates other than those shown above may have been used.

Glossary

Term used in annual report	**US equivalent or brief description**
Accounts	Financial statements
Advance corporation tax	No direct US equivalent. Tax paid on company distributions recoverable from UK taxes due on income
Allotted	Issued
Attributable profit	Net income
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Class of business	Industry segment
Fees and commissions receivable	Fee and commission income
Fees and commissions payable	Fee and commission expense
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interest receivable	Interest income
Interest payable	Interest expense
Loans and advances	Lendings
Loan capital	Long-term debt
Net asset value	Book value
Profit	Income
Profit and loss account	Income statement
Profit and loss account reserve	Retained earnings
Provisions	Allowances
Revaluation reserve	No direct US equivalent. Represents the increase in the valuation of certain assets as compared with historical cost
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Shareholders' funds	Shareholders' equity
Share premium account	Additional paid-up capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Tangible fixed assets	Property and equipment
Write-offs	Charge-offs

Consolidated profit and loss account Barclays Bank PLC

For the year ended 31st December 1999

	Note	1999 £m	1998 £m	1997 £m
Interest receivable:				
Interest receivable and similar income arising from debt securities		***1,397***	*1,419*	*1,305*
Other interest receivable and similar income		***7,923***	*8,493*	*7,822*
		9,320	*9,912*	*9,127*
Interest payable		***4,696***	*5,604*	*5,095*
Profit on redemption/repurchase of loan capital	1	***3***	*3*	*2*
Net interest income		***4,627***	*4,311*	*4,034*
Fees and commissions receivable		***3,207***	*3,008*	*3,197*
Less: fees and commissions payable		***(275)***	*(229)*	*(218)*
Dealing profits	2	***561***	*(33)*	*374*
Other operating income	3	***244***	*324*	*200*
Operating income		***8,364***	*7,381*	*7,587*
Administrative expenses - staff costs	4	***3,057***	*2,811*	*3,035*
Administrative expenses - other	6	***1,807***	*1,829*	*1,889*
Depreciation and amortisation	7	***280***	*275*	*269*
Operating expenses		***5,144***	*4,915*	*5,193*
Operating profit before provisions		***3,220***	*2,466*	*2,394*
Provisions for bad and doubtful debts	19	***621***	*492*	*227*
Provisions for contingent liabilities and commitments	8	***1***	*76*	*4*
Provisions		***622***	*568*	*231*
Operating profit		***2,598***	*1,898*	*2,163*
Loss on sale or restructuring of BZW	9	***(30)***	*(3)*	*(469)*
(Loss)/profit on disposal of other Group undertakings	10	***(108)***	*4*	*44*
Write-down of fixed asset investments	11	**-**	*(4)*	*(19)*
Profit on ordinary activities before tax		***2,460***	*1,895*	*1,719*
Tax on profit on ordinary activities	12	***649***	*533*	*542*
Profit on ordinary activities after tax		***1,811***	*1,362*	*1,177*
Minority interests - equity		***(24)***	*(20)*	*(20)*
Profit for the financial year attributable to the members of Barclays Bank PLC (Net income)		***1,787***	*1,342*	*1,157*
Dividends payable to Barclays PLC	c	***(1,404)***	*(1,214)*	*(914)*
Dividends payable to preference shareholders	c	***(28)***	*(25)*	*(24)*
Profit retained for the financial year		***355***	*103*	*219*

The note numbers refer to the notes on pages 111 to 162, whereas the note letters refer to those on pages 170 to 172.

For each of the years reported above, there was no material difference between profit before tax and profit retained, and historical cost profits.

Statement of total recognised gains and losses

For the year ended 31st December 1999

	1999 £m	1998 £m	1997 £m
Profit for the financial year attributable to the members of Barclays Bank PLC	***1,787***	*1,342*	*1,157*
Exchange rate translation differences	***(63)***	*30*	*(91)*
Other items	***4***	*30*	*-*
Total recognised gains relating to the period	***1,728***	*1,402*	*1,066*
Prior period adjustment	***(81)***		
Total gains and losses recognised since 31st December 1998	***1,647***		

Consolidated balance sheet Barclays Bank PLC

As at 31st December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m
Assets					
Cash and balances at central banks			***1,166***		*942*
Items in course of collection from other banks			***2,492***		*2,475*
Treasury bills and other eligible bills	16		***7,176***		*4,748*
Loans and advances to banks - banking		***13,071***		*20,316*	
- trading		***29,585***		*16,296*	
	17		***42,656***		*36,612*
Loans and advances to customers - banking		***95,006***		*81,469*	
- trading		***18,532***		*14,641*	
	18		***113,538***		*96,110*
Debt securities	20		***53,919***		*45,180*
Equity shares	21		***5,604***		*4,888*
Interests in associated undertakings and joint ventures	22		***106***		*150*
Intangible fixed assets	23		***183***		*196*
Tangible fixed assets	24		***1,800***		*1,939*
Other assets	26		***15,910***		*16,617*
Prepayments and accrued income	28		***2,203***		*2,552*
			246,753		*212,409*
Retail life-fund assets attributable to policyholders	27		***8,040***		*7,085*
Total assets			***254,793***		*219,494*

The note numbers refer to the notes on pages 111 to 162.

