

BARCLAYS PLC
Form 20-F
March 29, 2006
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SECURITIES AND EXCHANGE COMMISSION
FORM 20-F

- .. **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**
or
- b **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended December 31, 2005**
or
- .. **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____.

Commission file numbers:

Barclays PLC 0-13790
Barclays Bank PLC2-71497-01

BARCLAYS PLC

BARCLAYS BANK PLC

(Exact names of registrants as specified in their charters)

ENGLAND

(Jurisdictions of incorporation)

1 CHURCHILL PLACE, LONDON, E14 5HP, ENGLAND

(Address of principal executive offices)

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

	Title of each class	Name of each exchange on which registered
Barclays PLC	25p ordinary shares American Depositary Shares, each representing four 25p ordinary shares	New York Stock Exchange* New York Stock Exchange
Barclays Bank PLC	7.4% Subordinated Notes 2009	New York Stock Exchange

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Callable Floating Rate Notes 2035

New York Stock Exchange

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

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

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

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

Barclays PLC	25p ordinary shares	6,489,514,368
	£1 staff shares	875,000
Barclays Bank PLC	£1 ordinary shares	2,318,360,515
	£1 preference shares	1,000
	£100 preference shares	75,000
	100 preference shares	240,000
	\$100 preference shares	100,000

Indicate by check mark if each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if each registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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

Yes No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Item 17 Item 18

If this is an annual report, indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

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

Yes No

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This document comprises the Annual report on Form 20-F for the year ended December 31, 2005 of Barclays PLC and Barclays Bank PLC (the 2005 Form 20-F). Reference is made to the Form 20-F cross reference table on page 268 hereof (the Form 20-F Cross Reference Table). Only (i) the information in this document that is referenced in the Form 20-F Cross Reference Table, and (ii) the Exhibits, shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statements on Form F-3 (File No. 333-126811, 333-85646, and 333-12384) which were filed by Barclays Bank PLC and the Registration Statements on Form S-8 (File No. 333-12818, 333-112796 and 333-112797) which were filed by Barclays Bank PLC, and any other documents, including any documents filed by Barclays PLC or Barclays Bank PLC pursuant to the Securities Act of 1933, as amended, which purport to incorporate by reference the 2005 Form 20-F. Any information herein which is not referenced in the Form 20-F Cross Reference Table, or contained in the Exhibits themselves, shall not be deemed to be so incorporated by reference.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as aim, anticipate, target, expect, estimate, intend, plan, goal, believe, or other words of similar meaning. Forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, impairment charges, business strategy, projected levels of growth in the banking and financial markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, as well as UK domestic and global economic and business conditions, market related risks such as changes in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, progress in the integration of Absa into the Group's business and the achievement of synergy targets related to Absa, the outcome of pending and future litigation, and the impact of competition a number of which factors are beyond the Group's control. As a result, the Group's actual future results may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. Any forward-looking statements made by or on behalf of Barclays speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in Barclays expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has filed or may file with the SEC.

This document contains information, including statistical data, about certain of Barclays markets and its competitive position. Except as otherwise indicated, this information is taken or derived from Datastream and other external sources. Barclays cannot guarantee the accuracy of information taken from external sources, or that, in respect of internal estimates, a third party using different methods would obtain the same estimates as Barclays.

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Directors and Officers of Barclays PLC and Barclays Bank PLC

Matthew W Barrett

Chairman (age 61) was appointed as Chairman on 1st September 2004. He had been Group Chief Executive since October 1999, when he joined the Board. He joined Barclays from Bank of Montreal where he was Chairman and Chief Executive Officer. He joined the Bank of Montreal in 1962. In 1994, he became an Officer of the Order of Canada, the country's highest civilian honour, and in 1995, he was awarded the title of Canada's Outstanding CEO of the Year. He is a Member of the International Advisory Board of British American Business Inc., the Federal Reserve Bank of New York's International Advisory Committee, Institut International D'Etudes Bancaires, the Chartered Management Institute and the European Financial Services Round Table. He chairs the Board Corporate Governance and Nominations Committee.

Sir David Arculus^(a) (age 59) joined the Board in February 1997. He has recently joined the Board of Telefónica, following the takeover of O2 plc, where he was Chairman. He is also a non-executive Director of Pearson Plc. Until the end of 2005 Sir David was Chairman of the UK Government's Better Regulation Task Force. He is a member of the Finance Committee of Oxford University Press and is Deputy President of the CBI. Sir David's previous positions include Chairman of Severn Trent plc, Earls Court and Olympia Group Limited and IPC Group Limited and Group Managing Director of EMAP plc. He is a member of the Board HR and

Fulvio Conti^(a) (age 58) will join the Board as a non-executive Director on 1st April 2006. Fulvio is Chief Executive Officer and General Manager of Enel SpA, the Italian energy group, a position he has held since May 2005. He became Chief Financial Officer of Enel SpA in 1999. Fulvio was formerly General Manager and Chief Financial Officer of Telecom Italia and between 1996 and 1998 was General Manager and Chief Financial Officer of Ferrovie dello Stato, the Italian national railway. Fulvio began his career in 1969 with the Mobil Group, where he held a number of executive positions in Italy and abroad, including a period as Chief Financial Officer for Europe.

Dr Danie Cronjé^(a) (age 59) joined the Board on 1st September 2005 following the acquisition by Barclays of a majority stake in Absa, where he is Chairman. Danie joined Absa in 1987 and was formerly Deputy Chief Executive and Group Chief Executive until 1997. He joined Volkskas in 1975 and held various positions in Volkskas Merchant Bank and Volkskas Group. Danie is also a director of Idion Technology Holdings Limited. He is a member of the Board Risk Committee.

Professor Dame Sandra Dawson^(a) (age 59) joined the Board in March 2003. She is currently KPMG Professor of Management Studies at the

Remuneration Committee and the Board Corporate Governance and Nominations Committee.

Sir Richard Broadbent^(a)

Senior Independent Director (age 52) joined the Board in September 2003. He was appointed Senior Independent Director on 1st September 2004. He is Chairman of Arriva plc and was previously the Executive Chairman of HM Customs and Excise from 2000 to 2003.

He was formerly a member of the Group Executive Committee of Schroders plc and a non-executive Director of the Securities Institute. He is a member of the Board HR and Remuneration Committee and the Board Corporate Governance and Nominations Committee and, from 1st January 2006, Chairman of the Board Risk Committee.

Leigh Clifford^(a) (age 58) joined the Board on 1st October 2004. He is Chief Executive of Rio Tinto, having worked for the Rio Tinto Group since 1970. He has extensive experience of managing a business that operates in a number of global regions. He was previously Chairman of the Coal Industry Advisory Board of the International Energy Agency and until May 2004, a Director of Freeport-McMoran Copper & Gold Inc. He is a member of the Board HR and Remuneration Committee.

University of Cambridge and has been Director of Judge Business School at Cambridge since 1995 and Master of Sidney Sussex College, Cambridge since 1999. Professor Dawson is a member of the UK-Indian Round Table and has held a range of non-executive posts in other organisations including Rand Europe (UK), the Society for the Advancement of Management Studies, JP Morgan Fleming Claverhouse Investment Trust and Riverside Mental Health Trust. She is a member of the Board Audit Committee.

Sir Andrew Likierman^(a) (age 62) joined the Board on 1st September 2004. He was previously Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury. He is Professor of Management Practice in Accounting at the London Business School and a non-executive Director of the Bank of England. Sir Andrew was formerly a non-executive Director and Chairman of MORI Group Limited. He is a member of the Board Audit and Board Risk Committees.

Sir Nigel Rudd, DL^(a)

Deputy Chairman (age 59) joined the Board in February 1996 and was appointed Deputy Chairman on 1st September 2004. He is currently non-executive Chairman of Pilkington PLC, Pendragon PLC and Boots Group PLC. He is Chairman of the Board HR and Remuneration Committee and a member of the Board Corporate Governance and Nominations Committee. Sir Nigel is also Chairman of the Group's Brand and Reputation Committee.

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Stephen Russell^(a) (age 60) joined the Board in October 2000 on completion of the acquisition of Woolwich plc. He joined Woolwich plc's Board as a non-executive Director in 1998. He was Chief Executive of Boots Group PLC from 2000 until 2003, having worked for Boots since 1967. He is Chairman of the Board Audit Committee and is a member of the Board Risk and Board Corporate Governance and Nominations Committees. Stephen is also a trustee of St John's Ambulance and Tommy's the Baby Charity and is on the Council of Nottingham University.

Robert Steel^(a) (age 54) joined the Board on 1st June 2005. He retired from Goldman Sachs in January 2004 after more than 25 years with the firm. At the time of his retirement he was a Vice-Chairman of the firm. Bob is also a Senior Fellow at the Center for Business and Government, John F. Kennedy School of Government, Harvard University and Chairman of the Board of Trustees of Duke University. He is also a Member of the New York Stock Exchange (NYSE) Inc. and a former Director of the Securities Industry Association (USA). He is a member of the Board Audit Committee.

John Sunderland^(a) (age 60) joined the Board on 1st June 2005. He has been Chairman of Cadbury Schweppes PLC since May 2003. John joined Cadbury Schweppes in 1968 and was appointed Chief Executive in September 1996. He is also Senior Independent non-executive Director of The Rank Group Plc. John is President of the CBI and former President of both ISBA, the Incorporated Society of British Advertisers and the Food and Drink Federation. John is a Director of the Financial Reporting Council, an Advisory Board Member of CVC Capital Partners and of Ian Jones & Partners, a Leadership Council Member of Young Enterprise. He is a member of the Board HR and Remuneration Committee.

John Varley^{(b)(c)}

Group Chief Executive (age 49) was appointed as Group Chief Executive on 1st September 2004, prior to which he had been Group Deputy Chief Executive from 1st January 2004. He held the position of Group Finance Director from 2000 until the end of 2003. He joined the Group Executive Committee in September 1996 and was appointed to the Board in June 1998. He was Chief Executive of Retail Financial Services from 1998 to 2000 and Chairman of the Asset Management Division from 1995 to 1998.

Robert E Diamond Jr^{(b)(c)}

President, Barclays PLC and CEO, Investment Banking and Investment Management

(age 54) was appointed President of Barclays PLC and became an executive Director on 1st June 2005. He is responsible for the investment banking, investment management and wealth management businesses for the Group. He has been a member of the Group Executive Committee since September 1997. He joined Barclays in July 1996 from CSFB where he was Vice-Chairman and Head of Global Fixed Income and Foreign Exchange.

Gary Hoffman^{(b)(c)}

Chairman, UK Banking and Chairman,

Barclaycard (age 45) was appointed as Chief Executive of Barclaycard in September 2001 and joined the Board on 1st January 2004. He was appointed Chairman of UK Banking and Chairman of Barclaycard in December 2005. Gary joined the Group in 1982 and has held a variety of management positions, as well as sitting on the Executive Committee of Retail Financial Services and being a member of the Group Operating Committee. He joined the Group Executive Committee in 2001. Gary is also a non-executive Director of Trinity Mirror PLC.

Paul Idzik^(c)

Chief Operating Officer (age 45) joined the Executive Committee and became Chief Operating Officer in November 2004. He is also Chairman of the Group Operating Committee. Paul was formerly Chief Operating Officer of Barclays Capital. He joined Barclays Capital in August 1999 following a career with Booz Allen & Hamilton, where he was a partner and senior member of the Financial Institutions Practice.

Naguib Kheraj^{(b)(c)}

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Group Finance Director (age 41) was appointed as Group Finance Director and joined the Board on 1st January 2004. He had previously held the positions of Chief Executive of Barclays Private Clients, Deputy Chairman of Barclays Global Investors, Global Head of Investment Banking and Global Chief Operating Officer at Barclays Capital. He joined the Group Executive Committee in March 2003. Before joining Barclays, he was a Managing Director and held the post of Chief Financial Officer for Europe at Salomon Brothers. Naguib is also a non-executive Director of Absa Group Limited.

David Roberts^{(b)(c)}

Chief Executive, International Retail and Commercial Banking (age 43) was appointed as Chief Executive, International Retail and Commercial Banking on 1st January 2005. David was formerly Chief Executive of Private Clients & International from 1st January 2004 and joined the Board on the same date. He joined the Group in 1983 and has held various management positions, including Chief Executive of Personal Financial Services and Chief Executive of Business Banking. He joined the Group Executive Committee in 2001. David is also a non-executive Director of Absa Group Limited and, on 1st March 2006, became a non-executive Director of BAA plc.

(a) Independent non-executive Director

(b) Executive Director

(c) Group Executive Committee member

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		Appointed to Group
Current Group Executive Committee members		Executive Committee
John Varley	Group Chief Executive	1996
Robert E Diamond Jr	President, Barclays PLC, Chief Executive, Investment Banking and Investment Management	1997
Gary Hoffman	Chairman, UK Banking and Chairman, Barclaycard	2001
Paul Idzik	Chief Operating Officer	2004
Naguib Kheraj	Group Finance Director	2003
David Roberts	Chief Executive, International Retail and Commercial Banking	2001

		Appointed to position
Other officers		
Jonathan Britton	Financial Controller	2006
Lawrence Dickinson	Company Secretary	2002
Patrick Gonsalves	Joint Secretary, Barclays Bank PLC	2002
Mark Harding	General Counsel	2003
Robert Le Blanc	Risk Director	2004

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Directors Report

Directors Report

Profit Attributable

The profit attributable to equity shareholders of the parent for the year amounted to £3,447m, compared with £3,254m in 2004.

Dividends

The final dividends for the year ended 31st December 2005 of 17.4p per ordinary share of 25p each and 10p per staff share of £1 each have been recommended by the Directors. The final dividends will be paid on 28th April 2006 in respect of the ordinary shares registered at the close of business on 3rd March 2006 and in respect of the staff shares so registered on 31st December 2005. With the interim dividends of 9.2p per ordinary share and of 10p per staff share that were paid on 3rd October 2005, the total distribution for 2005 is 26.6p (2004: 24p) per ordinary share and 20p (2004: 20p) per staff share. The dividends for the year absorb a total of £1,687m (2004: £1,529m).

Dividend Reinvestment Plan

Ordinary shareholders may have their dividends reinvested in Barclays PLC ordinary shares by participating in the Dividend Reinvestment Plan. The plan is available to all ordinary shareholders provided that they do not live in, or are subject to the jurisdiction of, any country where their participation in the plan would require Barclays or The Plan Administrator to take action to comply with local government or regulatory procedures or any similar formalities. Any shareholder wishing to obtain details of the plan and a mandate form should contact The Plan Administrator to Barclays at The Causeway, Worthing, BN99 6DA. Those wishing to participate for the first time in the plan should send their completed mandate form to The Plan Administrator so as to be received by 7th April 2006 for it to be applicable to the payment of the final dividend on 28th April 2006. 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

The Company did not repurchase any shares during the year. As at 28th February 2006 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase shares up to a maximum of 968.6 million ordinary shares.

The issued ordinary share capital was increased by 35.9 million ordinary shares during the year as a result of the exercise of options under the Sharesave and Executive Share Option Schemes. At 31st December 2005 the issued ordinary share capital totalled 6,489.5 million shares.

Substantial Shareholdings

As at 28th February 2006, the Company had been notified under sections 198 to 208 of the Companies Act 1985 of the following notifiable interest in its shares:

Legal & General Group plc	3.59%.
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Board Membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical and biographical details of the members are set out on pages 2 and 3. Robert E Diamond Jr was appointed as an executive Director with effect from 1st June 2005. Robert Steel and John Sunderland were appointed as non-executive Directors with effect from 1st June 2005 and Dr Danie Cronjé was appointed as a non-executive Director with effect from 1st September 2005. Dr Jürgen Zech retired from the Board on 28th April 2005 and Roger Davis left the Board on 8th December 2005.

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Fulvio Conti will join the Board as a non-executive Director with effect from 1st April 2006.

Retirement and Re-election of Directors

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

The Directors retiring by rotation at the 2006 AGM and offering themselves for re-election are Professor Dame Sandra Dawson, Sir Richard Broadbent, Gary Hoffman and Naguib Kheraj. Sir Nigel Rudd retires annually in accordance with the Combined Code and is offering himself for re-election. In addition, Robert E Diamond Jr, Robert Steel, John Sunderland and Dr Danie Cronjé, who were appointed as Directors since the last AGM, will be offering themselves for re-election at the 2006 AGM. Fulvio Conti, who will join the Board on 1st April 2006, will also offer himself for re-election.

Sir David Arculus is retiring at the AGM and is not offering himself for re-election.

Directors' Interests

Directors' interests in the shares of the Group on 31st December 2005, according to the register maintained under the Companies Act 1985, are shown on page 28. The register is available for inspection during business hours at the Group's head office and will be available for inspection at the 2006 AGM.

Directors' Emoluments

Information on emoluments of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the Listing Rules of the United Kingdom Listing Authority, is given in the Barclays report on remuneration on pages 15 to 28 and in Note 48 to the accounts.

Directors' Indemnities

The Company's Articles of Association entitle every Director of the Company to be indemnified by the Company against any liability, loss or expenditure incurred in connection with their duties, powers or office, to the extent permitted by statute. The scope of the Directors' ability to be indemnified was widened, with effect from 6th April 2005, by the Companies (Audit, Investigations and Community Enterprise) Act 2004, which permits indemnities to extend, amongst other things, to the payment of a Director's defence costs, subject to the repayment of such costs in certain circumstances. The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the amended statutory provisions. The Company therefore wrote to each of the Directors to confirm, for the avoidance of doubt, that each of them has the benefit of and is able to rely upon the indemnity in the Company's Articles of Association and that the terms of the indemnity are expressly incorporated into their terms of employment or appointment, as appropriate. Qualifying third-party indemnity provisions (as defined by section 309B of the Companies Act 1985) were accordingly in force during the course of the financial year ended 31st December 2005 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

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Directors report

Activities

Barclays PLC Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The Group operates through branches, offices and subsidiaries in the UK and overseas. The activities of the Group are described on pages 84 to 86 and developments in the Group's business during the year and an indication of likely future developments are analysed in the Financial review on pages 87 and 88, with additional information on potential risk factors discussed on pages 31 to 33.

Community Involvement

The total commitment for 2005 was £39.1m (2004: £32m).

Barclays committed £35.3m in support of the community in the UK (2004: £29.5m) and £3.8m was committed in international support (2004: £2.5m). UK commitment includes £16.7m of charitable donations (2004: £11.2m).

Barclays is a member of the PerCent Club – a group of companies that have undertaken to ensure that donations to the community over time amount to at least 1% of their UK pre-tax profit.

Barclays has an extensive community programme covering many countries around the world. The Group provides funding and support to over 7,500 charities and voluntary organisations, ranging from small, local charities like the Whitechapel Mission in East London (UK), to international organisations like the Red Cross. We also have a very successful employee programme, which in 2005 saw more than 26,000 employees and pensioners worldwide taking part in Barclays supported volunteering and fundraising activities.

Political Donations

The Group did not give any money for political purposes in the United Kingdom nor did it make any donations to EU political organisations or incur any EU political expenditure during the year. Absa Group Limited, in which the Group acquired a majority stake in 2005, made donations totalling £224,400 in 2005 in accordance with its policy of making political donations to the major South African political parties to support the development of democracy in South Africa. The Group made no other political donations in 2005.

At the AGM in 2002, shareholders gave a four-year authority for

Barclays Bank PLC and a number of other subsidiaries to make political donations and incur political expenditure, within an agreed limit, as a precautionary measure in light of the wide definitions in The Political Parties, Elections and Referendums Act 2000. These authorities, which have not been used, expire on 26th April 2006. The risk of inadvertently breaching The Political Parties, Elections and Referendums Act 2000 remains and the Directors consider it prudent to seek a renewal of the authorities given by shareholders. Resolutions to authorise the Company and Barclays Bank PLC to make political donations and incur political expenditure up to a maximum aggregate sum of £250,000 are therefore being proposed at the Barclays PLC 2006 AGM.

Employee Involvement

Barclays is committed to ensuring that employees share in the success of the Company. Staff are encouraged to participate in share option and share purchase schemes and have a substantial sum invested in Barclays shares.

Employees are kept informed of matters of concern to them in a variety of ways, including the corporate news magazine, the intranet, briefings and mobile phone SMS messaging.

Barclays is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. An annual Employee Opinion Survey is undertaken with results being reported to the Board HR and Remuneration Committee and all employees. Roadshows and employee forums also take place. In addition, Barclays undertakes regular and formal Group, business unit and project specific consultations with Amicus, our recognised union.

Equality and Diversity

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

Barclays respects and values people from all backgrounds and is committed to becoming a more inclusive organisation with a workforce that reflects the markets we serve.

The Equality and Diversity programme covers employee, customer, supplier and community activities, wherever appropriate.

Health and Safety

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

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

Barclays monitors its health and safety performance using a variety of metrics on a monthly basis and the Board HR and Remuneration Committee receives regular reports on health and safety from the Human Resources Director.

Creditors Payment Policy

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

Paragraph 12(3) of Schedule 7 of the Companies Act 1985 requires disclosure of trade creditor payment days. Disclosure is required by the Company, rather than the Group. The Group's principal trading subsidiary in the UK is Barclays Bank PLC, the accounts for which are prepared in accordance with International Financial Reporting Standards.

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The components for the trade creditor calculation are not easily identified. However, by identifying as closely as possible the components that would be required if Schedule 4 of the Companies Act applied, the trade creditor payment days for Barclays Bank PLC for 2005 were 35 days (2004: 34 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

Financial Instruments

Barclays financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in pages 34 to 61 under the headings, Risk Management and Control Overview , Credit Risk Management , Market Risk Management , Capital and Liquidity Risk Management and Derivatives and in Note 15 and Notes 54 to 60 to the accounts.

Events after the Balance Sheet Date

On 1st January 2006, Barclays completed the sale to Absa Group Limited of the Barclays South African branch business. This business consists of the Barclays Capital South African operations and Corporate and Business Banking activities carried out by International Retail and Commercial Banking (South African branch), together with the associated assets and liabilities.

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. More details on this can be found on pages 11 and 12 and Note 8 to the accounts. Having reviewed the independence and effectiveness of the external auditors, the Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2006 AGM.

The Annual General Meeting

The Barclays PLC AGM will be held at The Queen Elizabeth II Conference Centre on Thursday 27th April 2006. The Notice of Meeting is included in a separate document sent to shareholders.

By order of the Board

/s/ Lawrence Dickinson
Lawrence Dickinson
Company Secretary
9th March 2006

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Corporate governance

Corporate governance report

Chairman's Introduction

We made further progress during 2005 in advancing our Corporate Governance agenda.

We published our Charter of Expectations on our website at the beginning of the year, setting out the role description for each position on the Board and the behaviours and competencies required to perform effectively in each role. It is against this Charter that the Board and its members are evaluated each year in the annual Board Effectiveness Review.

We also published in November, for Directors and Shareholders, a document entitled Corporate Governance in Barclays. This document outlines all policies and practices in place at Barclays in the area of Corporate Governance. A copy can be obtained from our website at www.investorrelations.barclays.co.uk.