Consolidated balance sheet Barclays Bank PLC

For the year ended 31st December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m
Liabilities					
Deposits by banks - banking		26,915		*25,951*	
- trading		17,571		*8,469*	
	29		***44,486***		*34,420*
Customer accounts - banking		***105,027***		*96,099*	
- trading		***18,939***		*12,706*	
	30		***123,966***		*108,805*
Debt securities in issue	31		***23,329***		*17,824*
Items in course of collection due to other banks			***1,400***		*1,279*
Other liabilities	32		***35,119***		*33,350*
Balances due to Barclays PLC			***484***		*414*
Accruals and deferred income	33		***3,290***		*3,074*
Provisions for liabilities and charges - deferred tax	34		***596***		*702*
Provisions for liabilities and charges - other	35		***651***		*651*
Subordinated liabilities:					
Undated loan capital - convertible to preference shares	36		***309***		*301*
Undated loan capital - non-convertible	36		***1,440***		*1,441*
Dated loan capital - non-convertible	37		***2,848***		*1,992*
			237,918		*204,253*
Minority interests and shareholders' funds					
Minority interests - equity			***82***		*51*
Called up share capital	a	***2,088***		*2,076*	
Share premium account		***1,881***		*1,672*	
Revaluation reserve		***37***		*36*	
Profit and loss account		***4,747***		*4,321*	
Shareholders' funds - equity and non-equity	b		***8,753***		*8,105*
			8,835		*8,156*
			246,753		*212,409*
Retail life-fund liabilities to policyholders	27		***8,040***		*7,085*
Total liabilities and shareholders' funds			***254,793***		*219,494*

	Note	1999 £m	1998 £m
Memorandum items	46		
Contingent liabilities:			
Acceptances and endorsements		***1,530***	*1,384*
Guarantees and assets pledged as collateral security		***12,044***	*8,784*
Other contingent liabilities		***5,360***	*5,069*
		18,934	*15,237*
Commitments - standby facilities, credit lines and other		***82,479***	*68,191*

The note numbers refer to the notes on pages 111 to 162, whereas the note letters refer to those on pages 170 to 172.

Consolidated statement of changes in reserves Barclays Bank PLC

For the year ended 31st December 1999

	1999 £m	1998 £m	1997 £m
Share premium account			
At beginning of year	***1,672***	*1,574*	*1,469*
Premium arising on shares issued	***202***	*100*	*95*
Exchange rate translation differences	***7***	*(2)*	*10*
At end of year	***1,881***	*1,672*	*1,574*
Revaluation reserve			
At beginning of year	***36***	*35*	*44*
Exchange rate translation differences	***(3)***	*1*	*(3)*
Realisation of revaluation surplus	**-**	-	*(5)*
Revaluation of interest in associated undertaking	***5***	-	-
Other items	***(1)***	-	*(1)*
At end of year	***37***	*36*	*35*
Profit and loss account			
At beginning of year	***4,321***	*4,147*	*3,895*
Profit retained	***355***	*103*	*219*
Exchange rate translation differences	***(67)***	*31*	*(98)*
Goodwill arising on acquisitions	**-**	-	-
Goodwill written back on disposals	***138***	*10*	*126*
Realisation of revaluation surplus	**-**	-	*5*
Other items	**-**	*30*	-
At end of year	***4,747***	*4,321*	*4,147*
Total reserves	***6,665***	*6,029*	*5,756*

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 1999 totalled £789m (1998 £732m, 1997 £511m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Accumulated exchange rate translation differences are £478m debit (1998 £415m debit, 1997 £445m debit)

Goodwill amounting to £215m (1998 £353m, 1997 £363m) has been charged directly against reserves in the current and 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.

Consolidated cash flow statement Barclays Bank PLC
For the year ended 31st December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m	1997 £m	1997 £m
Net cash inflow/(outflow) from operating activities	d		**8,917**		(1,674)		9,038
Dividends received from associated undertakings			**5**		3		7
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(253)**		(220)		(270)	
Preference dividends paid		**(28)**		(25)		(24)	
Dividends paid to minority shareholders		**(9)**		(7)		(9)	
Net cash outflows from returns on investment and servicing of finance			**(290)**		(252)		(303)
Tax paid			**(636)**		(547)		(263)
Capital expenditure and financial investment:							
Capital expenditure		**(224)**		(305)		(342)	
Sale of property and equipment		**58**		107		159	
Purchase of investment securities		**(13,094)**		(10,866)		(11,942)	
Redemption of investment securities		**2,476**		3,874		1,481	
Sale of investment securities		**2,894**		9,523		3,131	
Net cash (outflow)/inflow from capital expenditure and financial investment			**(7,890)**		2,333		(7,513)
Acqusitions and disposals:							
Acquisition of subsidiary undertakings	54	**60**		(70)		-	
Acquisition of associated undertakings and joint ventures		**-**		(43)		-	
Sale of associated undertakings		**8**		7		2	
Sale of other group undertakings	51	**174**		690		48	
Net cash inflow from acquisitions and disposals			**242**		584		50
Equity dividend paid:			**(1,328)**		(822)		(923)
Net cash(outflow)/inflow before financing			**(980)**		(375)		93
Financing:	e						
Issue of loan capital and other subordinated liabilities (net of expenses)		**859**		962		478	
Redemption/repurchase of loan capital and other subordinated liabilities		**(15)**		(240)		(640)	
Issue of ordinary shares		**214**		110		113	
Net cash inflow/(outflow) from financing			**1,058**		832		(49)
Increase in cash	53		**78**		457		44

The note numbers refer to the notes on pages 111 to 162, whereas the note letters refer to those on pages 170 to 172.

a Called up share capital

Ordinary shares

The authorised ordinary share capital of the Bank, at 31st December 1999, was 2,500 million (1998:2,500 million) ordinary shares of £1 each.

	1999	1998	1997
Called up ordinary share capital, allotted and fully paid	**£m**	£m	£m
At beginning of year	**2,076**	2,066	2,048
Issued for cash	**12**	10	18
At end of year	**2,088**	2,076	2,066

Preference shares

The authorised preference share capital of the Bank is 150 million (1998:150 million) shares of $0.01 each. At 31st December 1999, 34.92 million (1998:34.92 million) preference shares were outstanding and had been issued for a consideration of $436.5m or (£270.0m), of which the nominal value was $349,200 and the balance was share premium.

	Number of shares issued	Nominal value per share $	Premium per share $	Liquidation value per share $	Earliest redemption date
Series C1	8,960,000	0.01	19.99	20.00	29th June 2000
Series C2	8,960,000	0.01	4.99	5.00	29th June 2000
Series D1	8,500,000	0.01	19.99	20.00	29th March 2001
Series D2	8,500,000	0.01	4.99	5.00	29th March 2001

The Series C1 and C2 Preferences Shares and the Series D1 and D2 Preference Shares are respectively redeemable, at the option of the Bank, as a whole at their liquidation values, together with accrued and unpaid dividends for the current quarterly dividend period to the date of redemption.

In the event of a winding up, the holders of preference shares will be entitled to receive, before any distribution of assets is made to holders of ordinary shares of Barclays Bank PLC, liquidating distributions in the amounts of Series C1 and D1, $20; and Series C2 and D2, $5 per share plus an amount equal to accrued and unpaid dividends for the current quarterly dividend period to the date of commencement of the winding up.

The holders of preference shares are not entitled to receive notice of, or to attend or vote at, any general meeting of Barclays Bank PLC, except where there has been a failure to pay the equivalent of six consecutive quarterly dividends (in which case they may appoint two additional Directors), or where a resolution is proposed for adoption by shareholders providing for the winding up of the Bank. However, Series C1 and Series D1 Preference shareholders may receive notice of and attend the general meeting called for the purpose and vote on that resolution.

In the event of the conversion of the Series E Notes (see page 129), the rights of the Series E1 and E2 Preference Shares are the same as those for Series D1 and D2 respectively. The Series E Preference Shares issued on conversion are redeemable, at the option of the Bank, in full on or after 30th April 2003.

b Shareholders' funds

Shareholders' funds at 31st December 1999 include £270m (1998 £263m) of non-equity share premium (see Preference shares in note a above). All other shareholders' funds represent equity interests.

c Dividends

On ordinary shares	1999 £m	1998 £m	1997 £m
Interim dividends	**918**	804	895
Final interim dividend (1998 final interim, 1997 final)	**486**	410	19
	1,404	1,214	914

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and, in 1999, to fund the repurchase by Barclays PLC of 27.8 million of its ordinary shares at a total cost of £504m (1998: 29.3 million at a total cost of £501m), and to fund contributions of £154m (1998 £67m) made by Barclays PLC to the QUEST (see page 108) to enable the purchase of new Barclays PLC ordinary shares on the exercise of options under the SAYE Share Option Scheme.