This year also saw a number of new appointments to the Board, designed to broaden the range of skills and perspectives available to the Board and its Committees. The Board has been strengthened by the addition of Directors who have extensive experience in leading large, complex, multinational organisations and who have expert knowledge of marketplaces outside the UK which are important to our strategy.

By order of the Board

/s/ Matthew W Barrett
Matthew W Barrett
Chairman
9th March 2006

Statement from Barclays PLC Board of Directors

For the year ended 31st December 2005, we have complied with the provisions set out in section 1 of the Combined Code on Corporate Governance (the Code) and applied the principles of the Code as described below.

Board Structure and Composition

At the date of this report, the Board comprises 16 Directors, under the Chairmanship of Matthew W Barrett, who has no executive responsibilities. There are ten non-executive Directors, each of whom the Board considers to be independent. The team of five executive Directors is led by John Varley, Group Chief Executive. The Chairman and Group Chief Executive roles are separate and their respective responsibilities are set out in the Charter of Expectations and in Corporate Governance in Barclays. Sir Nigel Rudd and Sir Richard Broadbent have continued this year in the roles of Deputy Chairman and Senior Independent Director respectively. The names of all Directors are on pages 2 and 3, along with their biographical details.

The Board has a majority of independent non-executive Directors. The chart set out below reflects the current ratio of independent non-executive Directors to executive Directors on the Board.

We have made a number of new appointments during the year, driven by the annual Board Effectiveness Review. Robert E Diamond Jr, who heads our Investment Banking, Investment Management and Wealth Management businesses, joined the Board this year in recognition of the increasing importance of these businesses to the Group as a whole; John Sunderland, Chairman of Cadbury Schweppes PLC brings a wealth of experience in global products and brands; Robert Steel brings significant US market and global investment banking experience and was Vice-Chairman of Goldman Sachs prior to retirement; Dr Danie Cronjé, Chairman of Absa Group Limited, a leading South African bank, joined the Board as a non-executive Director in September 2005, following our successful acquisition of a majority stake in Absa.

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In terms of non-executive Directors, the Board currently comprises five Directors who have FTSE-100 chair and/or executive management experience, together with Directors who have held in their careers senior leadership positions in financial services, government or the public sector and business schools. The charts below give further details of tenure on the Barclays Board and the geographical mix of the current non-executive Directors on the Board.

We are pleased that Fulvio Conti will join the Board as a non-executive Director on 1st April 2006, bringing continental European experience to the Board.

Role of the Board

The Board is responsible to shareholders for creating and sustaining shareholder value through the management of the Group's businesses. It is also responsible for ensuring that management maintain a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. The Board is the decision-making body for all other matters deemed material to the Group in strategic, financial and reputational terms.

The Board has delegated the responsibility for the day-to-day management of the Group to the Group Chief Executive, who is supported by the Group Executive Committee, which he chairs. The Committee is comprised of the Group Finance Director, the leaders of the Group's major businesses and the Chief Operating Officer and usually meets weekly to develop strategies and policies for recommendation to the Board and to implement approved strategy.

All Directors invested the time required in 2005 to discharge their responsibilities to the Board. All Directors, including the Chairman, must report any material change in their circumstances to the Board for consideration. Significant non-Barclays commitments of Directors are reported in their biographies on pages 2 and 3. There has been no change to the Chairman's other commitments in the year.

The Board has reviewed carefully the commitments of the non-executive Directors and is satisfied that each of them is able to devote the time expected of them. The attendance record for the year for Board and Committee meetings was 97%.

Executive Directors are encouraged to be open to serve on one other board in addition to their duties at Barclays. A proposed appointment to another board position must be submitted to the Board for prior approval.

Appointment of Directors

The Board Corporate Governance and Nominations Committee oversees the process for appointing new Directors to the Board. The composition of the Board and its principal Committees is also regularly reviewed by the Committee. Criteria for the desired experience and competencies of new non-executive Directors are recommended by the Committee and reported to the Board. The balance and mix of appropriate skills and experience

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of non-executive Directors is taken into account when considering a new appointment, along with the Committee's determination on the optimum size of the Board. In reviewing Board composition, the Committee looks to ensure a geographical mix of Directors, together with representatives from different industry sectors. The Chairman, Group Chief Executive and at least two other members of the Committee will interview each potential new non-executive Director, who has typically been identified with the assistance of external search consultants, before any appointments are recommended to the Board.

Induction and Training

On appointment to the Board and to Board Committees, all Directors receive a comprehensive induction tailored to their individual requirements, which is arranged by the Company Secretary. On an ongoing basis, the Company Secretary will arrange additional training and updates for Directors on particular issues.

During 2005, Board meetings were held at our contact centre at Gadbrook Park, near Crewe, England and, following the completion of the Absa transaction, in South Africa. These meetings allowed Directors the opportunity to see our frontline staff and operations first hand. We also encourage our non-executive Directors to make site visits individually. During the year, for example, a number of non-executive Directors visited branches and/or contact centres. In the first half of 2006, we will hold the first of a number of detailed business presentations for our non-executive Directors as part of a two-year programme, during which each of our key businesses and key operational areas will be covered. These sessions are designed to give the Board, outside of the normal cycle of Board meetings, more detail on the businesses and the competitive issues they are facing.

Board Effectiveness Review

Following the Board Effectiveness Review undertaken at the end of 2004, the Board concluded that it was operating effectively. The action plan for 2005, which included the appointment of new Directors and ensuring that more time at Board meetings was devoted to discussing strategy, was completed.

Towards the end of 2005, we again enlisted the services of the management consultants, Egon Zehnder International, to independently facilitate the evaluation process. The evaluation process was similar to the previous year, with a detailed questionnaire sent to each Director and supplementary individual interviews, which included peer evaluation of Directors.

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A report on the performance of the Board as a whole and of Board Committees was presented to the Board at its meeting in December 2005. The Board concluded from the results of the review that it continues to operate effectively. Some areas for further improvement in 2006 were identified. Feedback on individual Directors was discussed with the Chairman. The Chairman then held private meetings with each Director to discuss the results and agree any developmental areas. Sir Richard Broadbent, the Senior Independent Director, led the performance review of the Chairman.

Re-election of Directors

Dr Danie Cronjé, Robert E Diamond Jr, Robert Steel and John Sunderland were each appointed to the Board during the year and will be seeking re-election at the 2006 Annual General Meeting (AGM). Fulvio Conti, who joins the Board on 1st April 2006, will also seek re-election at the 2006 AGM. Professor Dame Sandra Dawson, Sir Richard Broadbent, Gary Hoffman and Naguib Kheraj will each be retiring by rotation and seeking re-election at the AGM. Sir Nigel Rudd, having served as a Director for over nine years, retires annually in accordance with the Code and is seeking re-election.

Sir David Arculus, having served on the Board for nine years, will retire at the AGM and is not offering himself for re-election.

Independence of non-executive Directors

The Board evaluates annually whether each of the non-executive Directors is independent. The Code sets out circumstances which may appear relevant to the Board's determination of whether a non-executive Director is independent. The Board has carefully considered the issue of independence and has determined that the following behaviours, which are set out in the Board's Charter of Expectations, are essential for the Board to consider a Director to be independent:

- | Provides objective challenge to management.
 - | Is prepared to challenge others' assumptions, beliefs or viewpoints as necessary for the good of the organisation.
 - | Questions intelligently, debates constructively, challenges rigorously and decides dispassionately.
 - | Is willing to stand up to defend their own beliefs and viewpoints in order to support the ultimate good of the organisation.
 - | Has a good understanding of the organisation's businesses and affairs to enable them to properly evaluate the information and responses provided by management.
- Having considered the matter carefully, the Board has determined that each of the non-executive Directors is independent.

Sir Nigel Rudd has now served on the Board since February 1996. The Board has therefore given particular consideration to his independence. Having reviewed Sir Nigel's performance and contribution as part of the annual Board Effectiveness Review, the Board considers that Sir Nigel remains independent and makes an effective contribution in his role as Deputy Chairman. Sir Nigel continues to meet the time commitment

expected of him as Deputy Chairman.

Senior Independent Director

The Code states that the Board should appoint one of the independent non-executive Directors as Senior Independent Director. Sir Richard Broadbent was appointed to that position in September 2004 and he reports below on how he has fulfilled that role in 2005.

Senior Independent Director's Report

I am pleased to have the opportunity to report on my activities during the year as Senior Independent Director. The role of Senior Independent Director is a developing one and I have sought to reflect this by interpreting it broadly. I have set out to provide a point of contact, in case of need, for shareholders and, through meeting with shareholders and intermediaries, to ensure that I am aware of their views. I have led the Chairman's performance evaluation. I have also met, separately, from time to time with the Group Chief Executive to ensure that I am aware of any relevant issues that the executive team wish to raise.

During 2005, I met with several major shareholders and shareholder bodies to listen to their views on the Group and to discuss any issues they may have. I met privately with our investor relations advisers to discuss the detailed results of their audit of shareholder opinion. I was also available to answer questions from shareholders at the AGM in April 2005.

An important task for me during the year was to lead the non-executive Directors in evaluating the Chairman's performance. This included half-year and full-year reviews of the Chairman's performance against the objectives we set for him at the start of the year. Following the annual Board Effectiveness Review, which took place in the last quarter of 2005, I received feedback on the Chairman's performance and discussed this with the other non-executive Directors and the Group Chief Executive.

There are no issues arising from these discussions that I feel it is necessary to draw to the attention of shareholders.

Sir Richard Broadbent

Senior Independent Director

9th March 2006 Board Meetings

The Board meets regularly, usually between eight to ten times a year, including a full day each year, offsite, devoted to review and approval of Group strategy. Regular items for Board meetings include the Finance Director's Report, the Group Chief Executive's Report on the key issues affecting the Group and its businesses, strategy updates from our main businesses and reports from the Chairmen of each of the principal Board Committees.

The Board has a formal schedule of matters reserved to it, including the approval of interim and final financial statements, significant changes in accounting policy and practice, the appointment or removal of Directors or the Company Secretary, changes to our capital structure and major acquisitions, mergers, disposals and capital expenditure.

The Chairman meets privately with all the non-executive Directors prior to each Board meeting to brief them on the business to be considered and to address any concerns they may have. Ten such meetings were held in 2005.

Open discussion and frank debate is encouraged and expected at meetings. The findings of our Board Effectiveness Review have confirmed that Board meetings provide a forum for challenging and constructive debate.

All Directors have access to the services of the Company Secretary and his team. Independent professional advice is also available, on request, to all Directors at the Company's expense.

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Board Committees

Specific responsibilities have been delegated to Board Committees, which have access to independent expert advice at the Group's expense. The terms of reference for our principal Board Committees are available, on request, from the Company Secretary and are available on our website at www.investorrelations.barclays.co.uk. The principal Board Committees are described below.

Board HR and Remuneration Committee

Chairman: Sir Nigel Rudd, Deputy Chairman

Members: Sir David Arculus, Sir Richard Broadbent, Leigh Clifford, John Sunderland

Secretary: Jeremy Orbell, Compensation Director

The Committee is comprised solely of independent non-executive Directors and met four times in 2005. The Chairman of the Board, although not a voting member, has a standing invitation to attend the meeting. Sir Nigel Rudd will continue as Chairman of the Committee to the end of 2006. For 2007, a new Chair will be appointed.

The Committee considers matters relating to the overall reward framework across the Group, including policy for executive Directors and senior executives' remuneration and their individual remuneration awards. The Committee approves changes to incentive and benefits plans applicable to senior executives and governs employee share schemes. Details of the Committee's role in governing executive Directors' rewards are set out in our Report on Remuneration on pages 15 to 28.

The Committee also meets periodically to review strategic HR issues including, but not limited to, employee retention, motivation and commitment; equality and diversity; significant employee relations matters; succession planning and the availability of talent for senior roles below executive Director level.

Board Corporate Governance and Nominations Committee

Chairman: Matthew W Barrett, Chairman

Members: Sir David Arculus, Sir Richard Broadbent, Sir Nigel Rudd, Stephen Russell

Secretary: Secretary: Lawrence Dickinson, Company Secretary

The Committee includes the Chairman, Deputy Chairman, Senior Independent Director, the Chairman of the Board Audit Committee, Chairman of the Board Risk Committee and Chairman of the Board HR and Remuneration Committee. It met three times in 2005.

The Committee is responsible for considering matters relating to the composition of the Board, including the appointment of new Directors, making recommendations to the Board as appropriate. It also reviews annually the succession plans for the Chairman and Group Chief Executive positions. The Chairman of the Board chairs the Committee, except when the Committee is considering the Chairman's succession, in which case the Senior Independent Director or Deputy Chairman takes the chair. The Group Chief Executive, although not a voting member, has a standing invitation to attend meetings.

The Committee's responsibilities also cover corporate governance issues, including consideration of our responses to important developments in corporate governance, overseeing the annual performance evaluation of the Board, its principal Committees and the Chairman.

During 2005, the Committee recommended to the Board the appointments of Dr Danie Cronjé, Robert E Diamond Jr, John

Sunderland and Robert Steel. The Committee also oversaw the search for a non-executive Director with continental European experience. That search culminated in the appointment of Fulvio Conti with effect from 1st April 2006. The Committee also recommended in 2005 the appointments of Leigh Clifford and John Sunderland to the Board HR and Remuneration Committee, Robert Steel to the Board Audit Committee and Dr Danie Cronjé to the Board Risk Committee. In view of the increasing time commitment and responsibilities faced by Stephen Russell in his role as Chairman of the Board Audit Committee, the Committee also recommended that Sir Richard Broadbent should succeed Stephen Russell as Chairman of the Board Risk Committee. In addition, the Committee reviewed and monitored the action plan arising from the 2004 Board Effectiveness Review.

Board Audit Committee

Chairman: Stephen Russell

Members: Professor Dame Sandra Dawson, Sir Andrew Likierman, Robert Steel

Secretary: Lawrence Dickinson, Company Secretary

The Committee comprises four independent non-executive Directors. Dr Jürgen Zech left the Committee in April 2005 when he ceased to be a Director of the Company. Robert Steel was appointed to the Committee in September 2005. The Board has determined that Sir Andrew Likierman is a financial expert as defined by the US Sarbanes-Oxley Act of 2002 and has recent and relevant financial experience as recommended by the Code. The Board's assessment is based on Sir Andrew's accounting background and his career with HM Treasury.

Board Audit Committee Chairman's Statement

I am pleased to report to you on the Committee's activities in 2005. We met six times in 2005, including a meeting to review the 2004 results as restated under new International Financial Reporting Standards and a meeting dedicated to reviewing and approving the internal audit plans for 2006 and the external audit plan for the year ended 2005. We also met privately with the external and internal auditors after four of our meetings.

Our key responsibilities as your Board Audit Committee are set out in the Committee's terms of reference and I have reported below on how we have discharged those responsibilities this year.

External Auditors

Our responsibilities include approving and reviewing the appointment and retirement of the external auditors and overseeing their relationship with the Group. We annually appraise the effectiveness of the external auditors, using an evaluation questionnaire, which is completed by senior members of the Finance function. The results are then reported to us for review. The lead audit partner is also rotated on a five-year basis and a new lead audit partner was appointed in 2005.

We have a detailed policy on the provision of non-audit services by the external auditors. As part of that policy, we have agreed which services the external auditors are allowed to carry out on behalf of the Group and which ones they are prohibited from doing. This policy aims to safeguard the independence of the external auditor. Non-audit services require the pre-approval of the Committee or a member of the Committee before they can be undertaken. Details of all services carried out by the external auditor are recorded centrally and reported to the next meeting of the Committee and we spend time at each meeting considering the independence of the external auditor based on this information.

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During the year we approved a new policy governing the employment of former employees of the external auditor. Under this policy, no former employee of the external auditor may be appointed to a financial oversight role and certain other appointments are required to go through an internal review and approval process before proceeding.

For the year ended 31st December 2005, we have concluded that the external auditor remains independent and is effective. We have recommended to the Board that they propose the reappointment of the external auditors to shareholders at the 2006 AGM.

Relationship with internal audit and monitoring control issues

We are tasked with monitoring the effectiveness of the internal audit function. The Director of Internal Audit, who has a functional reporting line to the Committee, provides regular reports to us and attends each Committee meeting. The Director of Internal Audit has unrestricted access to me, as Chairman of the Committee, and I receive a monthly report from him, which includes key performance indicators and a trend analysis of internal audit findings.

At each Committee meeting, we review the progress of the internal audit plan and, each year, we consider and agree the internal audit plan for the following year. We also regularly review the level of resources allocated to the internal audit function to ensure that the internal audit plan for the year can be delivered. The effectiveness of the Internal Audit function is reviewed annually and we have concluded that it continues to operate effectively.

We receive and review regular reports on control issues of Group level significance, including details of any remediation action being taken. We also receive in-depth reports from the Group's main business areas on their control environment.

Financial Reporting

We review the Group's annual and interim financial statements, including reviewing the effectiveness of the Group's disclosure controls and procedures and systems of internal control.

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For the disclosures made in the 2005 Annual Report, we have reviewed the report of the Disclosure Committee and the Turnbull attestations made by all Business Heads, and have concluded and reported to the Board for its approval that the Group has maintained effective disclosure controls and procedures and that management has continued to operate an effective system of internal control.

Regulatory Compliance

We review arrangements established by management for compliance with the requirements of the Group's regulators. We receive a semi-annual report on compliance.

Whistleblowing

We receive reports on the effectiveness of the Group's whistleblowing arrangements, as well as reports on specific instances of whistleblowing.

Work of the Committee during 2005

In addition to the regular items discussed by the Committee, which I have described above, we also received regular reports on the progress of two major regulatory projects, namely the implementation of International Financial Reporting Standards, in respect of which we also received an in-depth briefing, and the implementation of s404 of the US Sarbanes-Oxley Act of 2002.

We also spent time this year reviewing the control environment at Absa Group Limited, in which Barclays has acquired a majority stake. We considered and agreed on behalf of the Board the governance arrangements for the Group's interaction with Absa and will monitor the effectiveness of this framework going forward. Our internal audit function carried out a review of Barclays readiness to complete the transaction, including governance and oversight of the acquisition, as well as a review of the control environment at Absa after completion. In my capacity as Chairman of the Committee, I attended a meeting of the Absa Audit and Compliance Committee in October and the Chairman of Absa's Committee will attend this Committee's meeting in April 2006. Going forward, we will continue to receive reports on the effectiveness of the Absa control environment.

Signed on behalf of the Board Audit Committee

/s/ Stephen Russell

Stephen Russell
Chairman, Board Audit Committee

9th March 2006

Board Risk Committee

Chairman: Sir Richard Broadbent
Members: Dr Danie Cronjé, Sir Andrew Likierman, Stephen Russell
Secretary: Lawrence Dickinson, Company Secretary

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The Committee met five times in 2005, under the Chairmanship of Stephen Russell. Sir Richard Broadbent succeeded Stephen Russell as Chairman of the Committee from 1st January 2006. Dr Danie Cronjé was appointed to the Committee on 1st December 2005.

The purpose of the Committee is to approve the Group's overall risk appetite, setting limits for individual types of risk, including credit, market and operational risk. The Committee also approves material changes to the overall risk appetite and monitors the Group's risk profile, including risk trends and concentrations, loan impairment experience against budget and key performance indicators for risk. A key role of the Committee is also to obtain assurance that the principal risks facing the Group have been properly identified and are being appropriately managed. The Committee also monitors the risks associated with the Group's principal pension schemes.

In order to assess the effectiveness of the Group's risk control framework, the Committee regularly reviews the Group's risk measurement systems and receives reports from management confirming that they have reviewed the Group's risk control standards. The Committee is also responsible for approving certain policy statements required by the Financial Services Authority. An overview of the Group's risk management and control framework can be found on pages 34-40.

Attendance at Board and Board Committee Meetings

All Directors are expected to attend each Board meeting and each meeting of Committees of which they are members, unless there are exceptional circumstances that prevent them from doing so. The Chairman and executive Directors attend Committee meetings as requested or as required by each Committee's terms of reference.

The attendance of Directors at meetings of the Board and of Board Committees of which they were members during 2005 is shown on page 13. Where a Director was appointed to the Board or to a Committee during the year, their attendance shown is only for those

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Table of Contents**Attendance at Board and Board Committee Meetings**

Director	Board	Board Audit Committee	Board HR and Remuneration Committee	Board Corporate Governance and Nominations Committee	Board Risk Committee	Annual General Meeting
Matthew W Barrett	10/10			3/3		1/1
John Varley	10/10					1/1
Roger Davis	10/10					1/1
Robert E Diamond Jr	6/6					
Gary Hoffman	9/10					1/1
Naguib Kheraj	10/10					1/1
David Roberts	10/10					1/1
Sir David Arculus	8/10		4/4	3/3		1/1
Sir Richard Broadbent	10/10		4/4	3/3	5/5	1/1
Leigh Clifford	8/10		2/3			0/1
Dr Danie Cronjé	4/4					
Professor Dame Sandra Dawson	10/10	6/6				1/1
Sir Andrew Likierman	10/10	6/6			5/5	1/1
Sir Nigel Rudd	10/10		4/4	3/3		1/1
Stephen Russell	10/10	6/6		3/3	5/5	1/1
Robert Steel	6/6	2/2				
John Sunderland	6/6		3/3			
Dr Jürgen Zech	3/3	1/1				

meetings that took place after their appointment, for example, 9/10 signifies that nine meetings were attended out of a possible ten. Dr Jürgen Zech's attendance is for meetings that took place prior to 28th April 2005, when he ceased to be a Director.

Statement on US Corporate Governance standards

As a non-US company listed on the New York Stock Exchange (NYSE), we are exempt from most of the NYSE's Corporate Governance rules (the NYSE Rules), which domestic US companies must follow. However, we are subject to the NYSE rules requiring us to have a Board Audit Committee that meets the requirements of Rule 10A-3 of the US Securities Exchange Act of 1934 and we must provide an Annual Written Affirmation to the NYSE of our compliance with the applicable NYSE Rules. Furthermore, under NYSE Rule 303.A.11, we are required to disclose any significant ways in which our corporate governance practices differ from those followed by domestic US companies listed on the NYSE. As our main listing is on the London Stock Exchange, we follow the UK's Combined Code on Corporate Governance (the Code) adopted by the Financial Reporting Council. Key differences between the NYSE Rules and the Code are set out below:

Director independence

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Under the NYSE Rules the majority of the Board should be independent. Under the Code, at least half of the Board (excluding the Chairman) is required to be independent. The NYSE Rules contain detailed tests for determining Director independence, whereas the Code requires the Board to determine whether each Director is independent in character and judgement and sets out criteria that may be relevant to the Board's determination. We follow the Code's recommendations and also developing best practices among other UK

public companies. Our Board annually reviews the independence of our non-executive Directors, taking into account the guidance in the Code and the criteria we have established for determining independence, which are described on page 10. For 2005, the Board determined that all the non-executive Directors are independent.