Dividends on the preference shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders, expressed as percentages of the liquidation values of the relevant preference shares, of 11.25% on Series C1 and Series C2 Preference Shares and 11.5% on Series D1 and Series D2 Preference Shares. Preference dividends paid totalled $40m (£28m) in 1999, $40m (£25m) in 1998 and $40m (£24m) in 1997.

In the event of the conversion of the Series E Notes, the annual dividends, expressed as a percentage of the liquidation values, on the Series E1 and E2 Preference Shares would be 9.25%.

d Reconciliation of operating profit to net cash flow from operating activities

	1999 £m	1998 £m	1997 £m
Net cash inflow/(outflow) from operating activities of Barclays PLC (see note 50)	**8,923**	(1,337)	8,979
(Decrease)/increase in balance due by Barclays Bank PLC to Barclays PLC	**(6)**	(337)	59
Net cash inflow/(outflow) from operating activities of Barclays Bank PLC	**8,917**	(1,674)	9,038

e Changes in financing during the year

Barclays Bank PLC	Undated loan capital £m	Dated loan capital £m	Ordinary shares £m	Share premium £m
At beginning of year	**1,742**	**1,992**	**2,076**	**1,672**
Exchange rate and other movements	**25**	**(3)**	**-**	**7**
Profit on redemption/repurchase of loan capital	**(3)**	**-**	**-**	**-**
Net cash (outflow)/inflow from financing	**(15)**	**859**	**12**	**202**
At end of year	**1,749**	**2,848**	**2,088**	**1,881**

f Segmental analysis

By geographical segments (a)	1999 £m	1999 %	1998 £m	1998 %	1997 £m	1997 %
Attributable profit						
United Kingdom	**1,207**	**67**	1,107	82	726	63
Foreign UK-based	**184**	**10**	(46)	(3)	179	16
Other European Union	**262**	**15**	213	16	107	9
United States	**71**	**4**	21	2	86	7
Rest of the World	**63**	**4**	47	3	59	5
	1,787	**100**	1,342	100	1,157	100

Notes

(a) For the basis of the geographical analysis, see Analyses by geographical segments and classes of business on page 104.

g Differences between UK and US accounting principles – Barclays Bank PLC

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	Note	1999 £m	1998 £m	1997 £m
Approximate net income (US GAAP) of Barclays PLC Group (from page 154)		**1,695**	1,370	1,274
Preference share dividends of Barclays Bank PLC		**28**	25	24
Approximate net income (US GAAP) of Barclays Bank PLC Group		**1,723**	1,395	1,298

	Note	1999 £m	1998 £m
Shareholders' funds (UK GAAP) of Barclays Bank PLC Group		**8,753**	8,105
Goodwill	(a)	**78**	93
Pension cost	(b)	**(66)**	110
Post-retirement benefits	(b)	**-**	4
Leasing - lessor	(c)	**(154)**	(137)
Leasing - lessee	(d)	**10**	12
Onerous leases	(e)	**-**	100
Deferred tax	(f)	**162**	34
Property depreciation		**(44)**	(48)
Share compensation schemes	(g)	**(66)**	(36)
Shareholders' interest in the long-term assurance fund		**(674)**	(624)
Revaluation of property	(j)	**(278)**	(303)
Net unrealised gain on investment securities	(i)	**68**	230
Dividend payable		**484**	410
Restructuring of business provisions	(m)	**-**	19
Internal use software		**95**	-
Internal hedging	(r)	**(94)**	-
Tax effect on the above UK/US GAAP reconciling items		**263**	114
Approximate shareholders' equity (US GAAP) of Barclays Bank PLC Group		**8,537**	8,083

The note numbers refer to the notes on pages 155 to 161.

FAS 130 - Comprehensive income

The following table details the approximate comprehensive income and accumulated other income under US GAAP.

	1999 £m	1998 £m	1997 £m
Barclays Bank PLC - Approximate net income (US GAAP)	**1,723**	1,395	1,298
Net exchange translation differences *	**(19)**	38	(86)
Net unrealised gains on investment securities**	**(111)**	7	(25)
Barclays Bank PLC - Approximate comprehensive income (US GAAP)	**1,593**	1,440	1,187

	1999	1998
Net exchange translation differences	**(293)**	(274)
Net unrealised gains on investment securities**	**48**	159
Accumulated other comprehensive income	**(245)**	(115)

* Including reclassification to net income on disposal of investments.

** Net of tax effect.

	1999	1998	1997	1996	1995
Selected financial statistics	%	%	%	%	%
Attributable profit as a percentage of:					
average total assets (note (a))	**0.73**	0.55	0.54	0.91	0.85
average shareholders' funds	**20.88**	16.67	14.98	22.37	20.42
Average shareholders' funds as a percentage of average total assets (note (a))	**3.50**	3.31	3.60	4.07	4.14

Selected profit and loss account data	£m	£m	£m	£m	£m
Interest receivable	**9,320**	9,912	9,127	8,730	9,209
Interest payable	**4,696**	5,604	5,095	4,825	5,431
Profit on redemption/repurchase of loan capital	**3**	3	2	32	-
Non interest income	**3,737**	3,070	3,553	3,607	3,403
Operating expenses	**5,144**	4,915	5,193	5,097	4,999
Provisions - bad and doubtful debts	**621**	492	227	215	396
- contingent liabilities and commitments	**1**	76	4	9	3
Loss on sale or termination of BZW businesses	**(30)**	(3)	(469)	-	-
(Loss)/profit on disposal of other Group undertakings	**(108)**	4	44	70	238
Write-down of fixed asset investments	**-**	(4)	(19)	-	-
Profit before tax	**2,460**	1,895	1,719	2,293	2,021
Attributable profit	**1,787**	1,342	1,157	1,655	1,392

Selected balance sheet data	£m	£m	£m	£m	£m
Shareholders' funds	**8,753**	8,105	7,822	7,456	7,251
Dated and undated loan capital	**4,597**	3,734	2,868	3,031	3,560
Deposits by banks, customer accounts and debt securities in issue	**191,781**	161,049	173,283	142,554	125,361
Loans and advances to banks and customers	**156,194**	132,722	136,706	118,441	111,280
Total assets	**254,793**	219,494	232,429	185,161	168,826

Note

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

The following financial information has been adjusted from data prepared under UK GAAP to reflect significant differences from accounting principles generally accepted in the United States (US GAAP). See note 61 for an explanation of these differences.

Selected financial statistics

	1999 (b)	1999	1998	1997	1996	1995
Barclays PLC Group	¢	p	p	p	p	p
Earnings per £1 ordinary share	**183.4**	**113.2**	90.8	83.9	98.2	80.3
Dividends per £1 ordinary share	**72.9**	**45.0**	39.0	33.5	28.0	22.5
Book value per £1 ordinary share	**896**	**553**	515	487	460	428
Net income as a percentage of:		%	%	%	%	%
average total assets		**0.65**	0.54	0.58	0.83	0.78
average shareholders' equity		**20.82**	17.84	17.38	21.89	20.29
Dividends as a percentage of net income		**39.88**	43.13	40.27	28.35	27.92
Average shareholders' equity as a percentage of average total assets		**3.12**	3.03	3.32	3.79	3.82
Barclays Bank PLC Group						
Net income as a percentage of:						
average total assets		**0.66**	0.55	0.59	0.84	0.79
average shareholders' equity		**20.43**	17.85	17.78	22.22	20.48
Average shareholders' equity as a percentage of average total assets		**3.23**	3.09	3.31	3.79	3.85

Selected financial statement data

	$m	£m	£m	£m	£m	£m
Net income (note (a)):						
Barclays PLC Group	**2,746**	**1,695**	1,370	1,274	1,545	1,310
Barclays Bank PLC Group	**2,791**	**1,723**	1,395	1,298	1,570	1,335
Shareholders' equity (note (a)):						
Barclays PLC Group	**13,384**	**8,262**	7,781	7,409	7,082	6,948
Barclays Bank PLC Group	**13,830**	**8,537**	8,083	7,377	7,056	6,986
Total assets (note (a)):						
Barclays PLC Group	**434,171**	**268,007**	225,017	234,104	185,090	169,394
Barclays Bank PLC Group	**434,179**	**268,012**	225,060	234,147	185,090	169,394

Notes

(a) Net income and shareholders' equity have been adjusted to reflect significant differences between UK and US GAAP, as shown in note 61 to the accounts. Total assets have been adjusted to reflect such differences together with adjustments set out in footnotes o), q) and s) to note 61.

(b) The dollar financial information has been translated for convenience at the rate of $1.62 to £1, the Noon Buying Rate for cable transfers in New York City, payable in pounds sterling, at 31st December 1999.

Dividends on the ordinary shares of Barclays PLC

Barclays PLC has paid dividends on its ordinary shares every year without interruption since its incorporation in 1896.

The dividends declared for each of the last five years were:

Pence per £1 ordinary share

	1999	1998	1997	1996	1995
First interim	**17.50**	15.50	13.50	11.50	9.50
Second Interim (1998 second interim, other comparative years final)	**32.50**	27.50	23.50	20.00	16.50
	50.00	43.00	37.00	31.50	26.00

US Dollars per £1 ordinary share

	1999	1998	1997	1996	1995
First interim	**0.29**	0.26	0.22	0.19	0.15
Second Interim (1998 second interim, other comparative years final)	**0.53**	0.44	0.39	0.33	0.25
	0.82	0.70	0.61	0.52	0.40

The gross dividends applicable to an American Depositary Share (ADS) representing four ordinary shares, before deduction of withholding tax, but including the UK imputed tax credit for dividends paid before 6th April 1999 (see Taxation of US holders (page 179)) are as follows.