Board Committees

We have a Board Corporate Governance and Nominations Committee and a Board HR and Remuneration (rather than Compensation) Committee, both of which are broadly comparable in purpose and constitution to those required by the NYSE Rules and whose terms of reference comply with the Code's requirements. Beyond the fact that the Board Corporate Governance and Nominations Committee is chaired by the Chairman of the Board, as permitted by the Code, both Committees are composed solely of non-executive Directors whom the Board has determined to be independent. We follow the Code recommendation that a majority of the Nominations Committee should be independent non-executive Directors, whereas the NYSE Rules state that the Committee must be composed entirely of independent Directors.

We comply with the NYSE Rules regarding the obligation to have a Board Audit Committee that meets the requirements of Rule 10A-3 of the US Securities Exchange Act, including the requirements relating to the independence of Committee members. In August 2005, we made an Annual Written Affirmation of our compliance with these requirements to the NYSE. The Code also requires us to have a Board Audit Committee comprised solely of independent non-executive Directors. We follow the Code recommendations, rather than the NYSE Rules, however, regarding the responsibilities of the Board Audit

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Committee, although both are broadly comparable. We also have a Board Risk Committee, comprised solely of independent non-executive Directors, which considers and discusses policies with respect to risk assessment and risk management.

Corporate Governance Guidelines

The NYSE Rules require domestic US companies to adopt and disclose corporate governance guidelines. There is no equivalent recommendation in the Code. The Board Corporate Governance and Nominations Committee has, however, developed corporate governance guidelines, entitled *Corporate Governance in Barclays*, which have been approved and adopted by the Board. The guidelines are available on our website at www.investorrelations.barclays.co.uk.

Code of Ethics

The NYSE Rules require that domestic US companies adopt and disclose a code of business conduct and ethics for Directors, officers and employees. Rather than a single consolidated code as envisaged in the NYSE Rules, we have a number of values based business conduct and ethics policies, which apply to all employees. In addition, we have adopted a Code of Ethics for the Group Chief Executive and senior financial officers as required by the US Securities and Exchange Commission.

Shareholder approval of equity-compensation plans

The NYSE listing standards require that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions to those plans. We comply with UK requirements, which are similar to the NYSE standards. The Board, however, does not explicitly take into consideration the NYSE's detailed definition of what are considered material revisions.

Corporate Responsibility

Our approach to managing the interests of our stakeholders is fully described in our Corporate Responsibility Report, copies of which are available from the Company Secretary or online at www.investorrelations.barclays.co.uk.

Relations with Shareholders

We have a proactive approach to our institutional and private shareholders, totalling around 808,000.

Senior executives hold meetings with our key institutional shareholders to discuss strategy, financial performance and investment activities in the UK, throughout Europe and in the US.

The Chairman meets regularly with investor bodies and investors to discuss our approach to corporate governance issues. In December 2005, the Chairman hosted a corporate governance event for key institutional investors. The purpose of that event was to update our major shareholders on our corporate governance practices and to discuss any issues or concerns that they may have had.

In addition, investor bodies and major investors are given the opportunity to meet with new non-executive Directors on their appointment. Sir Richard Broadbent, the Senior Independent Director, is available to meet with investors if they are unable to resolve issues through the normal channels of the Chairman and Group Chief Executive.

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We aim to provide a first-class service to private shareholders to help them in the effective and efficient management of their shareholding in our Company. This year we have encouraged shareholders to hold their shares in Barclays Sharestore, where their shares are held electronically in a cost effective environment. This eliminates the risk of losing shares

held in paper form. During 2005, over 20,000 shareholders holding over 36 million shares chose to transfer their shares into Sharestore and to have future dividends paid direct to their bank account or to reinvest them in Barclays shares. In addition, this year we have proactively traced and returned a further £10m to shareholders who had lost touch with the Group, reuniting these shareholders with their assets. For the first time we offered an exclusive deal on Barclays insurance products to our shareholders, offering special deals on general, motor and travel insurance. Further offers are being considered for 2006.

The main methods of communicating with private shareholders are the Annual Report, the Annual Review, the dividend mailings and the AGM.

Our e-view service enables shareholders to receive their documents electronically. It also gives shareholders immediate access to information relating to their personal shareholding and dividend history. Participants can also change their details and dividend mandates online and receive dividend tax vouchers electronically.

Annual General Meeting

All Directors are encouraged to attend the AGM and be available to answer shareholders' questions. It has been our practice for a number of years that all resolutions are voted on a poll to ensure that the views of all shareholders are reflected proportionately. Each of the resolutions considered at the 2005 AGM was decided on a poll and a copy of the poll results is available from the Company Secretary or on the Company's website, www.investorrelations.barclays.co.uk. The resolutions to be considered at our 2006 AGM will also be decided on a poll and the results will be made available on our website on 27th April 2006.

Signed on behalf of the Board

/s/ Matthew W Barrett
Matthew W Barrett
Chairman
9th March 2006

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Barclays report on remuneration

Statement from the Chairman of the Board HR and Remuneration Committee (the Committee)

The Committee provides governance and strategic oversight of Barclays Human Resource activities with particular emphasis on talent, remuneration and employee engagement.

Leigh Clifford and John Sunderland joined the Committee during 2005. All Committee members are independent non-executive Directors. The Committee meets a minimum of four times a year.

The focus of the Committee in 2005 was:

- | the introduction of a revised long-term incentive plan, the Performance Share Plan (PSP), which was approved by shareholders at the Barclays Annual General Meeting on 28th April 2005;
- | a formal review of compensation strategy for Barclays Global Investors;
- | the development of policies to manage the impact of the changes to the tax treatment of pensions (known as A day in the UK); and
- | talent management.

The Committee takes very seriously its commitment to good disclosure. The majority of this report details the remuneration of the individual Directors who served Barclays in 2005.

The following comments will provide context to the disclosures, and demonstrate the strong pay for performance link inherent in the design and operation of the Barclays remuneration plans:

- | Barclays performed strongly in 2005 with profit before tax and economic profit(a) up 15% and 12% respectively.
- | Barclays Total Shareholder Return (TSR) for the five years to the end of 2005 was 43%, compared with 6% for the FTSE 100 Index.
- | Annual bonus levels vary by executive Director to reflect a combination of performance of the Group, the businesses and the individual.

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I The main performance condition for executive Directors in the Incentive Share Option Plan (the ISOP) is TSR relative to a peer group of 11 other major international banks. This performance condition is very stretching. The maximum number of shares under option vests only if Barclays is ranked first in the peer group. For the 2002 grant under the ISOP, which vested in 2005, Barclays was ranked fourth in the peer group(b). This was sufficient for only 25% of the maximum number of shares under the TSR condition to vest. The remaining 75% lapsed. The Committee unanimously recommends that you vote to approve the report at the AGM.

Signed on behalf of the Board

/s/ Sir Nigel Rudd

Sir Nigel Rudd

Board HR and Remuneration Committee Chairman

9th March 2006

Notes

- (a) Economic profit comprises profit after tax and minority interests, less a charge representing the Group's cost of capital. Please refer to the economic profit reconciliation on page 286.

- (b) The peer group for the 2002 ISOP was: Abbey National, ABN Amro, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HBOS, HSBC, Lloyds TSB, Royal Bank of Scotland and Standard Chartered.

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Board HR and Remuneration Committee Members

The Committee comprises the following independent non-executive Directors:

Sir Nigel Rudd, Chairman
Sir David Arculus

Sir Richard Broadbent

Leigh Clifford (appointed 1st July 2005)

John Sunderland (appointed 1st July 2005)

The Committee members are considered by the Board to be independent of management and free from any business or other relationship that could materially affect the exercise of their independent judgement. The constitution and operation of the Committee comply with the Provisions on the Design of Performance Related Remuneration in the Combined Code adopted by the Financial Reporting Council.

The Chairman of the Committee presents a report of each meeting to the full Board.

Advisers to the Committee

The Committee has access to independent consultants to ensure that it receives independent advice. Advisers are appointed by the Committee for specific pieces of work, as necessary, and are required to disclose to the Committee any potential conflict of interest.

In 2005, Kepler Associates^(a) were appointed to provide independent advice to Committee members on remuneration matters.

The Chairman of the Board, the Group Chief Executive, the Human Resources Director and, as necessary, members of the Group Executive Committee, also advise the Committee, supported by their teams. They are not permitted to participate in discussions or decisions relating to their own remuneration. The Human Resources Director is responsible for providing professional support to line management in HR policy and administration and for monitoring compliance with prescribed policy and programmes across Barclays. The Human Resources Director is not a Board Director and is not appointed by the Committee.

Remuneration Policy

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

Barclays remuneration policy is to:

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I incentivise excellence and balance in both short term (one year) and longer term (three years plus) performance such that the goal of achieving top quartile TSR is met and sustained;

I enable the Group to attract and retain people of proven ability, experience and skills in the pools in which we compete for talent;

Note

(a) Kepler Associates have given their written consent to the inclusion of references to their name in the form and context in which it appears.

(b) Barclays Guiding Principles were introduced during 2005 and provide all parts of the Group with a unifying set of priorities. They are: Winning Together, Best People, Client/Customer Focused, Pioneering and Trusted.

(c) The PSP has replaced the Incentive Share Option Plan (ISOP) as the principal long-term incentive plan. Awards made in 2004 were made under the ISOP; awards made in 2005 were made under the PSP.

I encourage behaviour consistent with Barclays Guiding Principles(b) which leads to excellence and the appropriate balance in: financial performance, governance and controls, customer service, human resource management, brand and reputation management, and risk management;

I promote attention to maximising personal contribution, contribution to the business in which the individual works, and contribution to the Group overall; and

I ensure, both internally and externally, that remuneration policies and programmes are transparent, well communicated, easily understood and serve well the interests of shareholders.

The graph below shows the TSR for the FTSE 100 Index and Barclays since 31st December 2000. The FTSE 100 Index is the index of the 100 largest UK quoted companies by market capitalisation. It is a widely recognised performance comparison for large UK companies. It shows that, at the end of 2005, a hypothetical £100 invested in Barclays on 31st December 2000 would have generated a total return of £43, compared with a gain of £6 if invested in the FTSE 100 Index. Barclays therefore outperformed the FTSE 100 Index for this period.

Source: Thomson Financial

This graph shows the value, at 31st December 2005, of £100 invested in Barclays on 31st December 2000 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year ends. The Directors Remuneration Report Regulations 2002 require that the graph shows TSR for the five years ending with the relevant financial year.

Reward for executive Directors

Reward for the executive Directors and other senior executives comprises:

I base salary;

I annual bonus including mandatory deferral into Barclays shares (the Executive Share Award Scheme (ESAS));

I the Performance Share Plan (PSP)^(c); and

I pension and other benefits.

The Committee reviews the elements of reward relative to the practice of other comparable organisations. Reward is benchmarked against the markets in which we compete for talent. This includes benchmarking against other leading international banks and financial services organisations, and other companies of similar size to Barclays in the FTSE 100 Index.

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Each element of reward is important and has a specific role in achieving the aims of the remuneration policy. The combined potential remuneration from bonus and PSP outweigh the other elements, and are subject to performance conditions, thereby placing the majority of total reward at risk. The relative weighting of each of the key elements of executive Director remuneration (excluding pension and benefits) is shown below. The composition of Robert E Diamond Jr's compensation is shown separately. His arrangements reflect general practice in the investment banking industry.

	FIXED		AT RISK	
	Base salary	Annual performance bonus (Maximum)		Performance Share Plan (Maximum) Fair value
Chief Executive and typical executive Director	20%	Cash 37.5%	Shares 12.5%	30%
Robert E Diamond Jr	2%	49%	16%	33%

The purpose of each element of remuneration for executive Directors is summarised in the table below and discussed in greater detail in the sections that follow.

Compensation element	Purpose	Delivery	Policy
Base salary	To reflect the market value of the individual and their role	<ul style="list-style-type: none"> Cash Monthly Pensionable 	<ul style="list-style-type: none"> Reviewed annually, with changes typically effective on 1st April
Annual performance bonus	To incentivise the delivery of annual goals, at the Group, business division and individual levels	<ul style="list-style-type: none"> 75% cash 25% deferred Barclays shares under ESAS Annual Non-pensionable 	<ul style="list-style-type: none"> Based on annual performance: Group financial results (EP and PBT): 30-40% weighting Business unit financial results (EP and PBT): 30-40% weighting Leadership: 30-40% weighting
Performance Share Plan	To reward the creation of above median, sustained growth in shareholder value	<ul style="list-style-type: none"> Free shares subject to a performance condition Annual awards that vest after three years Non-pensionable 	<ul style="list-style-type: none"> Discretionary awards Reviewed annually Barclays performance over three years determines the number of performance shares released to each individual

Pension

To provide market competitive post-retirement benefit

- | Deferred cash
- | Monthly

| For awards made in 2005, EP threshold, thereafter TSR performance scale

| No vesting if TSR ranking is at median or below relative to the peer group

| For awards to be made in 2006, 50% under a TSR metric and 50% using an EP metric

| Normal retirement age 60

| Closed non-contributory, defined benefit scheme

or

Defined contribution scheme

or

Cash allowance in lieu of pension contributions

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The component parts for each executive Director are detailed in tables accompanying this report.

All the executive Directors meet the Committee's guideline that, as a minimum, they should hold the equivalent of 1x their base salary in Barclays shares, including shares held on their behalf in ESAS.

Base Salary

The annual base salaries for the current executive Directors are shown in the table below:

	As at 31st Dec 2005	As at 1st April 2006	Date of previous increase
John Varley	£ 850,000	£ 900,000	1st Sep 2004
Robert E Diamond Jr	£ 250,000	£ 250,000	1st Mar 1999
Gary Hoffman	£ 500,000	£ 625,000	1st Jan 2004
Naguib Kheraj	£ 500,000	£ 700,000	1st Jan 2004
David Roberts	£ 500,000	£ 600,000	1st Jan 2004

With effect from 1st January 2005, the start of his first financial year as Chairman, Matthew W Barrett's salary reduced from £1.1m to £650,000. Also, with effect from 1st January 2005, he is not eligible for a performance bonus, pension contributions or further long-term incentive awards. His salary will not increase on 1st April 2006.

Annual Bonus Including Executive Share Award Scheme (ESAS)

75% of annual bonus is delivered as cash. The remaining 25% is delivered as a provisional allocation of shares under ESAS, which will normally not be released for at least three years and are subject to potential forfeiture if the individual resigns and commences employment with a competitor business. See page 24 for details of the Scheme. The maximum bonus opportunity is tailored to the relevant market; this is typically 250% of base salary.

Performance Share Plan (PSP)

The Performance Share Plan (PSP) was approved by shareholders at the 2005 AGM. Performance shares are free Barclays shares for which no exercise price is payable and which qualify for dividends. Performance share awards are communicated to participants as an initial allocation. This initial allocation is the expected value of the award and is up to the higher of 150% of base salary or 75% of base salary and target annual bonus. Barclays performance over a three-year period determines the final number of shares that may be released to participants. After three years the trustee considers the release of performance shares based on the outcome of two performance conditions:

- Before any shares are released, Barclays cumulative EP over the performance period must normally be greater than the total for the previous three-year period.

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For 2005 awards, a multiplier applies to the initial allocation based on Barclays total shareholder return compared to a peer group of major international banks, measured over the three-year performance period (2005 to 2007). For 2006 awards, 50% of each award will be subject to a relative TSR metric and 50% subject to an EP metric. Relative TSR and EP are both considered to be good measures of value creation to shareholders.

The comparator banks for the 2005 and 2006 awards are:^(a)

UK HBOS HSBC Lloyds TSB Royal Bank of Scotland	Mainland Europe ABN Amro BBVA BNP Paribas Deutsche Bank UBS	US Citigroup JP Morgan Chase
--	--	------------------------------------

The performance scale for the 2005 allocation is:^(b)

Barclays TSR

ranking in the peer group of 12	Multiplier applying to the initial allocation	Number of shares that vest (as a % of maximum)	Example based on initial allocation of 75,000 shares
1st	3 x	100%	225,000
2nd	2.5 x	83%	187,500
3rd	2 x	67%	150,000
4th	1.5 x	50%	112,500
5th	1.25 x	42%	93,750
6th	1 x	33%	75,000
7th or below	0	0	0

Notes

(a) The reserve companies for the 2005 and 2006 awards are Banco Santander, Morgan Stanley, Bank of America and Wachovia.

(b) The estimated expected value is 33% of the maximum vesting level.

There is no vesting unless Barclays is ranked above median on relative TSR. This is also the scale for the TSR element of the 2006 awards.

The vesting scale is illustrated in the chart below.

Retained Incentive Opportunity

Mr Diamond retains an opportunity to be considered for an award in February 2008 up to a maximum value of £14.85m, subject to performance criteria based on the delivery of EP at Barclays Capital over the period 2005 to 2007. Details of the award are provided on page 25.

Incentive Share Option Plan (ISOP)

The plan was not used for awards to executive Directors in 2005. Details of the plan can be found on page 27. Awards in 2003 and 2004 under the ISOP include financial metrics or thresholds. These have been adjusted where necessary to neutralise the effect of the introduction of the International Financial Reporting Standards.

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Sharesave

All eligible employees including executive Directors have the opportunity to participate in Barclays Sharesave Scheme. Sharesave is an HMRC (Her Majesty's Revenue and Customs) approved all-employee share plan. HMRC does not permit performance conditions to be attached to the exercise of Sharesave options. Under the plan, participants are granted options over Barclays PLC ordinary shares. Each participant may save up to £250 per month to purchase Barclays shares at a discount. For the 2005 grant, the discount was 20% of the market value at the time the option was granted. Following the 2005 invitation, a total of 41,000 employees were participants in Sharesave with 86 million shares under option.

Sharepurchase Plan

The Sharepurchase Plan was introduced in January 2002. It is an HMRC approved all-employee share plan. The plan is open to all eligible UK employees including executive Directors. Under the plan, participants are able to purchase up to £1,500 worth of Barclays PLC ordinary shares each year, which, if kept in trust for five years, can be withdrawn from the plan tax-free. Any shares in the plan will earn dividends in the form of additional shares, which must normally be held by the trustee for three years before being eligible for release.

To encourage employee ownership of Barclays shares, with effect from 5th April 2005, Barclays matches, share for share, the first £600 each employee invests in Sharepurchase in each tax year.

At 31st December 2005, 15,500 employees were participants in the plan, with a total of 6.5 million shares held on their behalf by the Plan Trustee.

Dilution

The outstanding awards under the ISOP and Sharesave schemes are intended to be satisfied by the issue of new Barclays shares or through treasury shares in aggregate within the limits agreed by shareholders when these plans were approved. These limits comply with the Association of British Insurers' guidelines relating to dilution from employee share plans. The overall limits under the guidelines are that no more than 10% of a company's issued share capital may be used in any ten-year period, of which up to 5% may be used for management plans. As at 31st December 2005, Barclays headroom under these limits was 3.8% and 2.2% respectively.

Employees' Benefit Trusts (EBT)

The shares provided to employees in the ESAS and the PSP are held in an EBT. The trustees of the Barclays EBT have informed the Bank that their normal policy is to abstain in any shareholder voting, in respect of the Barclays shares held in trust.

Pensions

A pension is normally payable on retirement at contractual retirement date (normally 60) and is calculated either by reference to an executive Director's length of service and pensionable salary, normally on the basis of 1/60th per year of service, or to a money purchase arrangement, depending upon date of hire. Annual performance related bonuses are not included in pensionable pay.

John Varley is a member of a closed non-contributory pension scheme and his contract provides for a pension of 60% of pensionable salary, without reduction for early retirement, if he retires from age 55 with 28 years' service, and two-thirds of pensionable salary at age 60 with 33 years' service.

Robert E Diamond Jr is a member of the US defined benefit pension plan and 401K defined contribution plan on similar terms to other Barclays senior executives in the US.

From 6th April 2006, when the simplification of pensions taxation takes effect, executive Directors with pension funds close to, or above, the Lifetime Allowance will be eligible to opt for a cash allowance instead of continued pension accrual. The allowance will be no more than the approximate cost of funding the existing pension benefit.

Service Contracts

The Group has service contracts with its Chairman and executive Directors. The effective dates of the contracts for the Chairman and executive Directors who served during 2005 are shown in the table below. The service contracts do not have a fixed term but provide for a notice period from the Group of one year and normally for retirement at age 60. The Committee's policy is that executive Directors' contracts should allow for

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termination with contractual notice from the Company, except in circumstances of gross misconduct when notice is not given.

The Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations and share scheme rules.

Directors^(a)	Effective date of contract	Notice period	Normal retirement date	Potential compensation for loss of office 1 year's contractual remuneration
Matthew W Barrett ^(b)	1st Sept 2004	1 year	n/a	
John Varley	1st Sept 2004	1 year	31st Mar 2016	
Robert E				
Diamond Jr	1st Jun 2005	1 year	26th July 2016	
Gary Hoffman	1st Jan 2004	1 year	20th Oct 2020	
Naguib Kheraj	1st Jan 2004	1 year	14th Jul 2024	
David Roberts	1st Jan 2004	1 year	11th Sep 2022	
Former Director				
Roger Davis	1st Jan 2004	1 year	n/a	

Notes

(a) Details of executive Directors standing for re-election at the 2006 AGM are set out on page 5.

(b) There is no formal retirement date under Matthew W Barrett's contract. However, his pension may not commence later than 20th September 2019 (age 75).

Barclays Capital and Barclays Global Investors (BGI)

The Committee has established frameworks for the governance of remuneration in these businesses. Ranges have been set for key financial and compensation ratios such as operating costs to net revenue, compensation to pre-compensation profit before tax and bonus expenditure as a percentage of pre-bonus profits. The Committee approves aggregate bonus and long-term incentive expenditure, and strategic investment for new hires. The Committee also approves individual compensation for the members of the management teams.

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The Board determines the fees of non-executive Directors and the fees are reviewed annually. The fee structure is shown below.

Base fee	£ 55,000
Chairman of Board Audit Committee	£ 40,000
Chairman of Board Risk Committee	£ 25,000
Members of the Board Audit Committee	£ 20,000
Members of the following Board Committees:	
Risk, HR and Remuneration and	
Corporate Governance and Nominations	£ 15,000

As Deputy Chairman, Sir Nigel Rudd receives £200,000, without any additional fee for chairing the Board HR and Remuneration Committee. Similarly, as Chairman, Matthew W Barrett receives a salary of £650,000, without any additional fee for chairing the Board Corporate Governance and Nominations Committee. Sir Richard Broadbent receives an additional £25,000 in respect of his role as Senior Independent Director.

The Board's policy is that fees should reflect individual responsibilities and membership of Board Committees. Barclays encourages its non-executive Directors to build up a holding in the Company's shares. £20,000 of each Director's basic fee of £55,000 is used to buy shares in the Company. These shares, together with reinvested dividends, are retained on behalf of the non-executive Directors until they retire from the Board. They are included in the table of Directors' interests in ordinary shares of Barclays PLC on page 28. Non-executive Directors do not receive awards in share schemes for employees, nor do they accrue pension benefits from Barclays for their non-executive services.

Non-executive Directors do not have service contracts but each has a letter of appointment. For each non-executive Director, the effective date of their appointment, notice period and the Group's liability in the event of early termination are shown in the following table.

Non-executive	Effective	Group
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Directors	date of letter of appointment	Notice period	liability in the event of early termination
Sir David Arculus	1st Feb 1997	6 months	6 months fees
Sir Richard Broadbent	1st Sep 2003		
Leigh Clifford	1st Oct 2004		
Dr Danie Cronjé	1st Sep 2005		
Professor Dame			
Sandra Dawson	1st Mar 2003		
Sir Andrew Likierman	1st Sep 2004		
Sir Nigel Rudd	1st Feb 1996		
Stephen Russell	25th Oct 2000		
Robert Steel	1st Jun 2005		
John Sunderland	1st Jun 2005		
Former Director			
Dr Jürgen Zech	30th Jul 2002		

Each appointment is for an initial six-year term, renewable for a single term of three years thereafter, with the exception of Sir Nigel Rudd, whose appointment as Deputy Chairman is reviewed annually.

Details of non-executive Directors standing for re-election at the 2006 AGM are set out on page 5.

Future Policy

The Committee will keep the existing remuneration arrangements, as detailed in this Report, under review during 2006 and ensure that Barclays programmes remain competitive and provide appropriate incentive for performance. As usual, there will be individual reviews of base salary, annual bonus (including ESAS) and awards under the long-term incentive plans.

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	Salary and fees £000	Benefits ^(b) £000	Annual cash bonus £000	2005 Total £000	2004 Total £000	Executive Share Award Scheme ESAS ^(c) 2005 £ 000	2004 £000
Chairman							
Matthew W Barrett	650	54		704	2,827		715
Executive Directors							
John Varley(d)	850	11	1,388	2,249	2,074	601	569
Robert E Diamond Jr(e)	146	7	4,375	4,528		1,896	
Gary Hoffman(d)	500	11	563	1,074	1,335	244	358
Naguib Kheraj(d)(f)	500	126	825	1,451	1,563	358	406
David Roberts(d)	500	11	825	1,336	1,279	358	333
Non-executive Directors^(g)							
Sir David Arculus	83			83	68		
Sir Richard Broadbent	123			123	83		
Leigh Clifford	60			60	13		
Dr Danie Cronjé(h)	129	3		132			
Professor Dame Sandra Dawson	71			71	62		
Sir Andrew Likierman	86			86	26		
Sir Nigel Rudd	179			179	98		
Stephen Russell	127			127	93		
Robert Steel(i)	39			39			
John Sunderland(j)	40			40			
Former Directors							
Roger Davis(k)	468	13	1,031	1,512	1,337		358
Dr Jürgen Zech(l)	49			49	62		

Notes

- (a) Emoluments include amounts, if any, payable by subsidiary undertakings. Amounts payable to Dr Danie Cronjé include an amount of R1,193,275 (£109,734) in respect of his Chairmanship of Absa Group Limited. Dr Cronjé also received R37,913 (£3,486) of benefits in respect of his Chairmanship of Absa Group Limited.
- (b) The Chairman and executive Directors receive benefits in kind, which may include life and disability cover, the use of a Company owned vehicle or cash equivalent, medical insurance and tax advice on similar terms to other senior executives.
- (c) The amounts shown for ESAS represent payments which are expected to be made to the trustee to fund the provisional allocation of shares in 2006, including a maximum potential 30% bonus share element.

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- (d) John Varley is a Director of Ascot Authority (Holdings) Limited and British Grolux Investments Limited, for which he received fees of £24,648 and £6,000 respectively in 2005. Gary Hoffman is a Director of Visa (Europe) Limited, for which he receives no fee and Trinity Mirror plc, for which he received fees of £39,521 in 2005. Naguib Kheraj is a member of the Board of Governors of the Institute of Ismaili Studies, for which he receives no fee. Naguib Kheraj and David Roberts are non-executive Directors of Absa Group Limited and Absa Bank Limited. They have each waived their fees, which were paid to Barclays. The respective fees for 2005 were R161,033 (£14,809) and R140,366 (£12,908).
- (e) Robert E Diamond Jr joined the Board on 1st June 2005. The amount shown is for the period from that date.
- (f) Naguib Kheraj received an allowance of 23% of base salary (£115,000) in lieu of pension contributions.
- (g) Fees to non-executive Directors include an amount of £20,000 per annum which, after tax, is used to buy Barclays PLC ordinary shares for each non-executive Director. Further details are provided on page 20.
- (h) Dr Danie Cronjé was appointed as a non-executive Director on 1st September 2005.
- (i) Robert Steel was appointed as a non-executive Director on 1st June 2005.
- (j) John Sunderland was appointed as a non-executive Director on 1st June 2005.
- (k) Roger Davis ceased to be a Director on 8th December 2005; his 2005 salary and bonus are pro-rated up to this date. His contract provides for a notice period of 12 months or contractual pay in lieu of notice for 12 months, subject to mitigation if alternative employment is found during the period of pay in lieu of notice. Contractual pay on termination includes base salary (£500,000), pension contribution (£115,000) and a bonus capped at 100% of current base salary (£500,000), totalling £1,115,000. The notice period will commence on 1st April 2006. The contract provides for a discretionary bonus in respect of part-year service up to the date the notice period starts. The bonus for the period 1st January 2006 to 31st March 2006 will be £250,000.
- (l) Dr Jürgen Zech resigned from the Board on 28th April 2005.

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	Age at 31st December 2005	Completed years of service	Accrued pension at 31st December 2004 ^(d) £000	Pension	Pension	Accrued	Transfer	Transfer	Increase in transfer value during the year ^(e) £000	Other contri- butions made in 2005 £000
				accrued during 2005 (including increase for inflation) ^(e) £000	accrued during 2005 (excluding inflation) £000	pension at 31st December 2005 £000	value of accrued pension at 31st December 2004 ^(d) £000	value of accrued pension at 31st December 2005 £000		
Chairman										
Matthew W Barrett(f)	61	6								
Executive Directors										
John Varley(g)(h)	49	23	307	67	59	374	4,705	6,338	1,633	
Robert E Diamond Jr(h)(i)(j)	54	9	33	4	4	37	186	207	21	7
Gary Hoffman(g)(h)	45	23	185	13	8	198	1,488	1,723	235	
Naguib Kheraj(k)	41	8								
David Roberts(g)(h)	43	22	177	13	8	190	1,295	1,503	208	
Former Director										
Roger Davis(l) Notes	49	8								108

(a) Pension accrued during the year represents the increase in accrued pension (including inflation at the prescribed rate of 2.7%), which occurred during the entire year with the exception of Robert E Diamond Jr (see Note (e)). These pensions paid from the final salary section of the pension fund are reviewed annually. Pensions increase by a minimum of the increase in the retail price index (up to a maximum of 5%), subject to the scheme rules.

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- (b) The transfer values have been calculated in a manner consistent with Retirement Benefit Schemes Transfer Values (GNII) published by the Institute of Actuaries and the Faculty of Actuaries.
- (c) The tax simplification in the Finance Act 2004 will introduce new maximum limits on tax-approved pension benefits. The Committee's policy is not to increase executive Directors' benefits to mitigate changes in tax treatment. Individuals with pension benefits affected by the new Lifetime Allowance and who opt out of the scheme for future accrual will be permitted to receive a taxable cash allowance in lieu of pension accrual after 6th April 2006. The allowance will be no more than the approximate cost of funding the existing pension benefit.
- (d) Accrued pension and transfer value of accrued pension shown as at 31st December 2004 for all individuals with the exception of Robert E Diamond Jr. His accrued pension and transfer value of accrued pension are shown as at 1st June 2005 when he was appointed to the Board.
- (e) This relates to the full financial year for all individuals with the exception of Robert E Diamond Jr for whom growth is calculated from 1st June 2005 when he was appointed to the Board.
- (f) Matthew W Barrett is not a member of the Group's main pension schemes. A notional fund has been accrued on his behalf outside the pension scheme; no contributions were made to this in 2005. Pension benefits for the other Directors shown above are provided on a funded basis. In the event of Mr Barrett's death before leaving employment, a capital sum of up to four times salary would be payable.
- (g) The Group has a closed non-contributory pension scheme, which provides that, in the case of death before retirement, a capital sum of up to four times salary is payable together with a spouse's pension of approximately 50% of the member's prospective pension at retirement. For death in retirement, a spouse's pension of approximately 50% of the member's pre-commutation pension is payable. If a member, granted a deferred pension, dies before their pension becomes payable, their widow/widower will immediately be paid a pension of 50% of their deferred pension. In all circumstances, children's allowances are payable, usually up to the age of 18. Enhanced benefits are payable if a member is unable to continue to work as a result of serious ill health. Gary Hoffman and David Roberts are members of the closed non-contributory pension scheme with benefits of 1/60th of final pensionable salary per year of service. Their Normal Retirement Age is 60. John Varley is also a member of the closed non-contributory pension scheme and he is entitled to a pension of 60% of pensionable salary without reduction for early retirement if he retires from age 55 and two-thirds of pensionable salary at age 60.
- (h) The accrued pension amounts at the end of the year for Gary Hoffman, Robert E Diamond Jr, David Roberts and John Varley are the values if the Director left service on that date.
- (i) Robert E Diamond Jr is a member of the Group's non-contributory qualified pension plan and the restoration defined benefit pension plan in the USA. The qualified plan provides benefits of 1/60th of final average pensionable pay plus 0.3% of final average pensionable pay in excess of covered compensation formula for each year of service (to a maximum of 30 years). The normal retirement age is 65. On death before retirement, a spouse's pension is payable of approximately 50% of the benefit the member would have received if he had retired under early retirement on his date of death. On death after retirement a spouse's pension of 50% of the member's pension is payable. Enhanced benefits are payable if the member qualifies for disability benefits. The exchange rates on 1st June 2005 and 31st December 2005 were \$1.82 to £1 and \$1.72 to £1 respectively.
- The restoration plan restores reductions in benefits under the qualified plan resulting from the relevant compensation and benefit limitations under the Internal Revenue Code.
- (j) Robert E Diamond Jr is also a member of the 401K defined contribution plan. This is a standard pension arrangement for US employees. Contributions made under this plan have been pro-rated for his time on the Board. Exchange rate \$1.77 to £1.
- (k) Naguib Kheraj receives a cash allowance of 23% of salary, in lieu of pension contributions.
- (l) Roger Davis received a money purchase pension contribution of 23% of his salary. He ceased to be a Director on 8th December 2005 and the number shown above is pro-rated on this basis.

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Executive Directors: illustration of change in value of Barclays PLC shares owned beneficially, or held under option or awarded under employee share plans during the year ^(a)

Number at 31st December 2005

	Shares owned beneficially ^(b)	Executive Share Award Scheme ^(c)	Performance Share Plan ^(d)	Executive Share Option Scheme	Incentive Share Option Plan ^(e)	Sharesave	Total	Notional value based on share price of £5.86 ^(f)	Notional value based on share price of £6.11 ^(g)	Change in notional value £
Chairman										
Matthew W Barrett	302,264	350,534		766,628	2,832,000	2,479	4,253,905	7,416,875	8,480,351	1,063,476
Executive Directors										
John Varley	360,049	206,074	142,045		880,000	4,096	1,592,264	5,388,668	5,786,735	398,067
Robert E Diamond Jr	1,512,575	6,261,163	52,083	100,000	520,000		8,445,821	46,633,767	48,743,151	2,109,384
Gary Hoffman(h)	172,702	482,148	75,758		700,000	6,091	1,436,699	5,311,750	5,668,124	356,374
Naguib Kheraj	8,550	937,361	87,121	60,000	480,000	4,007	1,577,039	6,795,300	7,189,560	394,260
David Roberts	78,191	334,844	75,758		480,000	5,227	974,020	3,481,500	3,724,712	243,212
Former Director										
Roger Davis	99,970	511,688	75,758		440,000	2,714	1,130,130	4,621,463	4,903,995	282,532

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

(b) The number shown includes shares held under the Sharepurchase Plan.

(c) Executive Share Award Scheme (ESAS) includes the maximum potential 30% bonus share element.

(d) The number of shares shown represent initial allocation shares.

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

(f) The value is based on the share price as at 31st December 2004. The notional value of shares under option under the Incentive Share Option Plan (ISOP), Executive Share Option Scheme (ESOS) and Sharesave have been set at zero where the market price at 31st December 2004 is

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lower than the exercise price per share.

- (g) The value is based on the share price as at 31st December 2005. The notional value of shares under option under ISOP, ESOS and Sharesave has been set at zero where the market price at 31st December 2005 is lower than the exercise price per share.
- (h) On 10th January 2006 Gary Hoffman acquired a further 1,008 shares as a result of an option exercise on 23rd December 2005 under the Sharesave Plan.
- (i) Market price per share at 31st December 2005 was 611p. The highest and lowest market prices per share during the year were 614.5p and 519.5p respectively.
- (j) Under PSP, ESAS, ISOP and ESOS, nothing was paid by these participants on the grant of options or awards.

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Corporate governance

Barclays report on remuneration

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

	During 2005							Number at 31st December 2005
	Number at 1st January 2005	Awarded in respect of the results for 2004	Released ^(b)	Market price at release date £	Exercised ^(c)	Market price at exercise date £	Bonus shares lapsed	
Chairman								
Matthew W Barrett	293,460	120,982			58,992	5.51	4,916	350,534
Executive Directors								
John Varley	139,695	96,235	29,856	5.65				206,074
Robert E Diamond Jr(d)	6,463,174		202,011	6.02				6,261,163
Gary Hoffman	300,002	60,490	14,928	5.65				345,564
Naguib Kheraj	868,622	68,739						937,361
David Roberts	288,717	56,367	10,240	5.65				334,844
Former Director								
Roger Davis	587,682	60,490	136,484	5.65				511,688

Shares under option under ESAS and voluntary ESAS at 31st December 2005 (with the exception of voluntary ESAS, shares under option are included in aggregate figures above)

	Nil cost option granted at 3rd anniversary ^(e)	Nil cost option held under voluntary ESAS ^(f)	Date from which exercisable	Latest expiry date
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Chairman
Matthew W Barrett

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Executive Directors

John Varley	45,352		23/02/04	25/02/07
Robert E Diamond Jr	428,380		23/02/04	23/02/06
Gary Hoffman	29,008	136,584	26/02/99	04/03/14
Naguib Kheraj	212,824		25/02/05	25/02/07
David Roberts	24,536		23/02/04	25/02/07

Former Director

Roger Davis	99,068		23/02/04	25/02/07
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Notes

- (a) ESAS is a deferred share award plan in which awards are initially granted in the form of a provisional allocation that does not give rise to any entitlement to the shares. These awards were granted in the years 2001 to 2005, and include mandatory bonus deferrals. For mandatory bonus deferrals under ESAS, the size of any award under ESAS is subject to the same Group and individual performance criteria as the annual cash bonus. Normally, the trustees will permit the executive to call for the shares from the end of the third year from grant of an award by granting a right to acquire shares (a nil cost option) exercisable for two years. As this nil cost option is part of the structure of an ESAS award described above, which is a deferred share award plan, it would not be appropriate to attach a performance condition to the exercise of options. If the right is not exercised, the trustees, will normally at the end of the fifth year, release all of the shares, including bonus shares equal to 30% of the basic award. If the right is exercised, an executive may lose the opportunity of receiving one-third of the bonus shares. The number of shares shown in the table includes the bonus shares where applicable.
- (b) The trustees may release additional shares to participants which represent accumulated net dividends in respect of shares under award. During 2005, the trustees released the following accumulated dividend shares 6,074 to John Varley, 17,515 to Robert E Diamond Jr, 3,038 to Gary Hoffman, 2,081 to David Roberts and 27,780 to Roger Davis. These are not awarded as part of the original award and consequently are not included in the Released column.
- (c) The trustees may release additional shares to participants which represent accumulated net dividends in respect of the shares under award. During 2005, the trustees released 8,167 accumulated dividend shares to Matthew W Barrett. These are not included as part of the original award and consequently are not included in the Exercised column.
- (d) The number shown in the column headed Number at 1st January 2005 includes shares held by Robert E Diamond Jr which reflect interests built up over the course of successive years service with Barclays. The awards were related to Mr Diamond's contribution to the performance of Barclays Capital, BGI and the Barclays Group. The number shown is at 1st June 2005, when he was appointed to the Board.
- (e) The shares under option shown in this column are already included in the numbers shown at 1st January 2005 and relate to provisional allocations made in 2001 and 2002 except that the figures do not include accumulated dividend shares under option as follows: 5,459 shares for John Varley, 40,501 for Robert E Diamond Jr, 3,428 for Gary Hoffman, 29,466 for Naguib Kheraj, 3,005 for David Roberts and 9,367 for Roger Davis. Under ESAS, a participant pays £1 to exercise an option, irrespective of the number of shares involved.
- (f) The shares under option in this column are not included in the numbers shown at 1st January 2005. Voluntary ESAS is an additional award under ESAS following a Director requesting that part of the cash bonus to which he would otherwise become entitled to be waived and is granted as a right to acquire shares which will be fully exercisable after five years.
- (g) Awards in respect of 2005 will be made in April 2006. Including a maximum potential 30% bonus shares, the awards will total £601,250 to John Varley, £3,250,000 to Robert E Diamond Jr, £243,750 to Gary Hoffman, £357,500 to Naguib Kheraj and £357,500 to David Roberts.

Table of Contents**Executive Directors: awards under the Performance Share Plan (PSP)^(a)**

	Number at 1st January 2005	Initial allocation shares granted during 2005 ^(b)	Maximum number of shares under award	Market price on award date £ ^(c)	Performance period ^(d)	Vesting date	Number at 31st December 2005
Executive Directors							
John Varley		142,045	426,135	5.32	01/01/05-31/12/07	16/06/08	142,045
Robert E Diamond Jr		52,083	156,249	5.32	01/01/05-31/12/07	16/06/08	52,083
Gary Hoffman		75,758	227,274	5.32	01/01/05-31/12/07	16/06/08	75,758
Naguib Kheraj		87,121	261,363	5.32	01/01/05-31/12/07	16/06/08	87,121
David Roberts		75,758	227,274	5.32	01/01/05-31/12/07	16/06/08	75,758
Former Director							
Roger Davis		75,758	227,274	5.32	01/01/05-31/12/07	16/06/08	75,758

Notes

(a) PSP is a long-term share incentive plan under which share awards are granted in the form of a provisional allocation of shares for which no exercise price is payable. The shares are scheduled for release in June 2008, to the extent that the relative TSR performance condition is achieved. Dividend shares will also be provided on the vested shares only.

(b) The price used to convert the present fair value of the award to a number of shares was £5.28. This was an average over the period 8th June 2005 to 15th June 2005.

(c) The price shown is the mid-market closing price on the date of the award.

(d) The details of the performance conditions for PSP are included earlier in the Remuneration Report.

Executive Directors: Retained Incentive Opportunity^{(a)(b)}

	Date of award	Maximum potential value £000s	Performance period	Vesting date
Robert E Diamond Jr	25/05/05	14,850	01/01/05-31/12/07	No later than 15/03/08

Notes

- (a) This Retained Incentive Opportunity is specific to Robert E Diamond Jr, under which he retains an opportunity broadly equivalent to a prior opportunity to participate in a Barclays Capital long-term incentive arrangement. It is intended to maintain close alignment of reward with Mr Diamond's continued contribution to the performance of Barclays Capital. The performance measure is the cumulative Economic Profit (EP) performance of Barclays Capital during the period 1st January 2005 to 31st December 2007. To achieve the maximum potential value shown above, Barclays Capital would need to generate cumulative EP of £2bn over the performance period. If EP for the performance period is less than £500m, Mr Diamond will not be eligible for any award. If the minimum performance requirement of £500m EP is met, the potential value of the award would be in a range of £0.65m to £1.08m. The potential value of the Retained Incentive Opportunity between £500m cumulative EP and £2bn cumulative EP is subject to a performance curve graduated to deliver higher proportionate value at higher levels of cumulative EP. Mr Diamond must normally be in the employment of the Barclays Group on the vesting date, to remain eligible. In determining the potential value of the Retained Incentive Opportunity, the HR and Remuneration Committee will take into account Mr Diamond's individual contribution during the performance period, and the underlying financial health of the Barclays Group. The amount and basis for determining any entitlement under the Retained Incentive Opportunity will not be altered to the advantage of Mr Diamond without prior approval of shareholders in general meeting.
- (b) Under the Retained Incentive Opportunity, 50% of any potential award would be payable in cash on the vesting date. A recommendation would be made to the trustee of the ESAS for an award of Barclays shares, deferred for 12 months in the form of a provisional allocation, in respect of the remaining 50%. The value under the Retained Incentive Opportunity is not pensionable.

Table of Contents**Corporate governance****Barclays report on remuneration****Executive Directors: shares under option under Sharesave^(a)**

	During 2005			Information as at 31st December 2005						
	Number held at 1st January 2005	Granted	Exercised	Number at 31st December 2005	Exercise price per share	Weighted average exercise price	Market price on date of exercise	Date from which exercisable	Latest expiry date	
					£	£	£			
Chairman										
Matthew W Barrett	2,479			2,479		3.73		01/11/06	30/04/07	
Executive Directors										
John Varley	4,096			4,096		4.11		01/11/06	30/04/07	
Robert E Diamond Jr										
Gary Hoffman	6,874	225	1,008	6,091	3.08	3.90	6.12	01/11/06	30/04/13	
Naguib Kheraj	10,319		6,312	4,007	3.08	4.08	5.63	01/11/05	30/04/10	
David Roberts	4,483	744		5,227		3.79		01/11/05	30/04/11	
Former Director										
Roger Davis	2,714			2,714		3.50		01/11/05	30/04/06	
Note										

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

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Table of Contents**Executive Directors: plans used in previous years (Executive Share Option Scheme (ESOS), Incentive Share Option Plan (ISOP) and BGI Equity Ownership Plan (BGI EOP))**

Executive Directors continue to have interests under the ESOS^(a), ISOP^(b) and BGI EOP^(c) (as indicated in the table below). No awards were made to Directors under these plans during 2005.