US Dollars per American Depositary Shares

	1999	1998	1997	1996	1995
First interim	**1.16**	1.32	1.09	0.93	0.75
Second Interim (1998 second interim, other comparative years final)	**2.10**	1.77	1.95	1.63	1.24
	3.26	3.09	3.04	2.56	1.99

Dividends expressed in dollars are translated at the noon buying rates in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate') for the days on which dividends are paid, except for the 1999 second interim dividend, payable in the United Kingdom on 3rd May 2000, which is translated at Noon Buying Rate applicable on 22nd February 2000, the latest practical date for inclusion in this report. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into dollars at these rates.

Dividends on the preference shares of Barclays Bank PLC

Dividends on the preference shares are paid quarterly at such rates as will, including the UK associated tax credit if any and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders of 11.25% on the aggregate liquidation values of Series C1 and Series C2 Preference Shares and 11.5% on the aggregate liquidation values of Series D1 and Series D2 Preference Shares.

Trading market for ordinary shares of Barclays PLC

The nominal capital of Barclays PLC is divided into 1,999,000,000 ordinary shares of £1 each (ordinary shares) and 1,000,000 staff shares of £1 each (staff shares). At the close of business on 31st December 1999,1,494,351,486 £1 ordinary shares and 875,000 staff shares were outstanding.

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. Ordinary share listings were also obtained on the Tokyo Exchange with effect from 1st August 1986 and the New York Stock Exchange (NYSE) with effect from 9th September 1986.

Trading on the NYSE is in the form of ADSs under the symbol 'BCS'. Each ADS represents four £1 ordinary shares and is evidenced by an ADR. The ADR depositary is Morgan Guaranty Trust Company of New York. Details of trading activity are published in the stock tables of leading daily newspapers in the United States.

There were 554 recorded holders of ordinary shares, including those holding ADRs, with US addresses at 31st December 1999, whose shareholdings represented approximately 0.26% of total outstanding ordinary shares on that date. Since certain of the ordinary shares and ADRs were held by brokers or other nominees, the number of recorded holders in the US may not be representative of the number of beneficial holders or of their country of residence.

The following table shows the high and low sales prices for the £1 ordinary shares during the periods indicated, based on mid-market prices at close of business on the London Stock Exchange and the high and low sale prices for ADSs as reported on the NYSE composite tape.

	£1 ordinary shares		American Depositary Shares	
	High	Low	High	Low
1999	p	p	US$	US$
Fourth quarter	**1,996**	**1,617**	**129**	**105 1/2**
Third quarter	**1,934**	**1,605**	**123 1/2**	**104**
Second quarter	**2,011**	**1,724**	**129 1/2**	**114**
First quarter	**1,893**	**1,288**	**124**	**86**
1998				
Fourth quarter	1,488	838	99	58 3/8
Third quarter	1,949	961	128 1/2	66
Second quarter	1,858	1,634	126	107
First quarter	1,948	1,603	130 7/8	102 3/8

Trading market for preference shares of Barclays Bank PLC

At 31st December 1999, Barclays Bank PLC had outstanding 34,920,000 non-cumulative dollar-denominated preference shares, issued in 1990 and 1991, with a nominal value of $0.01 each. Currently, the only trading market for these shares is the NYSE where they are traded in the form of ADSs, each ADS representing one preference share and being evidenced by an ADR. The Series C1 and Series C2 Preference Share ADSs are traded on the NYSE as Series C Preference Share ADS Units and each such Unit comprises one Series C1 Preference Share ADS and one Series C2 Preference Share ADS. Identical arrangements exist for the Series D1 and Series D2 Preference Share ADSs to trade as Series D Preference Share ADS Units. The ADR depositary is Morgan Guaranty Trust Company of New York.

At 31st December 1999, the Series C Preference Share ADR Units were held by 639 recorded holders and the Series D Preference Share ADR Units by 946 recorded holders, all with US addresses.

The following table shows the high and low sale prices for the Series C and Series D Preference Share ADS Units during the periods indicated, as reported on the NYSE composite tape.

	American Depositary Shares			
	Series C		Series D	
	High	Low	High	Low
1999	US$	US$	US$	US$
Fourth quarter	**26 3/16**	**25 1/4**	**26 3/4**	**25 3/4**
Third quarter	**26 3/4**	**26**	**27 1/4**	**26 1/4**
Second quarter	**27 3/16**	**25 13/16**	**27 3/4**	**26 1/2**
First quarter	**27 1/8**	**26 3/8**	**28 1/4**	**27 3/16**
1998				
Fourth quarter	26 7/8	26 1/2	28 1/16	27 1/4
Third quarter	27 3/16	26 1/4	27 13/16	26 3/4
Second quarter	27 3/4	27 1/2	28 1/2	28 5/16
First quarter	28 1/4	27 7/8	29 1/8	28 1/2

The Series C1 and C2 Preference Share ADSs were issued during 1990 and the Series D1 and Series D2 Preference Share ADSs were issued during 1991.