Executive Directors: awards under plans used in previous years^(d)

	Maximum number of shares under option at 1st January 2005	During the year ^(e)		Maximum number of shares under option at 31st December 2005	Market price on exercise date £	Weighted average exercise price £	Date from which exercisable	Latest expiry date	Target/vested number of shares at 31st December 2005 ^(g)
		Exercised	Lapsed						
Chairman									
Matthew W Barrett									
ESOS(f)	766,628			766,628	4.43		04/10/02	03/10/09	766,628
ISOP	8,752,000		5,920,000	2,832,000	4.98		18/05/03	19/03/12	2,832,000
Executive Directors									
John Varley									
ISOP	2,340,000		280,000	2,060,000	4.45		18/05/03	22/03/14	880,000
Robert E Diamond Jr									
ESOS	100,000			100,000	3.97		14/08/01	13/08/08	100,000
ISOP	1,620,000		280,000	1,340,000	4.42		12/03/04	22/03/14	520,000
BGI EOP	200,000			200,000	20.11		26/03/05 to 26/03/07	26/03/14	200,000
Gary Hoffman									
ISOP	1,800,000		280,000	1,520,000	4.34		18/05/03	22/03/14	700,000
Naguib Kheraj									
ESOS	60,000			60,000	3.97		14/08/01	13/08/08	60,000
ISOP	1,580,000		220,000	1,360,000	4.40		12/03/04	22/03/14	480,000
David Roberts									
ISOP	1,580,000		280,000	1,300,000	4.39		12/03/04	22/03/14	480,000
Former Director									
Roger Davis									
ISOP	1,420,000		160,000	1,260,000	4.36		12/03/04	22/03/14	440,000

(a) Under the ESOS, options granted (at market value) to executives were exercisable only if the growth in earnings per share of the Company over the three-year period was, at least, equal to the percentage increase in the UK Retail Price Index plus 6% over the same period. The performance target for the 1999 ESOS grant was met.

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- (b) Under the ISOP, executives were awarded options (at market value) over Barclays PLC ordinary shares which are normally exercisable after three years. The number of shares over which options can be exercised depends upon performance against specific targets. For ISOP awards granted in 2000 to 2003, the first 40,000 target shares under option for each award was subject to an Economic Profit metric. Any amount above 40,000 target shares was subject to a relative TSR metric. Awards in 2004 were subject to a relative TSR metric.
- (c) Robert E Diamond Jr received a grant under the BGI EOP in March 2004. He was not a Director of Barclays PLC at that time. The EOP is an option plan, approved by shareholders in 2000. Under the plan, participants receive an option to purchase shares in Barclays Global Investors UK Holdings Limited. The exercise price is based on the fair value at the time of grant. The option normally vests in three equal tranches on the first, second, and third anniversary of the date of grant. Participants are required to retain their shares for 355 days after the date of exercise, before they may be offered for sale.
- (d) 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.
- (e) No options were granted under these plans during 2005.
- (f) The independent trustee of the Barclays Group (ESOS) employees' benefit trust granted Matthew W Barrett a share award in 1999 comprising of an option on similar terms to options granted under ESOS. For convenience these are described as granted under ESOS in the above table.
- (g) The number of shares shown represent the target award shares under option, or the actual number of shares under option if the award has vested. The target number of shares takes account of the stretch in the performance condition and the probability of vesting. A maximum number is shown for the BGI EOP.

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Table of Contents**Corporate governance****Barclays report on remuneration****Directors: interests in ordinary shares of Barclays PLC^(a)**

	At 1st January 2005 ^(b)		At 31st December 2005	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Chairman				
Matthew W Barrett	289,242		302,264	
Executive Directors				
John Varley(c)	338,451		360,049	
Robert E Diamond Jr(c)(d)(h)	1,357,318		1,512,575	
Gary Hoffman(c)	161,253		172,702	
Naguib Kheraj(g)	2,238		8,550	
David Roberts(c)(g)	67,405		78,191	
Non-executive Directors(c)				
Sir David Arculus	17,428		19,770	
Sir Richard Broadbent	3,992		6,068	
Leigh Clifford	2,000		3,460	
Dr Danie Cronjé(e)(g)			2,000	
Professor Dame Sandra Dawson	5,460		7,822	
Sir Andrew Likierman	2,000		3,628	
Sir Nigel Rudd	14,367		16,788	
Stephen Russell	13,774		16,221	
Robert Steel(f)			100,321	
John Sunderland(f)	8,000		8,308	

Notes

(a) Beneficial interests in the table above represent shares held by Directors who were on the Board as at 31st December 2005, either directly or through a nominee, their spouse and children under 18. They include any interests held through Sharepurchase, but do not include any awards under ESAS, ISOP, PSP, ESOS and Sharesave schemes. At 31st December 2005, Matthew W Barrett and the executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 147,145,847 Barclays PLC ordinary shares (1st January 2005: 115,031,594) held by the trustees of the Barclays Group Employees Benefit Trusts. At 28th February 2006, a total of 156,556,203 shares were held by the trustees.

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

- (c) Between 31st December 2005 and 28th February 2006, John Varley, Gary Hoffman and David Roberts each purchased 40 ordinary shares through Sharepurchase. On 10th January 2006 Gary Hoffman acquired a further 1,008 ordinary shares as a result of an option exercise on 23rd December 2005 under the Sharesave Plan. On 21st February 2006, the non-executive Directors acquired ordinary shares pursuant to arrangements under which part of each Director's fee is used to buy shares in Barclays. Ordinary shares were acquired by each non-executive Director as follows: Sir David Arculus 1,084; Sir Richard Broadbent 946; Leigh Clifford 864; Dr Danie Cronjé 669; Professor Dame Sandra Dawson 983; Sir Andrew Likierman 926; Sir Nigel Rudd 1,083; Stephen Russell 1,060; Robert Steel 811; John Sunderland 882. On 28th February 2006, Robert E Diamond Jr acquired 187,957 ordinary shares following the release of a provisional allocation made under ESAS. Except as described in this note, there were no changes to the beneficial or non-beneficial interests of Directors in the period 31st December 2005 to 28th February 2006.
- (d) Appointed to the Board 1st June 2005.
- (e) Appointed a non-executive Director 1st September 2005.
- (f) Appointed a non-executive Director 1st June 2005.
- (g) As at 1st September 2005, Dr Danie Cronjé also held 101,577 shares in Absa Group Limited. As at their date of appointment to the Board of Absa Group Limited (27th July 2005), Naguib Kheraj and David Roberts held no shares in Absa Group Limited. As at 31st December 2005, Naguib Kheraj, David Roberts and Dr Danie Cronjé held 1,200, 1,200 and 101,577 shares in Absa Group Limited, respectively.
- (h) As at 1st June 2005, Robert E Diamond Jr also held 100,000 A ordinary shares in Barclays Global Investors UK Holdings Limited, which shares were also held as at 31st December 2005.

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Corporate governance

Accountability and audit

Accountability and Audit

Going Concern

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

Internal Control

The Directors have responsibility for ensuring that management maintain an effective system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Throughout the year ended 31st December 2005, and to date, the Group has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance 'Internal Control: Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants in England and Wales. The Board regularly reviews these processes through the Board Committees.

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

The key document for the Group's internal control processes is the Group Internal Control and Assurance Framework ('GICAF'), which describes the Group's approach to internal control and details Group policies and processes. The GICAF is reviewed and approved on behalf of the Group Chief Executive by the Group Governance and Control Committee. Further details of risk management procedures are given in the Risk management section on pages 34 to 78.

The system of internal financial and operational controls is also subject to regulatory oversight in the United Kingdom and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation on page 85 and 86.

Statement of Directors' Responsibilities for Accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 116, 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 118 to 267, and the additional information contained on pages 268 to 297, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

Disclosure Controls and Procedures

The Group Chief Executive, John Varley, and the Group Finance Director, Naguib Kheraj, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31st December 2005, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within specified time periods. As of the date of the evaluation, the Group Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective. The Group Chief Executive and Group Finance Director also concluded that no significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to their evaluation.

Signed on behalf of the Board

/s/ Matthew W Barrett
Matthew W Barrett
9th March 2006

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Presentation of information

Presentation of Information

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

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

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. The Annual Report for Barclays PLC also contains the consolidated accounts of, and other information relating to, Barclays Bank PLC. Except where otherwise indicated, the information given is identical with respect to both Barclays PLC and Barclays Bank PLC.

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

The term **Barclays PLC Group** means Barclays PLC together with its subsidiaries and the term **Barclays Bank PLC Group** means Barclays Bank PLC together with its subsidiaries. **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** or **parent Company** refers to Barclays PLC and the term **Bank** refers to Barclays Bank PLC. **Woolwich plc** is used, as the context requires, to refer to Woolwich plc and its subsidiaries. The term **Absa Group Limited** is used to refer to Absa Group Limited and its subsidiaries and the term **Absa** is used to refer to the component of the International Retail and Commercial Banking segment represented by this business. In this report, the abbreviations **£m** and **£bn** represent millions and thousands of millions of pounds sterling respectively; the abbreviations **m** and **bn** represent millions and thousands of millions of US Dollars respectively and **m** and **bn** represent millions and thousands of millions of euros respectively.

Statutory Accounts

The consolidated accounts of Barclays PLC and its subsidiary are set out on pages 118 to 283 along with the accounts of Barclays PLC itself on pages 118 to 267. The consolidated accounts of Barclays Bank PLC and its subsidiaries are set out on pages 271 to 283. The accounting policies on pages 118 to 129 and the Notes commencing on page 138 apply equally to both sets of accounts unless otherwise stated.

Adoption of IFRS

The Group has adopted the requirements of International Financial Reporting Standards and International Accounting Standards (collectively IFRS) as adopted by the European Union for the first time for the purpose of preparing financial statements for the year ended 31st December 2005. The IFRS accounting policies, including the choices made under IFRS 1 for the transition are set out, on pages 118 to 129.

First-time application of IFRS relating to Financial Instruments and Insurance Contracts

In addition to the options described above, IFRS 1 also includes specific transitional provisions for International Accounting Standard 32, Financial Instruments, Disclosure and Presentation, International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Financial Reporting Standard 4, Insurance Contracts. The Group has decided to adopt these provisions and therefore has not applied these standards to the 2004 comparatives. The impact of these standards is reflected through further adjustments to shareholders' equity as at 1st January 2005. In the 2004 comparatives, financial instruments and insurance contracts are included using the measurement bases and the disclosure requirements of UK GAAP relating to financial instruments and insurance contracts.

Whilst the change in accounting standards has no impact on the underlying economics or risk of the business, the 2004 results under IFRS are different from the Group's previously provided 2004 results under UK GAAP. In addition, since, as permitted by IFRS 1, the accounting standards relating to financial instruments and insurance contracts have not been applied to 2004, the comparatives are significantly different from the numbers reported in 2005. The effect of the transition and a description of the differences between UK GAAP and IFRS accounting policies are set out in Note 62 on pages 222 to 245.

N/a has been included in the tables where, as a result of the application of IAS 32, IAS 39 and IFRS 4 in 2005 and UK GAAP in 2004, the disclosure is not applicable.

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Risk factors

Risk Factors

The following discussion sets forth certain risk factors 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 results and so the factors discussed in this report should not be considered to be a complete set of all potential risks and uncertainties.

Business Conditions and General Economy

The profitability of Barclays businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom or globally. Factors such as the liquidity of the global financial markets, the level and volatility of equity prices, interest rates, inflation, investor sentiment, and the availability and cost of credit could significantly affect the activity level of customers. A market downturn would be likely to lead to a decline in the volume of transactions that Barclays executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions. A market downturn or worsening of the economy could cause the Group to incur mark to market losses in its trading portfolios. A market downturn also could potentially result in a decline in the fees Barclays earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management. An economic downturn or significantly higher interest rates could adversely affect the credit quality of Barclays on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Barclays customers would be unable to meet their obligations.

Credit Risk

Credit Risk is the risk that Barclays customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities.

Market Risks

The most significant market risks the Group faces are interest rate, credit spread, foreign exchange, commodity price and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending income and borrowing costs. Changes in currency rates, particularly in the Sterling-Dollar, Sterling-euro and Sterling-Rand exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by the Group's non-UK subsidiaries and may affect revenues from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios and in the amount of revenues generated from assets under management. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance, business operations and the value of assets held in the Group's pension and long-term assurance funds.

Capital Risk

The Group's authority to operate as a bank is dependent upon the maintenance of an adequate capital base. Capital risk is the risk that it is unable to meet capitalisation requirements in the UK and in other markets where banking activities are undertaken. As the level of capitalisation may affect the Group's debt rating, the Group also manages its capital to secure the maintenance of its strong rating.

Moreover, a sufficiently strong capital base may assist the Group's growth and strategic options. Unforeseen circumstances may arise under which the Group is unable to maintain its desired capitalisation.

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Operational Risks

The Group's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee errors, failure to properly document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and Conduct of Business rules, equipment failures, natural disasters or the failure of external systems (see page 58 for a fuller list). Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by the Group.

Regulatory Compliance Risk

The Group is subject to extensive supervisory and regulatory regimes in all countries in which it operates. Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Legal Risk

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- | the Group's business may not be conducted in accordance with applicable laws around the world;
 - | contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
 - | the intellectual property of the Group (such as its trade names) may not be adequately protected; and
 - | the Group may be liable for damages to third parties harmed by the conduct of its business.
- The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if successful.

Although the Group has processes and controls to manage legal risks, failure to manage these risks can impact the Group adversely, both financially and reputationally.

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Risk factors

Tax Risk

The Group is subject to the tax laws in all countries in which it operates. A number of bilateral double taxation agreements entered between two countries also impact on the taxation of the Group.

Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities.

Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a number of steps to manage its tax risk. Primarily:

- | tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Risk Oversight Committee and the Board Risk Committee;
- | the tax risks of proposed transactions or new areas of business are considered before proceeding;
- | the Group employs high-quality tax professionals and provides ongoing technical training;
- | the tax professionals understand and work closely with the different areas of the business;
- | the use of effective, well documented and controlled processes to ensure compliance with tax filing and reporting obligations.

Effect of Governmental Policy and Regulation

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the UK, the European Union, the US and elsewhere. The nature and impact of future changes in such policies and regulatory action are not predictable and are beyond the Group's control.

There is continuing political and regulatory scrutiny of, and major changes in, legislation and regulation of the retail banking and consumer credit industries in the UK and elsewhere.

In the EU as a whole, this includes an inquiry into retail banking in all 25 member states by the European Commission's Directorate General for Competition. The inquiry is looking at retail banking in Europe generally and the Group is co-operating with the inquiry. The outcome of the inquiry is unclear, but it may have an impact on retail banking in one or more of the EU countries in which the Group operates and therefore on the Group's business in that sector. In the UK, in September 2005 the Office of Fair Trading (OFT) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (PPI). As a result of its inquiries, the OFT then announced in December 2005 that it will commence a market study on PPI in March 2006. The scope and impact of the study is not known at present.

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In relation to UK consumer credit:

- | The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case is being appealed to the Competition Appeals Tribunal and the appeal is expected to be heard towards the end of 2006. The OFT's investigation in the Visa interchange case is at an earlier stage.
- | The OFT also has a continuing investigation into the level of late and over-limit fees on credit cards. The OFT issued a press release

in July 2005 stating that their provisional conclusion was that these fees were excessive and need to be reduced to be fair. The OFT gave Barclaycard, and seven other credit card companies, three months to provide suitable undertakings regarding the basis of these charges or otherwise to address the concerns of the OFT. Barclaycard responded to the OFT in October 2005 further explaining the position Barclaycard takes in respect of late and over-limit fees and has continued to work with the OFT to address its concerns. Barclays continues to consider the impact of the provisional finding on the credit card industry and Barclaycard, including steps to mitigate any financial impact on shareholders.

These investigations are looking at several aspects of the UK consumer credit industry and the Group is co-operating with them. Their outcome is not known but they may have an impact on the consumer credit industry in general and therefore on the Group's business in this sector.

The OFT announced in January 2006 that it would be reviewing the undertakings given following the conclusion of the Competition Commission Inquiry in 2002 into the supply of banking services to SMEs. The OFT will commence that review in April 2006 and anticipate that it will take them nine months. The Group will co-operate fully with that review.

Other areas where changes could have an impact include:

- | the monetary, interest rate and other policies of central banks and regulatory authorities;
- | general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- | general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework (page 40);
- | changes in competition and pricing environments;
- | further developments in the financial reporting environment;
- | expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- | other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

Impact of Strategic Decisions taken by the Group

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not deliver as anticipated, the Group's earnings could grow more slowly or decline.

Competition

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The global financial services markets in which the Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group's profitability if the Group fails to retain and attract clients and customers.

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Impact of External Factors on the Group and Peer Group

The Group's primary performance goal is to achieve top quartile TSR performance for 2004 to 2007 (inclusive) against a group of peer financial institutions. This goal assumes that external factors will impact all peer group entities similarly. The Group's ability to achieve the goal will be significantly impacted if the Group is disproportionately impacted by negative external factors. Even if the Group performs well, if others perform better or the market believes others have performed better, we may not achieve our goal.

Barclays devotes considerable resources and expertise to managing the risks to which it is exposed. Our risk management is described in the following pages (pages 34 to 61). Please also refer to the cautionary statement concerning forward-looking statements on the inside of the front cover in conjunction with this section.

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Risk management

Risk management and control overview

Introduction

Barclays business model is about building earnings growth, and one of the main responsibilities of Risk Management is to help manage this growth effectively. To support this, the identification and management of risk remains a high priority and underpins all our business activity. Our approach is built on formal governance processes, relies on individual responsibility and collective oversight, uses advanced analyses, and is informed by comprehensive reporting. Responsibility for risk resides at all levels of management, from the Board down through the organisation to individuals in offices around the world. Each business manager is accountable for managing risk in his or her business area, assisted, where appropriate, by risk specialists. We measure the key risks and understand the viability of transactions while taking risk into account.

How we position and implement risk management is critical to our plans. We do that in two main ways; by developing a clear plan for our Risk Appetite and by ensuring that we develop the functional capability to risk manage the new and expanding businesses. For Risk Appetite, we look at our business plans three years forward and project the possible financial earnings volatility and capital requirements for those plans. We compare this with our targets for capital ratios, dividend cover, and downside stress loss capacity, and we translate the results into risk capacity for each of our main cluster business plans. We believe that this helps us to optimise risk and return characteristics across our business after considering diversification benefits. As a second factor we set business-level mandate and scale limits to ensure that our individual risk components are appropriately balanced. In broad terms, our Risk Appetite increased by about 25% through 2005. To provide strong functional capabilities we have built specialised risk teams in each of our businesses, ensuring a responsive but independent risk management capability. We have made a substantial investment in the infrastructure we need to measure, model, track, and report our risk positions. Finally, as in all businesses, good people make the difference. We have worked hard to recruit and train strong risk professionals and to develop the right culture and attitude toward incorporating good risk management as part of our everyday approach to managing our business.

Risk diversification is an explicit part of our business model. A significant benefit from the acquisition of a majority stake in Absa was risk diversification, provided by earnings that are less correlated with our UK business. The same is true for Barclaycard US (previously Juniper) and the other areas of international growth we have achieved within existing businesses like Barclays Capital and BGI. The development across the Group of new products with new clients and in new geographies has provided good diversification. This synergy is strengthened when we can use the risk skills and systems we have already developed in our core businesses to improve the performance of these new and growing business areas.

The risk environment in 2005 had conflicting characteristics, with stable conditions in wholesale and corporate credit risk, market risk and operational risk but a deterioration in the UK retail credit sector. The UK consumer portfolios were affected by the high level of household indebtedness in the UK and by non-discretionary household expenditure growing faster than income, as higher interest rates, energy costs, local taxes and other outgoings increased the strain on

household budgets. This has resulted in a deterioration in consumer credit quality that has been particularly evident in credit card portfolios. We have experienced higher average delinquency balances and faster movement from delinquency through the collection process and charge-off to recovery. Combined with declining recovery rates, these trends have led to a higher impairment charge in the retail sector for the year. Throughout the year Barclaycard has reviewed its risk management processes and implemented a number of measures designed to manage risk more effectively in this environment. These include revised underwriting rules and tighter guidelines for limit assignment and management. The unsecured personal loan business has also been under some strain; however our mortgage book has had negligible impairment, being secured on residential property at generally conservative loan to value ratios. For all of these businesses the outlook for the UK economy is still key, and we expect a reasonable growth environment in 2006.

The credit environment in the larger wholesale and corporate sector was more favourable than retail in 2005, without major corporate defaults and with relatively stable conditions. Credit conditions benefited from widespread positive growth internationally and low inflation which also supported rising stock markets. The favourable impairment performance, the positive market tone and a well capitalised banking industry resulted in very competitive market conditions. While broadly positive, this stability was not uniform across all sectors. The sustained high energy prices seen in 2005 have not resulted in any material increase in portfolio impairment in the short term but the global effect on GDP a reduction in economic

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growth, affecting both the corporate and retail businesses will be felt in the more cyclical sectors and may lead to increased impairment in the medium term. We believe that our lending portfolio is well structured and well diversified to mitigate these risks as we look ahead.

The Market Risk environment was also fairly stable in 2005. Barclays Capital increased trading revenue while running steady levels of risk as measured by DVaR and stress test estimates. This was achieved by diversified business growth from a number of new areas in 2005. Pension risk remains an important focus for us and more generally for UK corporates, where there has been high sensitivity to both the market and the actuarial factors that drive fund valuations. We have a strong risk framework for managing our pension fund obligations and we have recently updated our actuarial assumptions.

Our business plans forecast significant increases in business volumes, and this implies greater challenges in operational risk management. We continue to work to improve our key end-to-end processes and to increase their resilience and capacity to sustain the increasing demands of higher business volumes.

Financial crime risk management received increasing focus in 2005. Although our loss experience was comparable to 2004, a change in the loss mix was evident. Plastic fraud losses decreased as a result of preventative measures introduced, including Chip and Pin technology. We have initiated additional measures to counteract an increase in advances fraud in the credit card business, whilst the same category in personal loans and overdrafts is reducing slowly. We have maintained a good record in preventing cheque fraud. In 2005 we continued to strengthen our anti money laundering activities in an international regulatory environment that is becoming more complex. We are concerned by the general rise in identity theft and we are taking extra precautions to protect our brand.

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The principal area of regulatory change ahead of us is the new Basel II Accord. The successful implementation of the provisions of the Accord, scheduled for 2008, involves data, model and system changes in many of our businesses and we have made a significant investment in this area. The main purpose of the Accord is to provide a more sophisticated risk framework for the industry. We have worked to position Barclays at the leading edge of risk management and we believe that our goal of achieving advanced status is appropriate and realistic. We expect our Basel II capital measures to be more closely aligned to our internal economic capital measures, and this should allow us to manage our capital ratios more effectively over time.

We remain committed to our objective of increasing shareholder value by developing and growing business that is consistent with our risk appetite, and through building more effective and sophisticated risk/return management capabilities. We are confident that we are achieving an appropriate balance in our business, and that we are continuing to build the risk management capabilities that will help us to deliver our growth plans.

Robert Le Blanc

Risk Director

Risk Management

The pages that follow describe our approach to risk management. This first section deals with the overall approach applicable to all risks. It is followed by material covering individual types of risk.

The narrative contains quantitative information mainly in graphical format. In most cases the same data appear in tables in a statistical section beginning on page 62.

Risk Management Process

Barclays applies a five-step approach to risk management.

Responsibilities	
Direct	<ul style="list-style-type: none"> Understand the principal risks to achieving Group strategy. Establish risk appetite. Establish and communicate the risk management framework including responsibilities, authorities and key controls.

Assess		Establish the process for identifying and analysing business-level risks.
		Agree and implement measurement and reporting standards and methodologies.
Control		Establish key control processes and practices, including limit structures, provisioning criteria and reporting requirements.
		Monitor the operation of the controls and adherence to risk direction and limits.
		Provide early warning of control or appetite breaches.
		Ensure that risk management practices and conditions are appropriate for the business environment.
Report		Interpret and report on risk exposures, concentrations and risk-taking outcomes.
		Interpret and report on sensitivities and Key Risk Indicators.
		Communicate with external parties.
Manage and Challenge		Review and challenge all aspects of the Group's risk profile.
		Assess new risk-return opportunities.
		Advise on optimising the Group's risk profile.

| Review and challenge risk management practices.

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Risk management

Risk management and control overview

Risk Responsibilities

The principal responsibilities extend throughout the organisation.

- | The Board requires that management maintains an appropriate system of internal control and reviews its effectiveness. The Board approves risk appetite and monitors the Group's risk profile against this appetite.

- | Business leaders are responsible for the identification and management of risk in their businesses.

- | The Risk Director, under delegated authority from the Group Chief Executive and Group Finance Director, has responsibility for ensuring effective risk management and control.

- | Risk-Type Heads and their teams in Central Support are responsible for establishing a risk control framework and risk oversight.

- | Business risk teams, each under the management of a Business Risk Director, are responsible for assisting business leaders in the identification and management of their business risk profiles and for implementing appropriate controls.

- | Internal Audit is responsible for the independent review of risk management and the control environment.

The internal control framework at Barclays is aligned with the internationally accepted standard Internal Control – Integrated Framework published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The Group's principal risk categories (set out below) are the subject of Board approved risk control requirements.

Brand Management	Liquidity
Capital	Market
Change	Operations
Corporate Responsibility	People
Credit	Regulatory Compliance
Financial Crime	Strategic
Financial Reporting, Taxation and Budgeting	Technology
Legal	

Detailed discussion of our risk management of certain risks follows, starting with credit risk on page 41.

The management of risk at Barclays is guided and monitored by a number of committees. Each has specific functions as shown in the chart on the Governance Structure at Group Level on the next page.

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Governance Structure at Group Level

In addition to the Committees shown in the chart, there is a Brand and Reputation Committee reviewing emerging issues with potentially significant reputational impact.

These Committees are informed by regular and comprehensive reports. The Board Risk Committee receives a quarterly report covering all significant risk types. The Board Audit Committee receives quarterly reports on control issues of significance and half-yearly impairment allowances and regulatory reports. Both Committees also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both Committees are reported to the full Board, which also receives a concise quarterly risk report. Internal Audit supports both Committees by attendance and/or the provision of quarterly reports resulting from its work on governance, risk and control issues of significance. The Board Audit Committee reviews and approves Internal Audit's plans and resources, and evaluates the effectiveness of Internal Audit. An assessment by external advisers is also carried out periodically.

When the new Basel II Accord is introduced, Barclays aims to achieve advanced status under all risk categories. Barclays considers that the investment required to attain this status is warranted by the internal risk management improvements that will follow, the reputational benefits and the potential for greater capital efficiency.

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Risk management

Risk management and control overview

Work has been undertaken to align Absa's internal control framework with Barclays. Absa has adopted the Barclays, COSO aligned, internal control framework or has in place suitable COSO aligned alternatives, which are acceptable to Barclays.

The Barclays principal risk categories and control requirements (see previous reference) have been adopted by Absa and work is ongoing to achieve full compliance in 2006.

Risk Appetite

Risk Appetite is the Group's chosen method of balancing return and risk, recognising a range of possible outcomes, as business plans are implemented. Barclays framework, approved by the Board Risk Committee, uses a formal, quantitative method based on advanced risk analysis, building on the capability developed and used in Barclays since the mid 1990s.

The objectives of the Risk Appetite framework are to:

- | help protect the Group's performance;

 - | enable unused risk capacity to be identified and thus profitable opportunities to be highlighted;

 - | improve management confidence and debate regarding our risk profile; and

 - | help executive management improve control and co-ordination of risk-taking across businesses.
- The Risk Appetite framework considers credit, market and operational risk and is applied using two perspectives: earnings volatility and mandate and scale.

Earnings volatility: This takes account of the potential volatility around our forecast financial performance each year, with appetite being set in the context of strategic objectives, including dividend sustainability and preservation of Barclays rating in stress environments. The portfolio is analysed in this way at four representative levels:

- | expected performance (including the average credit losses based on measurements over many years);

- | a moderate stress level of loss that is likely to occur only infrequently and is meant to correspond to a macroeconomic cycle;

- | a severe stress which is much less likely;
- | an extreme but highly improbable level of stressed loss which is used to determine the Group's Economic capital.

These ascending but increasingly less likely levels of loss are illustrated in the following chart.

At 31st December 2005, the Group's expected credit loss in one year was £1,845m (see page 42). The economic capital (i.e. the loss in one year under extreme stress) for all risk types was £14.1bn, estimated with a probability of 1 in 5,000 years.

Mandate and Scale: This second perspective enables the setting of limits to control unacceptable levels of loss that may arise as a result of portfolio concentration. It is our objective that unexpected losses remain within the scope of our communicated strategy and are of a scale that is appropriate for our Group. This perspective uses simple, descriptive measures and limits for relevant exposure types.

Overall, the Risk Appetite framework provides a basis for the allocation of risk capacity to each business. Since the level of loss at each level of probability is dependent on the portfolio of exposures in each business, the statistical measurement for each key risk category gives the Group clearer sight and better control of risk-taking throughout the enterprise.

The Risk Appetite framework is designed to be:

- | simple and practical to apply by measurement and monitoring of exposures;

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- | geared to risk/return where capacity is directly related to opportunity;
- | based on a top-down capacity for earnings volatility;
- | based on bottom-up identification of risk factors in each business;
- | relevant, recognising the impact and likelihood of losses;
- | aggregated across businesses where appropriate.

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Stress Testing

The Risk Appetite numbers are validated by estimating the Group sensitivity to macroeconomic events using stress testing and scenario analysis. Changes in certain macroeconomic variables represent environmental stresses which may reveal systemic credit and market risk sensitivities in our retail and wholesale portfolios. The stresses considered include, for example, the following sensitivities:

| Gross Domestic Product weaker;

| employment weaker;

| interest rates higher or lower;

| interest rate curve shifts;

| equity prices lower;

| property prices weaker;

| credit spreads wider;

| country exposure stressed;

| industry exposure stressed;

| sterling stronger.

More complex scenarios, such as recessions, can be represented by combinations of variables. These scenarios allow senior management to gain a better understanding of how the Group is likely to react to changing economic and geopolitical conditions. The stress test simulates the balance sheet and profit and loss effects of stresses across the Group, investigating the impact on profits and the ability to maintain appropriate capital ratios. Insights gained are fully integrated into the management process and the Risk Appetite framework. These analyses and insights, and the close involvement of management, also provide the basis for fulfilling the stress testing requirements of the new Basel II Accord.

We estimate the capital needed to survive an extreme but highly improbable level of stressed loss. The calculation is based on the historical volatility of losses. Capitalisation occurs to a level sufficient to provide a high level of confidence in the Group, with the level of confidence consistent with the Group's AA rating.

The Application of Economic Capital

Barclays manages both its economic capital supply and demand for economic capital in order to optimise capital efficiency.

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The management of the supply of capital occurs via the Group's shareholders' capital and regulatory capital ratios as discussed on page 40. See also the management of capital risk on page 56.

The Group assesses the internal demand for capital using its own proprietary economic capital methodology developed and refined over more than a decade.

Economic capital is estimated primarily for the risks listed under principal risks on page 36 as well as insurance risk, risk associated with fixed assets, and risk in private equity investments. The Group computes and assigns economic capital by the risk categories to all operating units. This enables the Group to apply a common, consistent and additive metric to ensure that returns throughout the Group are commensurate with the associated risks. An asset attracts the same cost of capital wherever it is acquired across the Group, although management may target differential hurdle rates which are appropriate to the use of capital.

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

Economic capital is fully embedded in the management culture of the Group via risk adjusted performance management (e.g. economic profit), effective targeting of resources to value creating areas, pricing tools, compensation and remuneration schemes and is integral to the Risk Appetite framework. The economic capital framework will be an important part to the Group's implementation of the Basel II Accord.

Movements within the business clusters are summarised as follows:

Within UK banking, UK Retail Banking economic capital allocation increased £100m to £2.3bn. The impact of growth was offset by a risk transfer transaction within UK mortgages. UK Business Banking economic capital allocation increased £500m to £2.95bn as a consequence of asset growth and the acquisition of the Iveco Finance business.

Barclays Capital economic capital increased £450m to £2.55bn reflecting underlying growth in loan and derivative portfolios, additional equity investments and the recalibration of business and operational risk economic capital.

Wealth Management ongoing business economic capital allocation increased £100m to £400m as a consequence of general growth across all businesses and the recalibration of business and operational risk economic capital.

Wealth Management closed life assurance activities economic capital allocation reduced £50m to £50m reflecting the impact of IFRS removing the volatility associated with embedded value accounting.

Barclaycard economic capital allocation increased £350m to £2.8bn, due to growth in outstandings and the inclusion of Barclaycard US for the full year.

International Retail and Commercial Banking excluding Absa economic capital allocation increased £150m to £1.15bn due to the recalibration of business and operational risk economic capital together with growth exposure in Africa and Spain. Absa added £400m to the average economic capital demand reflecting five months of the annual change after excluding the risk borne by the minority interest.

Economic capital held at Group centre fell £350m to £1.05bn. The economic capital required to support Absa, is only partially offset by an increase in available funds to support economic capital.

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Management of Regulatory Capital

In addition to the Group's internal assessment of economic capital demand, Barclays manages consumption of regulatory capital. The Financial Services Authority (FSA) requires the Group to hold sufficient capital to meet minimum regulatory capital requirements, expressed as the ratio of capital to risk weighted assets (Risk Asset Ratio). The risk weights applied to the Group's assets use calculations developed by the Basel Committee on Banking Supervision.

The Group's policy of disciplined capital management continued. The tier 1 ratio was 7% for the year ended 31st December 2005, reflecting strong cash flow generation and the efficient use of capital markets. The mix of the Group's tier 1 capital altered during the year, with an increased use of preference share capital than previously.

The graph opposite shows the Group's regulatory capital base for Barclays PLC Group broken down by tier. As at December 2005, the Barclays PLC Group Risk Asset Ratio was 11.3%, which is in excess of the minimum requirements of our regulators. Further information on the Group's capital base is provided in the Financial Overview on pages 87 and 88.

Notes

- (a) Includes Transition Businesses and capital for central functional risks.
- (b) The Group's practice is to maintain an appropriate level of excess capital held at the Group's centre, which is not allocated to business units. This variance arises as a result of capital management timing and includes capital held to cover pension contribution risk.
- (c) Includes excess capital held of the Group centre; investments in associates; private equity risk; and insurance risk.

(d) Less supervisory deductions.

(e) The regulatory capital reported to the FSA at 31st December 2004 was based on UK GAAP and has not been restated under IFRS.

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Risk management

Credit risk management

Credit Risk Management

Credit risk is the risk that the Group's customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk also arises through the downgrading of counterparties whose credit instruments the Group may be holding, causing the value of those assets to fall. Furthermore, credit risk is manifested as country risk where difficulties experienced by the country in which the exposure is domiciled may impede payment or reduce the value of the asset or where the counterparty may be the country itself. Settlement risk is another special form of credit risk which is the possibility that the Group may pay a counterparty – for example, a bank in a foreign exchange transaction – and fail to receive the corresponding settlement in return.

Credit risk is the Group's largest risk and considerable resources, expertise and controls are devoted to managing it. The importance of credit risk is illustrated by noting that nearly two-thirds of risk-based economic capital is allocated to businesses for credit risks. Credit exposures arise principally in loans and advances.

Credit Risk Management Responsibility

In managing credit risk, the Group applies the five-step risk management process and internal control framework described previously (page 35). The credit risk management teams in each business are accountable to the Business Risk Directors in those businesses who, in turn, report to the heads of their businesses and also to the Risk Director.

The Credit Risk function, led by the Credit Risk Director, provides Group-wide direction of credit risk-taking. This functional team manages the resolution of all significant credit policy issues and administers the Credit Committee which approves major credit decisions.

The principal Committees that review credit risk management are the Risk Oversight Committee and the Board Risk Committee. The Board Audit Committee reviews and approves impairment allowance decisions.

Credit Risk Measurement

Barclays uses statistical modelling techniques throughout its business in its credit rating systems. These systems assist the Bank in frontline credit decisions on new commitments and in managing the portfolio of existing exposures. They enable the application of consistent risk measurement across all credit exposures, retail and wholesale. The key building blocks in the measurement system, which are described below, are the **probability of customer default** (expressed through an internal risk rating), **exposure in the event of default**, and **severity of loss-given-default**. Using these, Barclays builds the analyses that lead to its decision support systems in the Risk Appetite context described previously. However, it should be noted that credit risk measurement, particularly Risk Tendency, can be contrasted with impairment allowances required under accounting standards, which are based on losses known to have been incurred at the balance sheet date and not expected loss.

Probability of Default: Internal Risk Ratings

Barclays assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties, including retail customers. Each internal rating corresponds to the statistical probability of a customer in that rating class defaulting within the next 12-month period. Multiple rating methodologies may be used to inform the rating decision on individual large credits. For smaller credits, a single source may suffice such as a rating model result.

During 2005 Barclays increased the available accuracy of its 12-grade internal rating scale for the wholesale parts of the bank. This was achieved by increasing the number of ratings across the same range to 21. The 12-grade rating scale has historically been mapped to long-term agency ratings. The new 21 default grades represent the best estimate of the level of credit risk for each counterparty based on current economic conditions, so a static link to long-term rating agency ratings is no longer used.

Exposure in the event of Default

Exposure in the event of default represents the expected level of usage of the credit facility when default occurs. At default the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit. When the Group evaluates loans, it takes exposure at default into consideration, using its extensive historical experience. It recognises that customers may make heavier than average usage of their facilities as they approach default.

For derivative instruments, exposure in the event of default is the estimated cost of replacing contracts with a positive value if counterparties should fail to perform their obligations.

Severity of Loss-given-default

When a customer defaults, much of the amount outstanding on its loan or loans is usually recovered. The part that is not recovered, the actual loss, is called the loss-given-default (LGD). The severity of the loss is measured as a percentage of the amount outstanding when the default occurs.

From historical information, the Group can estimate how much is likely to be lost, on average, for various types of loans. To illustrate, LGD is low for residential mortgages because of the property pledged as collateral. In contrast, average LGD is about 70% for unsecured personal lending and 30% for corporate loans.

The level of LGD depends on the type of collateral (if any); the seniority or subordination of the exposure; the industry in which the customer operates (if a business); the jurisdiction applicable and work-out expenses. The outcome is also dependent on economic conditions that may determine, for example, the prices that can be realised for assets or whether businesses can readily be refinanced. Individual defaults show a wide range of outcomes, varying from full to nil recovery and all points in between.

Expected Loss: Risk Tendency

The three components described above – the probability of default, exposure at default and LGD – are building blocks used in a variety of applications that measure credit risk across the entire portfolio. One of these applications is a measurement of expected loss called Risk Tendency (RT).

RT is a statistical estimate of the average loss for the loan portfolio for the forthcoming 12 months, taking into account the portfolios size and risk characteristics under current credit conditions. RT provides insight into the credit quality of the portfolio and assists management in tracking risk changes as the Group's stock of credit exposures evolves in the course of business.

RT is calculated for both corporate and retail loans as follows:

$RT = \text{probability of default} \times \text{expected exposure at default} \times \text{loss given default}.$

Table of Contents**Risk management****Credit risk management**

The RT of each individual loan is aggregated to produce the RT of the various sub-portfolios in the Group and ultimately for the whole Group. At this aggregate level, RT is a statistical estimate of the loss inherent in the Group's credit exposures over the next 12 months.

Many models are used in the estimation of the components of RT in each of the Group's businesses. The majority of the models are internally developed using Barclays own historical data and other external information. We also use externally developed models and rating tools. These are validated for use within Barclays before they are introduced. It is a Barclays policy that all models are validated annually to ensure their applicability to the current portfolios and credit conditions.

To interpret RT, the following should be considered:

| RT is calculated using probabilities of default that are relevant to the current credit conditions for each customer. The RT figures are therefore a point-in-time estimate based on current economic and credit conditions.

| RT is calculated for different purposes and on different methods to impairment allowances, so RT cannot be used as a forecast of the total allowances for impairment. It is rather a statistical estimate that reflects changes in the size and quality of the loan portfolio. RT does not equate to the Group's budget or internal forecast of impairment allowance in the coming year.

| The principal reasons for the difference between impairment and RT are:

RT is a statistical estimate of losses arising over the next 12 months and therefore it is not calculated for non-performing loans in the wholesale portfolio or for retail loans in recovery.

Impairment can include significant additional charges, write-backs and recoveries arising during the year from impaired loans. These items can materially affect the impairment allowance charge, but are not included in RT.

The actual credit impairment charge arising from new defaults in any one year, from loans that are performing at the start of the year, vary significantly around the RT value. This can be due to changes during the year in the economic environment or in the business conditions in specific sectors or countries and from unpredictable or unexpected external events. This applies especially in wholesale portfolios where the default of a small number of large exposures will significantly increase the period's impairment allowance but will not have been included in the RT figure. For retail portfolios, consisting of a very large number of small exposures, the variation in the rate of change in new impairment compared to the RT figure is usually much smaller.

RT increased 32% (£450m) to £1,845m, (2004: £1,395m). The largest increase occurred in Barclaycard, which rose £240m to £1,100m. The increase reflects the deteriorating credit conditions in the UK credit card market. RT increased in UK Business Banking due to the growth in the loan book and the acquisition of the Iveco business.

International Retail and Commercial Banking RT increased 200% to £195m, reflecting the inclusion of Absa in the second half of 2005 and growth in the loan portfolio.

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RT is a forecast estimate of the average loss associated with the current performing portfolio, impairment is the accounting value of incurred loss realised on the whole portfolio.

RT covers only the loans at the date of estimation and does not make allowance for subsequent growth or change in the composition of the loan book which can affect impairment.

Note

(a) Head office functions and other operations comprises discontinued businesses in transition principally relating to Middle Eastern corporate banking businesses and airline leasing activities.

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Credit Risk Mitigation

Barclays employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced which is common practice. See the discussion of loan-to-value ratios for mortgages on page 45.

Barclays manages the diversification of its portfolio to avoid unwanted credit risk concentrations. This takes several dimensions. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to highly rated borrowers than to lower rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly, and are reported to the Risk Oversight Committee and the Board Risk Committee. Similarly the Country Risk policy specifies risk appetite by country and avoids excessive concentrations of credits in individual countries. Finally, there are policies that limit lending to certain industries, for example, commercial real estate.

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Barclays actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures – action is taken to mitigate the risks. These include steps to reduce the amounts outstanding (in discussion with the customers, if appropriate), the use of credit derivatives and, sometimes, the sale of the loan assets. Credit derivatives are traded for profit and used for managing non-trading credit exposures. Details of these activities may be found in the statistical section (page 69) and Note 15 to the Accounts.

The value of assets held as loans and advances to customers that have been securitised or subject to similar risk transfer increased £17.3bn to £21.6bn (2004: £4.3bn).

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Risk management

Loans and advances to customers

Geographical Analysis and Country Risk

Loans and advances to customers amounted to £272bn (2004: £207bn, 2003: £171bn).

In 2004 and 2005 the geographical analysis presented is based on the location of customers. In 2003 the geographical analysis was based on the location of the banking office.

(See also Table 5 on page 63.)

The loans and advances to customers booked through the Group's Absa operations in Africa were £29.6bn at 31st December 2005, 10.9% of the Group total. They were comprised of £11.6bn of residential mortgages (39.2%) and £18bn (60.8%) in other loans.

Barclays exposure limits to sub-investment grade countries are shown in the chart below (largest 15 exposure limits).

Notes

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.

(b) Excludes non-performing and potential problem loans.

The country exposures shown are the sum of customer limits and unused but available product limits. Both domestic and cross-border exposures are included.

Loans and advances to borrowers in currencies other than the currencies of the borrowers are shown in table 13 on page 68.

Risk Profile of Customer Loans and Advances

The chart below shows Barclays wholesale loan profile by existing risk grade (See page 57 for a description of the rating system). The grade classifications shown in the table is the Barclays Business Grade (BBG) rather than the more recently introduced Default Grade (DG). BBG has been used because the DG classification is not available, at this time, across all parts of the wholesale portfolio. It is important to note that Barclays prices loans for risk. Thus higher risk loans will usually have higher interest rates or fees or both. A portfolio of higher risk loans may therefore be as profitable as, or more profitable than, a portfolio of lower risk loans.

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Industry Analysis

An industry analysis of customer loans is shown in the chart below. These classifications have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent's predominant business may be in a different industry.

(See also Table 6 on page 64.)

Excluding financial services, the chart shows that Barclays largest sectoral exposures are to home loans, other personal and business & other services. These categories are generally comprised of small loans, have low volatility of credit risk outcomes, and are intrinsically highly diversified.

The loan-to-value ratios (LTV) on the Group's UK home loan portfolio are indicated in the next chart.

Notes

- (a) 2004 has been restated to reflect location of the customer rather than location of the office. As a result, overseas customers have been reclassified into their correct industry allocation.
- (b) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.

The valuations in the chart are those which applied at the last credit decision on each loan, i.e. when the customer last requested an increase in the limit or, if there has been no increase, at inception of the loan and shows that the business flows (new business versus loans redeemed) has not materially changed the risk profile of the portfolio.

The impact of house price inflation, despite having slowed over recent months, will result in a reduction in LTV ratios within the mortgage book on a current valuation basis. On this basis, LTV on the mortgage book averaged 35% at the end of 2005 (2004: 35%). This ratio is a point in time analysis of the stock with LTV updated to current house prices by reference to an external price index and as a result may be influenced by external market conditions as well as changes in the stock of loans.

Maturity Analysis

The analysis by contractual maturity, shown in the chart below, indicates that a third of loans to customers have a maturity of more than five years, the majority of which are mortgages.

(See also Table 12 on page 67.)

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Risk management

Other credit risks

In addition to drawn loans and advances, Barclays is exposed to other credit risks at the beginning of the discussion on credit risk. These exposures comprise loan commitments, contingent liabilities, debt securities and other exposures arising in the course of trading activities. The risks are managed in a similar way as those in Loans and Advances, and are subject to the same or similar approval and governance processes.

The nature of the credit risks among these exposures differ considerably.

- | Loan commitments may become loans and the risks are thus similar to loans.

- | Contingent liabilities (guarantees, assets pledged as security, acceptances and endorsements, etc) historically experience low loss rates.

- | Losses arising from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than credit charges, even though the fall in value causing the loss may be attributable to credit deterioration. Further details of these exposures are shown in Note 42 to the accounts.