Note

This section incorporates information on the prices at which securities of Barclays PLC and Barclays Bank PLC have traded. It is emphasised that past performance cannot be relied upon as a guide to future performance.

Shareholdings at 31st December 1999

	Shareholders		Shares held	
	Number	Percentage of total holders	Number (millions)	Percentage of called up ordinary shares
Personal holders	**120,903**	**82.56**	**160.6**	**10.75**
Banks and nominee companies	**21,322**	**14.56**	**1,191.8**	**79.75**
Other companies	**3,696**	**2.52**	**87.8**	**5.87**
Insurance companies	**478**	**0.33**	**34.3**	**2.30**
Pension funds	**37**	**0.03**	**19.8**	**1.33**
Totals	**146,436**	**100.00**	**1,494.3**	**100.00**
Shareholding range				
1-100	**23,055**	**15.74**	**0.9**	**0.06**
101-250	**19,765**	**13.50**	**3.5**	**0.23**
251-500	**26,369**	**18.01**	**9.8**	**0.66**
501-1,000	**28,452**	**19.43**	**20.9**	**1.40**
1,001-5,000	**40,267**	**27.50**	**86.1**	**5.76**
5,001-10,000	**4,866**	**3.32**	**33.3**	**2.23**
10,001-25,000	**1,829**	**1.25**	**26.9**	**1.80**
25,001-50,000	**530**	**0.36**	**18.5**	**1.24**
50,001 and over	**1,303**	**0.89**	**1,294.4**	**86.62**
Totals	**146,436**	**100.00**	**1,494.3**	**100.00**

Taxation

The following is a summary of the principal tax consequences for holders of ordinary shares of Barclays PLC, preference shares of the Bank, ADRs representing such ordinary shares or preference shares and loan capital guaranteed by the Bank, who are citizens or residents of the United Kingdom or United States, or otherwise who are subject to UK tax or US federal income tax on a net income basis in respect of such securities. It is not, however, a comprehensive analysis of all the potential tax consequences for such holders and investors are advised to consult their tax advisers on the tax implications of their particular holdings, including the consequences under applicable state and local law.

Unless otherwise noted, the statements of tax laws set out below are based on the laws in force as at 15th February 2000 and are subject to any subsequent changes in UK or US law, in particular any announcements made in the Chancellor's UK Budget on 21st March 2000, or in any double tax convention between the United States and the United Kingdom. An announcement that this was to be re-negotiated was made on 1st October 1998.

For the purposes of the current US-UK double tax conventions relating to income tax (the Income Tax Convention) and estate and gift tax (the Estate Tax Convention) and for the purposes of the US Internal Revenue Code of 1986, as amended (the Code), the holders of ADRs are treated as owners of the underlying ordinary shares or preference shares, as the case may be.

Taxation of UK holders

Taxation of capital gains Since 6th April 1988, the market valuation at 31st March 1982 may be substituted for the original cost of shares purchased before that date. To arrive at the total cost of any holdings of shares of Barclays PLC, the amount subscribed for rights taken up in 1985 and 1988 should be added to the value of the holding calculated as above.

When selling shares, shareholders may also be entitled to tapering relief and indexation relief. The calculations required may be complex and shareholders are advised to consult their personal financial adviser if further information regarding a possible tax liability in respect of their holdings of Barclays PLC shares is required.

Taxation of dividends In accordance with UK law, Barclays PLC and the Bank pay dividends on ordinary shares and preference shares without any deduction or withholding tax in respect of any taxes imposed by the UK government or any UK taxing authority. However, following payment of a dividend prior to 6th April 1999, the Company accounted to the Inland Revenue for advance corporation tax (ACT) at a rate equal to one-quarter of the dividend paid. In accordance with the provisions of the Finance Act 1998 ACT was abolished in respect of dividends paid after 5th April 1999.

If the shareholder is a UK resident individual liable to income tax only at the basic rate or the lower rate, then there will be no further tax liability in respect of the dividend received. If, however, the individual shareholder is subject to income tax at the higher rate (currently 40%), there will be a further liability to tax. The Finance (No. 2) Act 1997 provides that from 6th April 1999 the rate of tax credits was reduced to one-ninth of the dividend paid. As a result of compensating changes in the rate of tax on dividend income there will be no increase in the tax borne by UK resident individual shareholders in respect of dividend income. However, tax credits will no longer be payable to shareholders with no tax liability.