Barclays is also exposed to settlement risk in its dealings with other financial institutions. These risks arise, for example, in foreign exchange transactions when Barclays pays away its side of the transaction to another bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. While these exposures are of short duration, they can be large. In recent years settlement risk has been reduced by several industry initiatives that have enabled simultaneous and final settlement of transactions to be made (such as payment-versus-payment through Continuous Linked Settlement and delivery-versus-payment in central bank money). Barclays has worked with its peers in the development of these arrangements. Increasingly the majority of high value transactions are settled by such mechanisms. Where these mechanisms are not available, the risk is further reduced by dealing predominantly with highly rated counterparties, holding collateral and limiting the size of the exposures according to the rating of the counterparty, with smaller exposures to those of higher risk.

Table A: Other commercial commitments

Amount of commitment expiration per period

	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total amounts committed £m
Acceptances and endorsements	283				283
Guarantees and assets pledged as collateral security	28,871	2,761	4,046	2,357	38,035
Other contingent liabilities	5,935	1,070	359	1,461	8,825
Documentary credits and other short-term trade related transactions	301	25		54	380
Forward asset purchases and forward deposits placed	43				43
Undrawn formal standby facilities, credit lines and other commitments to lend	151,929	16,696	25,303	9,434	203,362

Table B: Contractual obligations

	Payments due by period				
	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total £m
Long-term debt	77,792	8,795	3,156	21,651	111,394
Operating lease obligations	305	546	448	1,672	2,971
Purchase obligations	277	361	198	40	876
Total	78,374	9,702	3,802	23,363	115,241

Further information on the contractual maturity of the Group's assets and liabilities is given in Note 59.

Table of Contents**Risk management****Loan impairment: potential credit risk loans****Non-performing loans and potential problem loans**

The value of potential credit risk loans (PCRLs) at 31st December 2004 was restated for the adoption of IFRS on 1st January 2005. This restatement has not been applied to the numbers for 2004 and, as a consequence, these numbers are not directly comparable with the current values. In addition, due to enhanced modelling, PCRLs in the mortgage business have been restated causing an increase of £172m at 31st December 2004. This restatement, which has not been applied to periods prior to 2004, does not reflect changes in credit quality but arises from the application of revised methodology. In addition, this restatement does not reflect changes as a result of the application of IAS 39 and as a result the 2004 and 2005 data, included in the graphs below, is not directly comparable.

PCRLs comprise non-performing loans (NPLs) and potential problem loans (PPLs). NPLs are loans where the customers have failed to meet their commitments, either in part or in whole. PPLs are loans where payment of principal and interest is up-to-date and the loans are therefore fully performing, but where serious doubt exists as to the ability of the borrowers to continue to comply with repayment terms in the near future.

The US Securities and Exchange Commission (SEC) requires loans to be classified, where applicable, as non-accrual, accruing past due 90 days or more, troubled debt restructurings and potential problem loans. Whilst the Group's risk procedures do not include the classification of loans along these lines, historically balances have been reported based on the SEC categories but with additional categories reported to reflect the particular circumstances pertaining to the UK market.

With effect from 1st January 2005, the application of IAS 39 requires interest to be recognised on the remaining balance of an impaired financial asset (or a group of financial assets) at the effective interest rate for that asset. As a result, interest is credited to the income statement in relation to impaired loans, therefore these loans technically do not fall to be classed as non-accrual but are, nonetheless, non-performing. In order to reflect this treatment under IAS 39, the Group has, in 2005, replaced the non-accrual category with one termed Impaired loans. Impaired loans are non-performing loans where, in general, an impairment allowance has been raised. This category may also include non-performing loans which are fully collateralised or where the indebtedness has already been written down to the expected realisable value.

The amounts are shown before deduction of the value of security held, impairment allowances (for 2005) and provisions or interest suspense (2004 and earlier), all of which might reduce the impact of an eventual loss, should it occur.

Since 31st December 2004, NPL balances, excluding Absa, increased by 10% (including Absa, the increase was 27%). This resulted mainly from a rise in balances in the UK retail portfolios with NPL balances in the wholesale and corporate portfolios decreasing modestly.

PPLs, excluding Absa, decreased 5% (including Absa, the increase was 16%). Retail portfolios PPL balances increased 38%, but this was more than offset by a 24% decline in PPL balances in wholesale and corporate portfolios.

PCRL balances increased 25% to £6,139m (31st December 2004):

£4,913m). Excluding Absa balances of £901m this represented an increase of 7% which occurred mainly in the UK unsecured retail portfolios.

Note

- (a) In 2001-2003 non-performing loans and potential problem loans were disclosed based on the location of the booking office. In 2004-2005 they were disclosed by location of customers.

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- (b) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

Non-performing loans and potential problem loans

(See also Table 17 on page 70 and Table 18 on page 71).

Non-performing loans and potential problem loans as a percentage of Loans and Advances

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Risk management

Allowances for Impairment

Impairment Allowances

It is Barclays policy to establish, through charges against profit, an impairment allowance in respect of the incurred loss inherent in the lending book.

Under IFRS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition, and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the carrying amount is less than the discounted cash flows, then no allowance is necessary.

Impairment is measured individually, for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available.

In terms of individual assessment, the trigger point for the impairment calculation is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure. Two key inputs to the cash flow calculation are the valuation of all security and collateral and the timing of all asset realisations, after allowing for all attendant costs. This method applies in the Corporate portfolios Business Banking, Barclays Capital and certain areas within International Retail and Commercial Banking.

For collective assessment, the trigger point for impairment is the missing of a contractual payment. The impairment calculation is based on a roll-rate approach, where the percentage of assets that move from the trigger point to default are derived from statistical probabilities based on experience. Recovery amounts and contractual interest rates are calculated using a weighted average for the portfolio. This method applies to parts of International Retail and Commercial Banking, Barclaycard and UK Banking and is consistent with Barclays policy of raising an allowance as soon as impairment is identified.

Impairment allowances, albeit significantly lower in amount than those reported above, are also raised to cover losses which are judged to be incurred but not yet reported in customer exposures at the balance sheet date, and which, therefore, have not been specifically identified.

These impairment allowances are reviewed and adjusted, at least quarterly by an appropriate charge or release of the stock of impairment allowances based on a statistical analysis and management judgement.

The incurred but not yet reported calculation is based on the assets probability of moving from the performing portfolio to being specifically identified as impaired within the given emergence period and then on to default within a specified period. This is calculated on the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The emergence periods vary across businesses and are based on actual experience and are reviewed on an annual basis.

This methodology ensures that the Group only captures the loss incurred at the balance sheet date.

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Head office functions and other operations comprises discontinued businesses in transition.

Where appropriate, the accuracy of this analysis is periodically assessed against actual losses.

Writing off of Assets

When an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of recovery. Write-off will occur, therefore, when, and to the extent that, the whole or part of a debt is considered irrecoverable.

The timing and extent of write-offs may involve a large element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery. In any event, the position of impaired loans are reviewed at least quarterly with a view to irrecoverable advances being written off in a prompt and orderly manner and in compliance with any local regulations.

Treatment of Interest on Impaired Loans

IFRS requires that interest on impaired loans be recognised on the net asset value (gross asset value less impairment allowance) at the rate used to discount the expected cash flows (i.e. the original effective interest rate).

As a result of an increase in impairment charges to the retail portfolios, and to a lesser extent in the wholesale and corporate portfolios, the impairment charges for the Group (including Absa) for the full-year were £1,571m (2004: £1,093m).

The chart below shows impairment allowance charges over the last five years.

(See also Table 20 on page 72.)

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Risk management

Allowances for Impairment

Total impairment allowances at the end of 2005 increased by 27% (£739m) to £3,450m over the provisions balances for the prior year (£2,711m). Of this increase, £545m is in regard to the acquisition of Absa. Furthermore, due to the adoption of IAS 32 and IAS 39 on 1st January and the consequent restatement of the impairment allowance, the period end value at 31st December 2004 does not correspond to the opening value at the beginning of 2005 which was restated as £2,637m. Excluding Absa, the increase from the opening to closing balances in 2005 was 10%. (See Table 22 on page 73).
An analysis of all the movements in the impairment balances is shown in the following chart.

(See also Table 24 on page 73.)

Notes

- (a) Represents the increase in the allowance for the period following the Group's assessment of the recoverability of its loans and receivables, in accordance with IAS 39.
- (b) Represents allowances brought in from new subsidiaries acquired in the year including £545m from Absa.
- (c) Represents recoveries of amounts previously written off.
- (d) Includes unwind of discount and other adjustments.
- (e) Includes the effects of IAS 32, IAS 39 and IFRS 4 restatement of 1st January 2005 opening impairment balance.
- (f) Balances are written off when it is considered that there is no possibility of making further recoveries.

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Risk management

Allowances for Impairment

Impairment allowances/provisions stock coverage of non-performing loans and potential credit risk loans (NPLs and PPLs)

(See also Table 31 on page 78.)

(See also Table 32 on page 78.)

Including Absa, the NPL and PCRL coverage ratios increased to 66.2% and 56.2% respectively at the end of 2005. These ratios are higher than those excluding Absa due to the fact that Absa has a higher proportion of retail lending which, in general, tends to carry a higher level of coverage than corporate lending.

Excluding Absa, coverage of NPLs and PCRLs by the stock of impairment allowances, at 64.8% (2004: 66.9%) and 55.5% (2004: 56.0%) were broadly in line with those reported at 31st December 2004.

Write-offs

Debts are written off to the extent that there is no realistic prospect of a change in the customer's condition, or where local conditions dictate, and

the whole or part of the debt is considered irrecoverable.

Total write-offs increased to £1,587m (2004: £1,582m).

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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Risk management

Market risk management

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

The main market risks arise from trading activities. Barclays is also exposed to non-trading market risks relating to the Pension Fund and, to a lesser extent, asset and liability management.

Categorisation of Market Risk

To facilitate the management, control, measurement and reporting of market risk, Barclays has grouped market risk into three broad categories:

| Trading market risk

These risks arise in trading transactions where Barclays acts as principal with clients or with the market. Barclays policy is that market risks arising from trading activities are concentrated in Barclays Capital.

| Asset and liability risk

These risks arise from banking activities, including those incurred on non-trading positions such as customer assets and liabilities and capital balances.

| Other market risks

Barclays also incurs market risks that do not fit into the above categories. The principal risks of this type are defined benefit pension scheme risk and asset management structural market risk.

Market Risk Management and Control Responsibilities

The Board Risk Committee approves the market risk appetite for all types of market risk. The Market Risk Director is responsible for the market risk control framework and, under delegated authority from the Risk Director and Risk Oversight Committee, sets a limit framework within the context of the approved market risk appetite.

The Market Risk Director is assisted by a central market risk team and by risk management departments in the businesses. A daily market risk report summarises Barclays market risk exposures against agreed limits. This daily report is sent to the Risk Director, the Market Risk Director, the Finance Director and the appropriate Business Risk Directors.

The Head of each business, assisted by the business risk management team, is accountable for identifying, measuring and managing all market risks associated with its activities. In managing market risk, businesses also consider liquidity risk where relevant.

In Barclays Capital, the Head of Market Risk is responsible for the market risk governance and control framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Global Market Risk Management team that operates independently of the trading areas. Daily market risk reports are produced for the main Barclays Capital business areas covering the six main risk factor categories, namely interest rate, credit spread, inflation, foreign exchange, equity and commodity risk. A more detailed trading market risk presentation is discussed at Barclays Capital's Traded Products Risk Review meeting, held fortnightly. The attendees at this meeting include the senior managers from Barclays Capital and the central market risk team.

Outside Barclays Capital, Treasury manages treasury market and structural interest rate risk. Retail market risk, a consequence of the UK banking operations, is managed by the Retail Market Risk team. In the non-UK banking operations, market risk is managed mainly by local treasuries. The chart overleaf gives an overview of the business control structure.

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Risk management

Market risk management

Managing market risk organisational overview

Market Risk Measurement

The measurement techniques used to measure and control market risk include:

- | Daily Value at Risk;

- | Stress Tests;

- | Annual Earnings at Risk;

- | Economic Capital.

Daily Value at Risk (DVaR)

DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

In Barclays Capital, DVaR is an important market risk measurement tool. DVaR is calculated using the historical simulation method with a historical sample of two years. In 2005, the DVaR methodology for credit spread risk was enhanced. The original methodology is currency dependent and incorporates seven credit categories, these being interest rate swaps and six credit rating based categories. The enhanced specific credit spread method replaces the rating and currency-based approach with a name specific approach and was rolled out in phases across a number of business lines. The enhanced model captures concentration risk and responds quickly to changing market conditions and individual company circumstances. Specific credit spread risk is reported within credit spread risk in the DVaR table.

Also in 2005, a methodology enhancement was introduced for inflation products. Inflation risk is reported within interest rate risk in the DVaR table.

The impact of these methodology changes was not material and has not been reflected in the 2004 comparative data.

The effectiveness of the DVaR model is assessed principally by back-testing which counts the number of days when trading related losses are bigger than the estimated DVaR figure. Back-testing results are shown on page 54. Outside Barclays Capital, Barclays uses a simplified approach to calculate DVaR.

Stress Tests

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Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Barclays Capital include risk factor stress testing where stress movements are applied to each of the six risk categories, namely interest rates, credit spread, inflation, foreign exchange rates, and equity and commodity prices; emerging market stress testing where emerging market portfolios are subject to stress movements; and ad hoc stress testing, which includes applying possible stress events to specific positions or regions, e.g. the stress outcome to a region following a currency peg break.

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

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Outside Barclays Capital, stress testing is carried out by the business centres and is reviewed by the senior management and business-level asset and liability committees. The stress testing is tailored to the business and is typically scenario analysis and historical stress movements applied to respective portfolios.

Annual Earnings at Risk (AEaR)

AEaR measures the sensitivity of annual earnings to shocks in market rates at the 99th percentile for change over a one-year period. This shock is consistent with the standardised interest rate shock recommended by the Basel II framework for assessing banking book interest rate risk.

AEaR is used to measure structural interest rate market risk and structural asset management risk (see the Other Market Risks section (page 55) for more details).

Economic Capital

Economic capital methodologies are used to calculate risk sensitive capital allocations for businesses incurring market risk. Consequently, the businesses incur capital charges related to their market risk.

Trading Market Risk

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

In anticipation of future customer demand, Barclays 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 Barclays requirements.

Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, credit derivatives, options and combinations of these instruments. For a description of the nature of derivative instruments, see page 61.

Analysis of Trading Market Risk Exposures

The table below shows the DVaR statistics for Barclays Capital's trading activities (trading book and banking book).

Barclays Capital DVaR: Summary table for 2005 and 2004

	12 months to 31st December 2005 High ^(a)			12 months to 31st December 2004		
	Average £m	£m	Low ^(a) £m	Average £m	High ^(a) £m	Low ^(a) £m
Interest rate risk	25.3	44.8	15.4	25.0	53.6	15.1
Credit spread risk	23.0	28.3	19.0	22.6	32.9	16.0
Foreign exchange risk	2.8	5.3	1.4	2.4	7.4	0.9
Equities risk	5.9	8.2	3.9	4.2	7.9	2.2
Commodities risk	6.8	11.4	4.5	6.0	14.4	2.2
Diversification effect	(31.9)			(25.9)		
Total DVaR^(b)	31.9	40.4	25.4	34.3	46.8	24.0

Notes

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

- (b) The year-end total DVaR for 2005 was £37.4m (2004: £31.9m).

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Risk management

Market risk management

Barclays Capital's market risk exposure, as measured by average total Daily Value at Risk, decreased by 7% in 2005. This was mainly a consequence of increased geographical and product diversification resulting from business growth.

The graph below shows the history of total DVaR on a daily basis for 2004 and 2005.

Analysis of Trading Revenue

The histograms below show the distribution of daily trading revenue for Barclays Capital in 2005 and 2004. It includes dealing profits, net interest income and net fees and commissions relating to primary trading. The average daily revenue in 2005 was £16.3m (2004: £12.5m) and there were 237 positive revenue days out of 252 (2004: 246 positive revenue days out of 254).

DVaR Back-testing

Barclays recognises the importance of assessing the effectiveness of its DVaR model. The main approach employed is the technique known as back-testing, which counts the number of days when trading losses are bigger than the estimated DVaR figure. The regulatory standard for backtesting is to measure DVaR assuming a one-day holding period with a 99% level of confidence. For Barclays Capital's regulatory trading book, there were no instances in 2005 or 2004, of a daily trading revenue loss exceeding the corresponding back-testing DVaR.

Asset and Liability Market Risk

Interest rate exposures arising from mismatches of fixed rate assets and liabilities in UK banking operations are passed to Treasury. Treasury aggregates these positions and then passes the net position to the market via Barclays Capital. Due mainly to timing considerations, market risk can arise when some of the net position stays with Treasury. Similarly, market risk can arise due to the impact of interest rates on customer behaviour. The latter risk is managed and measured by the Retail Market Risk team using behavioural models. The positions are converted into wholesale swap or option exposures, passed to Treasury and managed by the process described above.

Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Group's equity. This risk is managed by Treasury, assisted by the Retail Market Risk team.

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Market risk is also taken in overseas treasuries to support and facilitate customer activity. The risk is comparatively modest. The market risks are managed by local treasury functions and local asset and liability committees. The central market risk team maintains regular contact with the businesses on treasury issues and oversees a comprehensive financial risk reporting framework.

Other Market Risks

I Defined benefit pension scheme risk

Barclays maintains a number of defined benefit pension schemes for past and current employees. The ability of the Pension Fund to meet the projected pension payments is maintained through investments. Market risk arises because the estimated market value of the pension fund assets might decline or their investment returns might reduce or because the estimated value of the pension liabilities might increase. In these circumstances, Barclays might be required or might choose to make extra contributions to the pension fund. Financial details of the pension fund are in Note 38.

I Asset management structural market risk

Asset management structural market risk is the risk that fee and commission income is affected by a change in asset prices. It affects Barclays Global Investors, International Retail and Commercial Banking, Wealth Management and Barclays Life. The risk is controlled and managed by the respective businesses and the central market risk team.

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Risk management

Capital and liquidity risk management

The Board Risk Committee has approved minimum control requirements for capital and liquidity risk management.

The Treasurer has established risk control frameworks and a policy and assurance structure to ensure that capital and liquidity risks are managed in accordance with the requirements of the Board. Policies are set by the Treasury Committee which is chaired by the Group Finance Director.

Capital Risk Management

Capital risk is the risk that the Bank fails to comply with FSA mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its banking licence. Capital risk also includes the risk that the capital base is not managed in a prudent manner thereby endangering the Group's credit rating.

Barclays views its strong credit rating as a source of competitive advantage. A solid capital position, together with a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation, underpins that rating.

The Group's capital management will continue to maximise shareholder value through optimising both the level and mix of its capital resources, seeking to:

- | meet the individual capital ratios required by our regulators;

- | maintain an AA credit rating;

- | generate sufficient capital to support asset growth and corporate activity;

- | manage the currency exposure to its overall Sterling Risk Asset Ratio.
See page 88 in the Financial Overview for information on the Group's capital position.

Liquidity Risk Management

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

Liquidity management within the Group has several strands. The first is day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable that to happen. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the ability to monitor, manage and control intraday liquidity in real time is recognised by the Group as a mission critical process: any failure to meet specific intraday commitments would be a public event and may have an immediate impact on the Group's reputation.

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Securitisation remains a proportion of the Group's current funding profile, providing additional flexibility, and is an important tool in the management of the Group's capital and funding. During 2005 the Group has continued to securitise elements of the balance sheet, such as credit cards, and has selectively securitised other parts, such as UK mortgages and commercial loans. The Group will look to build on the success of the existing securitisation programmes in broadening the range of asset classes securitised.

The ability to raise funds is in part dependent on maintaining the Bank's credit rating. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered material in Group terms.

Absa monitor their cash flow against limits expressed as a percentage of their total deposits and current accounts rather than against absolute mismatch limits. Absa also continues to assess the ongoing Rand money markets' appetite for the Absa name and to improve their stress testing. The difference in approach is not a major risk, and the integration project is working to more closely align Absa's policies and practices with the Barclays liquidity control requirements.

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Liquidity Risk Measurement

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. This is based on principles agreed by the UK Financial Services Authority.

In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Treasury develops and implements the process for submitting the Group's projected cash flows to stress scenarios. The output of stress testing informs the Group's contingency funding plan. This is maintained by Treasury and is aligned with the Group and country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. Whilst 2005 saw relatively stable markets, with no significant consequences for the Group's liquidity, significant market events over recent years including corporate scandals contributed to a short-term flight to quality in financial markets from which Barclays benefited.

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

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

For further details see contractual cash obligations and commercial commitments of the Group on page 46.

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Risk management

Management of operational risk and business risk

Operational and business risks are inherent in Barclays operations and are typical of any large enterprise.

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

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

Barclays is committed to the advanced management of operational and business risks. In particular, we are implementing advanced management and measurement approaches for operational risk to strengthen control, improve customer service and minimise operating losses.

It is not cost effective to attempt to eliminate all operational and business risks and in any event it would not be possible to do so. Events of small significance are expected to occur and are accepted as inevitable; events of material significance are rare and the Group seeks to reduce the risk from these in a framework consistent with its agreed risk appetite.

Responsibility for and Control of Operational Risk

Barclays has a Group Operational Risk Framework, which is consistent with and part of the Group Internal Control and Assurance Framework. Minimum control requirements have been established for all key areas of identified risk. The risk categories relevant to operational and business risks are: Brand Management, Capital, Change, Corporate Responsibility, Financial Crime, Financial Reporting, Taxation and Budgeting, Legal, Operations, People, Regulatory Compliance, Strategic and Technology.

Responsibility for implementing and overseeing these policies is to be found throughout the organisation as follows:

- | The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. Frontline risk managers are widely distributed throughout the Group in business units. They service and support these areas assisting line managers in managing these risks.

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

- | Governance and Control Committees in each business monitor control effectiveness. The Group Governance and Control Committee receives reports from the committees in the businesses and considers Group-wide control issues and their risk mitigation.

- | In the corporate centre, the Operational Risk Director oversees the range of operational risks across the Group in accordance with the Group Operational Risk Framework.

- | The Internal Audit function provides assurance for operational risk control across the organisation and reports to the Board and senior management.

The Management and Measurement of Operational Risk

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

Risk Event Data Collection and Reporting A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are loaded onto a central database and reported monthly to the Operational Risk Executive Committee.

Barclays also uses a database of external public risk events to assist in risk identification and assessment.

Reporting Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the key risks to their business objectives, control issues of Group-level significance, and operational risk events. Specific reports are prepared on a regular basis for the Risk Oversight Committee, the Board Risk Committee and the Board Audit Committee. In particular the Group Operational Risk Profile Report is provided quarterly to the Risk Oversight Committee.