Taxation of shares under the Dividend Reinvestment Plan Where a shareholder elects to purchase shares using their cash dividend, the individual will be liable for income tax on dividends reinvested in the Plan on the same basis as if they had received the cash and arranged the investment themselves. They should accordingly include the dividend received in their annual tax return in the normal way. The tax consequences for a UK individual are the same as described in 'Taxation of dividends' above.

Stamp duty On the purchase of shares, stamp duty or stamp duty reserve tax at the rate of $^1/_2$% is normally payable on the purchase price of the shares.

Inheritance tax An individual may be liable to inheritance tax on the transfer of ordinary shares or preference shares. Where an individual is liable, inheritance tax may be charged on the amount by which the value of his or her estate is reduced as a result of any transfer by way of gift or other gratuitous transaction made by them or treated as made by them.

Taxation of US holders

Taxation of dividends Barclays PLC and the Bank pay dividends on their ordinary shares and preference shares and when doing so were required to account for ACT at a rate equal to one-quarter of the dividend paid on dividends paid prior to 6th April 1999. After that date no liability to ACT arises.

Under the Income Tax Convention, a beneficial owner of ordinary shares or preference shares who is a resident of the United States and not a resident of the United Kingdom, whose holding is not effectively connected with a permanent establishment or fixed base in the United Kingdom and who is not subject to special rules (such as those that apply to US tax-exempt entities and certain investment or holding companies, 25% of the capital of which is held directly or indirectly by persons that are not individual residents or nationals of the United States (a US holder)) has generally been entitled to receive a refund from the UK Inland Revenue, in addition to any dividend paid by Barclays PLC or the Bank, of an amount equal to the tax credit available to UK resident individuals, less a withholding tax equal to 15% of the aggregate of the tax credit and the dividend.

For dividends paid on or after 6th April 1999, the tax credit has been reduced to one-ninth of the dividend paid, although the withholding rate remains at 15% (but not to exceed the amount of the tax credit). Thus, US holders generally are no longer entitled to a refund of the tax credit as of that date or are entitled only to a residual refund equal to less than 1% of the amount of the dividend.

US holders of ADRs generally have been able to receive payment of the refund together with, and at the same time as, the associated dividend. Because of the changes mentioned in the preceding paragraph, the Inland Revenue announced that this facility was to be withdrawn from 5th April 1999. In respect of dividends paid after that date any US holder entitled to a residual refund must, in order to obtain it, file a claim for payment in the manner, and at the time, specified by procedures established by the UK Inland Revenue.

Dividends received by a US holder will be foreign source income for US federal income tax purposes in the amount equal to the US dollar value of the payment (including the related tax credit amount if the benefit of the Income Tax convention is claimed), on the date of such payment. Dividends generally will not be eligible for the ‘dividends received’ deduction allowed to US corporations under the Code. Subject to certain limitations, UK tax withheld from payments will be available as a credit against US tax (assuming such US holder claims the benefits of the Income Tax Convention with respect to such dividends).

Taxation of capital gains Generally, US holders will not be subject to UK tax, but will be subject to US tax on capital gains realised on the sale or other disposition of ordinary shares, preference shares or ADRs (assuming such shares are held as capital assets).

Taxation of premium on redemption or purchase of shares No refund of tax will be available under the Income Tax Convention in respect of any premium paid on a redemption of preference shares by the Bank or on a purchase by Barclays PLC of its own shares.

For US tax purposes, redemption premium generally will be treated as an additional amount realised in the calculation of gain or loss.

Stamp duty No UK stamp duty is payable on the transfer of an ADR, provided that the separate instrument of transfer is not executed in, and remains at all times outside, the United Kingdom.

Estate and gift tax Under the Estate Tax Convention, a US holder generally is not subject to UK inheritance tax.

Payments under loan capital guarantees It is unclear whether, under current UK law and Inland Revenue practice, the Bank would be required to deduct or withhold UK income tax from any payment of interest made to residents of the United States in respect of the guarantees given by the Bank in relation to the long-term debt issue by Barclays North American Capital Corporation. However, the terms of such guarantees impose a grossing up obligation on the Bank, subject to limited exceptions, in regard to any payment thereunder which is subject to any such deduction or withholding.

Exchange controls and other limitations affecting security holders

Other than certain emergency restrictions which may be in force from time to time, there are currently no UK laws, decrees or regulations which would affect the transfer of capital or remittance of dividends, interest and other payments to holders of Barclays securities who are not residents of the United Kingdom. There are also no restrictions under the Articles of Association of either Barclays PLC or the Bank, or under current UK laws, which limit the right of non-resident or foreign owners, to hold Barclays securities or, when entitled to vote, to do so.

Shareholder enquiries

Investors who have any questions about their investment in Barclays, or about Barclays in general, may write to:

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