Economic Capital Methodologies are used for both operational and business risks to calculate risk sensitive capital allocations. These are allocated to business units which incur risk-based capital charges, as a consequence, providing an incentive to manage the risk within appetite levels. Additional investment is being made to enhance the Operational Risk Capital model to improve risk sensitivity and to obtain approval to apply the Advanced Measurement Approach (AMA) under the Basel II Accord when that option first becomes available in 2008.

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Risk management

Disclosures about certain trading activities including non-exchange traded contracts

The Group delivers a fully integrated service to clients for base metals, precious metals, oil and oil related products, power, natural gas and other related commodities.

The Group's commodity business continues to expand, as market conditions allow, through the addition of new products and markets, with the 2005 expansion of business being driven both by organic growth and acquisitions of portfolios.

The Group offers both over the counter (OTC) and exchange traded derivatives in these commodities. The Group's base metals business also enters into outright metal purchases and sale transactions, while the power and gas business trades both physical forwards and derivative contracts. The Group continues to develop and offer a range of commodity related structured products.

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

The fair values of commodity physical and derivative positions are determined through a combination of recognised market observable prices, exchange prices, and established inter-commodity relationships. The fair value of OTC commodity derivative contracts is determined primarily by using valuation models which are based on assumptions supported by prices from observable market transactions in the same instrument or are based on available observable market data.

Where a valuation model is used, the fair value is determined based on the expected cash flows under the terms of each specific contract, discounted back to present value. The expected cash flows for each contract are either determined using market parameters such as commodity price curves, commodity volatilities, commodity correlations, interest rate yield curves and foreign exchange rates, or other market prices.

Where possible, fair values generated by models are independently validated with reference to market price quotes or price sharing with other institutions. Where all significant model inputs can be validated to observable market data at the inception of the contract the valuation of the contract is based on the model value output.

However, where no observable market parameter is available then the contract is valued at transaction price at inception. Following initial recognition, the process of calculating fair value from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics. These estimates are calibrated against industry standards, economic models and observed transaction prices. The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model, market data and assumptions or estimates in these are all subject to internal review and approval procedures and consistent application between accounting periods.

The tables on page 60 analyse the overall fair value of the commodity derivative contracts by movement over time and source of fair value. Additionally, the positive fair value of such contracts is analysed by counterparty credit risk rating.

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Table of Contents**Risk management****Disclosures about certain trading activities****including non-exchange traded contracts**

The following tables analyse the overall fair value of the commodity derivative contracts by movement over time and source of fair value. As at 31st December 2005 this reflected a gross positive fair value of £21,744m (2004: £4,955m) and a gross negative value of £21,217m (2004: £4,780m). Realised and unrealised profits relating to physical commodity and commodity derivative activities are included within dealing profits. Physical commodity positions are held at fair value and reported under Trading Portfolio Assets in Note 13 to the accounts.

	Total	
	2005	Total
		2004 ^(a)
	£m	£m
Fair value of contracts outstanding at the beginning of the period	175	(106)
Contracts realised or otherwise settled during the period	(137)	171
Fair value of new contracts entered into during the period	156	313
Other changes in fair values	333	(203)
Fair value of contracts outstanding at the end of the period	527	175

Movement in fair value of commodity derivative positions**Fair value source and maturity analysis****Source of fair value**

	Fair value of contracts at 31st December 2005		
	Maturity one to five years	Maturity in excess of five years	Total fair value £m
Maturity less than one year	£m	£m	

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	£m			
Valuation models supported by observable market data	33	182	326	541
Valuation models not supported by observable market data		(32)	18	(14)
Total	33	150	344	527

The following table analyses the positive fair value arising on commodity derivative contracts. As at 31st December 2005, this reflects a gross positive fair value of £21,744m. The comparative figure for 2004 of £1,757m reflected the Group's ability under UK GAAP to net amounts due to the same counterparties.

Analysis of positive commodity derivative fair values included in the balance sheet by counterparty credit risk rating

	Total	
	value	
	2005	Total
	£m	value
		2004 ^(a)
		£m
A- to AAA	12,234	1,004
BBB- to BBB+	8,726	538
BB+ and below	784	215
Total	21,744	1,757

All credit risk exposures are actively managed by the Group. Refer to page 41 for more information on the Group's approach to credit risk management. In particular, at 31st December 2005, 89% of all commodities credit exposure was to counterparties with cross-asset class netting agreements which allow exposure on commodities products to be reduced by amounts owed to the same counterparties in other asset classes. This percentage is consistent across the credit ratings applying to BBB+ and below as well as higher rated counterparties.

Additionally, collateral agreements are held with a majority of these same counterparties that allow collateral to be called against commodity exposures. All non-collateralised exposures are subject to credit limits, and impairment allowances are created against these exposures if appropriate.

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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Risk management

Derivatives

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

Barclays Capital manages the trading derivatives book as part of the market risk book. This includes foreign exchange, interest rate, equity, commodity and credit derivatives. The policies regarding market risk management are outlined in the market risk management section on pages 51 to 55.

The policies for derivatives that are used to manage the Group's own exposure to interest and exchange rate fluctuations are outlined in the asset and liability market risk section on page 54.

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

A description of the impact of first time adoption of International Financial Reporting Standards (IFRS) is provided in Note 62.

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

Exchange Traded Derivatives

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

Over the Counter Traded Derivatives (OTC)

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

These instruments range from commoditised transactions in derivative markets, to trades where the specific terms are tailored to the requirements of the Group's customers. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give the Group protection in situations where a counterparty is in default.

Foreign Exchange Derivatives

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

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

Interest Rate Derivatives

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

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

Credit Derivatives

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

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

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

A description of how credit derivatives are used within the Group is provided on page 43.

Equity Derivatives

The Group's principal equity related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date.

Commodity Derivatives

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

A description of commodity derivatives is provided on page 59.

Table of Contents**Risk management****Statistical information****Statistical and Other Risk Information**

This section of the report contains supplementary information that is more detailed or contains longer histories than the data presented in the discussion. For commentary on this information, please refer to the preceding text (pages 41 to 61).

Barclays applied International Financial Reporting Standards (IFRS) with effect from 1st January 2004, with the exception of IAS 32, IAS 39 and IFRS 4, which were applied from 1st January 2005.

N/a has been included in the tables where, as a result of the application of IAS 32, IAS 39 and IFRS 4 in 2005 and UK GAAP in 2004, the disclosure is not applicable.

Credit Risk Management**Table 1: Risk Tendency by business**

	2005	2004
	£m	£m
UK Banking	450	375
UK Retail Banking	170	150
UK Business Banking	280	225
Barclays Capital	85	70
Wealth Management	5	5
Barclaycard	1,100	860
International Retail and Commercial Banking	195	65
International Retail and Commercial Banking excluding Absa	75	65
International Retail and Commercial Banking Absa	120	
Head office functions and other operations ^(a)	10	20
Risk Tendency by business	1,845	1,395
(Also see chart on page 42.)		

Table 2: Loans and advances

	2005	2004 ^(b)
	£m	£m
Retail businesses		

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Banks	1,959	1,692
Customers	144,039	106,296
Total retail businesses	145,998	107,988
Wholesale businesses		
Banks	29,150	17,888
Customers	128,303	100,497
Total wholesale businesses	157,453	118,385
Loans and advances excluding reverse repurchase agreements	303,451	226,373
Reverse repurchase agreements	n/a	119,379
Loans and advances	303,451	345,752

Notes

- (a) Head office functions and other operations comprises discontinued businesses in transition.
- (b) Does not reflect the application of IAS 32, IAS 39 or IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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	On demand £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
At 31st December 2005						
United Kingdom	369	3,647	157	181	270	4,624
Other European Union	585	4,642	145	50	1	5,423
United States	514	3,098	4,645	2,100	2,910	13,267
Africa	722	80	6	59	13	880
Rest of the World	1,739	4,454	222	241	259	6,915
Loans and advances to banks	3,929	15,921	5,175	2,631	3,453	31,109

	On demand £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
At 31st December 2004^(a)						
United Kingdom	847	2,748	8	103	243	3,949
Other European Union	289	1,495		29		1,813
United States	147	4,331	1,363	543	1,284	7,668
Africa	90	274	60		1	425
Rest of the World	326	3,473	674	877	375	5,725
Loans and advances to banks excluding reverse repurchase agreements	1,699	12,321	2,105	1,552	1,903	19,580
Reverse repurchase agreements						61,075
Loans and advances to banks						80,655

Table 4: Interest rate sensitivity of loans and advances to banks^(b)

	Fixed rate £m	2005 Variable rate £m	Total £m	Fixed rate £m	2004 Variable rate £m	Total £m
At 31st December	1,384	3,240	4,624	2,352	1,597	3,949

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United Kingdom						
Other European Union	690	4,733	5,423	404	1,409	1,813
United States	1,683	11,584	13,267	1,941	5,727	7,668
Africa	69	811	880	157	268	425
Rest of the World	3,709	3,206	6,915	1,554	4,171	5,725
Loans and advances to banks excluding reverse repurchase agreements	7,535	23,574	31,109	6,408	13,172	19,580
Reverse repurchase agreements			n/a			61,075
Loans and advances to banks			31,109			80,655

Table 5: Interest rate sensitivity of loans and advances to customers

	Fixed rate	2005 Variable rate	Total	Fixed rate	2004 ^(a) Variable rate	Total
	£m	£m	£m	£m	£m	£m
At 31st December						
United Kingdom	49,988	113,771	163,759	32,974	113,274	146,248
Other European Union	7,317	31,606	38,923	3,156	23,054	26,210
United States	2,260	20,665	22,925	2,894	18,088	20,982
Africa	4,314	28,907	33,221	461	2,298	2,759
Rest of the World	5,604	7,910	13,514	5,212	5,382	10,594
Loans and advances to customers excluding reverse repurchase agreements	69,483	202,859	272,342	44,697	162,096	206,793
Reverse repurchase agreements			n/a			58,304
Loans and advances to customers			272,342			265,097

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Where a loan is earning a fixed rate of interest on the reporting date, it is included as a fixed rate loan, regardless of the term for which the rate is fixed.

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Table of Contents**Risk management****Statistical information****Table 6: Loans and advances to customers by industry**

	IFRS		2003	UK GAAP	
	2005	2004 ^(a)		2002	2001
At 31st December	£m	£m	£m	£m	£m
Financial services	43,102	25,132	9,872	7,587	7,215
Agriculture, forestry and fishing	3,785	2,345	2,115	2,069	1,945
Manufacturing	13,779	9,044	7,844	9,002	10,061
Construction	5,020	3,278	2,534	2,229	2,131
Property	16,325	8,992	6,728	5,863	5,893
Energy and water	6,891	3,709	3,150	3,988	3,101
Wholesale and retail, distribution and leisure	17,760	11,099	9,628	8,415	8,173
Transport	5,960	3,742	3,654	3,900	3,177
Postal and communication	1,313	834	698	950	655
Business and other services	24,247	23,223	13,913	14,179	14,716
Home loans ^(b)	89,529	80,855	72,318	64,738	54,872
Other personal	35,543	27,602	23,922	22,272	20,800
Overseas customers ^(c)			8,666	10,635	11,820
Finance lease receivables	9,088	6,938	5,877	4,389	4,433
Loans and advances to customers excluding reverse repurchase agreements	272,342	206,793	170,919	160,216	148,992
Reverse repurchase agreements	n/a	58,304	n/a	n/a	n/a
Trading business	n/a	n/a	58,961	45,176	34,240
Loans and advances to customers	272,342	265,097	229,880	205,392	183,232

Table 7: Loans and advances to customers in the UK

	IFRS		2003	UK GAAP	
	2005	2004 ^(d)		2002	2001
At 31st December	£m	£m	£m	£m	£m
Financial services	11,958	8,774	7,721	6,158	5,616
Agriculture, forestry and fishing	2,409	1,963	1,766	1,747	1,626
Manufacturing	8,469	5,684	5,967	6,435	6,766
Construction	3,090	2,285	1,883	1,825	1,779

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Property	10,547	7,912	6,341	5,695	5,600
Energy and water	2,701	802	1,286	1,290	1,153
Wholesale and retail distribution and leisure	12,747	9,356	8,886	7,858	7,571
Transport	2,797	1,822	2,579	2,366	1,894
Postal and communication	455	440	476	694	368
Business and other services	15,403	13,439	12,030	11,693	10,581
Home loans ^(b)	61,256	63,039	61,905	58,436	50,945
Other personal	26,724	25,181	21,905	21,357	19,678
Overseas customers ^(c)			5,477	6,201	6,472
Finance lease receivables	5,203	5,551	5,587	4,145	4,205
Loans and advances to customers in the UK	163,759	146,248	143,809	135,900	124,254

The category 'other personal' includes credit cards, personal loans and personal overdrafts.

The industry classifications in tables 6-10 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent's predominant business may be in a different industry.

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.
- (b) Excludes commercial property mortgages.
- (c) Overseas customers are now classified as part of other industry segments.
- (d) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.

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Table of Contents**Table 8: Loans and advances to customers in other European Union countries**

At 31st December	IFRS		UK GAAP		2001 £m
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	
Financial services	3,982	2,419	1,205	371	500
Agriculture, forestry and fishing	155	280	147	165	240
Manufacturing	2,254	2,021	1,275	1,422	1,317
Construction	803	716	609	314	298
Property	3,299	344	346	137	241
Energy and water	1,490	940	409	367	282
Wholesale and retail distribution and leisure	952	810	426	215	283
Transport	1,695	640	566	252	318
Postal and communication	432	111	40	173	185
Business and other services	3,594	3,795	1,251	1,648	1,679
Home loans ^(b)	16,488	11,828	10,334	6,243	3,871
Other personal	1,909	1,369	1,769	721	661
Overseas customers ^(c)			438	384	685
Finance lease receivables	1,870	937	212	167	148
Loans and advances to customers in other European Union countries	38,923	26,210	19,027	12,579	10,708

See note under table 7.

Table 9: Loans and advances to customers in the United States

At 31st December	IFRS		UK GAAP		2001 £m
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	
Financial services	16,229	9,942	919	1,036	1,053
Agriculture, forestry and fishing	1		1	3	
Manufacturing	937	388	341	842	1,553
Construction	32	139	2	31	24
Property	329	394	1	15	21
Energy and water	1,261	891	1,358	2,229	1,567
Wholesale and retail distribution and leisure	794	466	77	141	160
Transport	148	186	468	1,248	931
Postal and communication	236	63	153	46	66
Business and other services	1,185	1,565	220	441	901
Home loans ^(b)	2	5,768			
Other personal	1,443	845			267
Overseas customers ^(c)				62	23
Finance lease receivables	328	335	33	44	48
Loans and advances to customers in the United States	22,925	20,982	3,573	6,138	6,614

See note under table 7.

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.
- (b) Excludes commercial property mortgages.
- (c) Overseas customers are now classified as part of other industry segments.

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Table of Contents**Risk management****Statistical information****Table 10: Loans and advances to customers in Africa**

At 31st December	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
Financial services	4,350	186	27	22	46
Agriculture, forestry and fishing	1,193	102	201	154	79
Manufacturing	1,501	313	261	303	425
Construction	1,068	76	40	59	30
Property	1,673	87	40	16	31
Energy and water	193	184	97	102	99
Wholesale and retail distribution and leisure	2,774	165	239	201	159
Transport	394	137	41	34	34
Postal and communication	27	52	29	37	36
Business and other services	1,883	1,012	412	397	1,555
Home loans ^(b)	11,630	214	79	59	56
Other personal	4,955	190	248	194	194
Overseas customers ^(c)					70
Finance lease receivables	1,580	41	45	33	32
Loans and advances to customers in Africa	33,221	2,759	1,759	1,611	2,846

See note under table 7.

Table 11: Loans and advances to customers in the rest of the World

At 31st December	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
Loans and advances	13,407	10,520	2,751	3,988	4,570
Finance lease receivables	107	74			
Loans and advances to customers in the rest of the World	13,514	10,594	2,751	3,988	4,570

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.
- (b) Excludes commercial property mortgages.
- (c) Overseas customers are now classified as part of other industry segments.

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Table of Contents**Table 12: Maturity analysis of loans and advances to customers**

	On demand £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
At 31st December 2005						
United Kingdom						
Corporate lending ^(b)	14,305	13,108	4,751	14,556	23,857	70,577
Other lending to customers in the United Kingdom	10,251	7,167	14,512	24,363	36,889	93,182
Total United Kingdom	24,556	20,275	19,263	38,919	60,746	163,759
Other European Union	1,518	5,596	4,093	8,614	19,102	38,923
United States	3,534	8,258	6,003	2,789	2,341	22,925
Africa	5,176	3,240	2,892	7,111	14,802	33,221
Rest of the World	161	6,911	951	1,788	3,703	13,514
Loans and advances to customers	34,945	44,280	33,202	59,221	100,694	272,342
At 31st December 2004^(a)						
United Kingdom						
Corporate lending ^(b)	8,416	8,687	8,079	14,143	13,152	52,477
Other lending to customers in the United Kingdom	4,163	7,532	1,641	8,657	71,778	93,771
Total United Kingdom	12,579	16,219	9,720	22,800	84,930	146,248
Other European Union	720	5,411	6,809	4,292	8,978	26,210
United States	2,966	5,522	7,955	3,002	1,537	20,982
Africa	433	544	637	699	446	2,759
Rest of the World	1,008	3,422	1,341	1,906	2,917	10,594
Loans and advances to customers excluding reverse repurchase agreements	17,706	31,118	26,462	32,699	98,808	206,793
Reverse repurchase agreements						58,304
Loans and advances to customers						265,097

(Also see chart on page 45.)

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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

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Table of Contents**Risk management****Statistical information****Table 13: Loans and advances to borrowers in currencies other than the local currency of the borrower for countries where this exceeds 1% of total Group assets**

	As % of assets	Total £m	Banks and other financial institutions £m	Governments and official institutions £m	Commercial industrial and other private sectors £m
At 31st December 2005 IFRS					
United States	2.6	24,274	15,693		8,581
At 31st December 2004 IFRS[§]					
United States	4.0	21,556	10,102	2	11,452
Germany	1.3	7,128	6,614		514
France	1.0	5,562	5,019	27	516
At 31st December 2003 UK GAAP					
United States	2.7	12,110	4,679		7,431
Germany	1.2	5,127	4,662	7	458

At 31st December 2005 and 2004, on an IFRS basis^(a), there were no countries where Barclays had cross-currency loans to borrowers between 0.75% and 1% of total Group assets. At 31st December 2003, on a UK GAAP basis, there were cross-currency loans to borrowers in France of between 0.75% and 1% of total Group assets, amounting to £3,570m.

Table 14: Off-balance sheet and other credit exposures as at 31st December

	IFRS 2005 £m	IFRS 2004 ^(a) £m	UK GAAP 2003 £m
Off-balance sheet exposures			
Contingent liabilities	47,143	38,559	33,694
Commitments	203,785	134,051	114,847
On-balance sheet exposure			
Balances arising from off-balance	n/a	18,174	15,812

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sheet financial instruments (OTC derivatives)
London Metal Exchange warrants and

other trading positions	n/a	952	1,290
Debt securities held for trading	n/a	87,594	59,812
non-trading	n/a	42,717	37,581
Trading portfolio assets	155,723	n/a	n/a
Financial assets designated at fair value held on own account	12,904	n/a	n/a
Derivative financial instruments	136,823	n/a	n/a
Available for sale financial instruments	53,497	n/a	n/a

Current and prior year credit cards commitments to lend have been calculated on a contractual basis rather than a modelled basis. Had this method been applied in 2003, reported commitments would have been increased by £5,899m to £120,746m.

Note

- (a) 2004 does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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	2005 £m	IFRS	UK GAAP
		2004 ^(a) £m	2003 £m
Credit derivatives held or issued for trading purposes ^(b)	609,381	186,275	43,256
Credit derivatives held for risk management purposes		5,133	4,194
Total	609,381	191,408	47,450

Table 16: Non-performing loans summary

	2005 £m	IFRS	UK GAAP		
		2004 ^(a) £m	2003 £m	2002 £m	2001 £m
Impaired loans	4,550	n/a	n/a	n/a	n/a
Non-accruing loans	n/a	2,115	2,261	2,542	1,923
Accruing loans where interest is being suspended with or without provisions	n/a	492	629	611	561
Other accruing loans against which provisions have been made	n/a	943	821	819	830
Subtotal	4,550	3,550	3,711	3,972	3,314
Accruing loans which are contractually overdue 90 days or more as to principal or interest	609	550	590	690	648
Restructured loans	51	15	4	6	5
Non-performing loans	5,210	4,115	4,305	4,668	3,967

The value of non-performing loans at 31st December 2004 was restated resulting in an increase of £130m of total non-performing loans at 31st December 2004. The restatement does not reflect changes in credit quality but arises from the application of a revised methodology to the mortgage business. The restatement has not been applied to prior periods.

Notes

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- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

- (b) Includes credit derivatives held as economic hedges which are not designated as hedges for accounting purposes.

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Table of Contents**Risk management****Statistical information****Table 17: Non-performing loans**

	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
Impaired loans :					
United Kingdom	2,965	n/a	n/a	n/a	n/a
Other European Union	345	n/a	n/a	n/a	n/a
United States	230	n/a	n/a	n/a	n/a
Africa	831	n/a	n/a	n/a	n/a
Rest of the World	179	n/a	n/a	n/a	n/a
Total	4,550	n/a	n/a	n/a	n/a
Non-accrual loans:					
United Kingdom	n/a	1,509	1,572	1,557	1,292
Other European Union	n/a	243	143	108	90
United States	n/a	258	383	744	306
Africa	n/a	74	86	72	104
Rest of the World	n/a	31	77	61	131
Total	n/a	2,115	2,261	2,542	1,923
Accruing loans where interest is being suspended with or without provisions:					
United Kingdom	n/a	323	559	480	386
Other European Union	n/a	31	29	35	30
United States	n/a				
Africa	n/a	21	37	44	27
Rest of the World	n/a	117	4	52	118
Total	n/a	492	629	611	561
Other accruing loans against which provisions have been made:					
United Kingdom	n/a	865	760	751	756
Other European Union	n/a	27	35	27	20
United States	n/a	26			11
Africa	n/a	21	22	8	12
Rest of the World	n/a	4	4	33	31
Total	n/a	943	821	819	830
Accruing loans which are contractually overdue 90 days or more as to principal or interest:					
United Kingdom	539	513	566	687	621
Other European Union	53	34	24	3	
United States		1			
Africa	17	1			
Rest of the World		1			27
Total	609	550	590	690	648

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Restructured loans:					
United Kingdom	5	2	4	4	4
Other European Union	7				
United States	16	13			
Africa	23				
Rest of the World				2	1
Total	51	15	4	6	5
Total non-performing loans:					
United Kingdom	3,509	3,212	3,461	3,479	3,059
Other European Union	405	335	231	173	140
United States	246	298	383	744	317
Africa	871	117	145	124	143
Rest of the World	179	153	85	148	308
Non-performing loans	5,210	4,115	4,305	4,668	3,967

(Also see chart on page 47.)

The value of non-performing loans at 31st December 2004 was restated resulting in an increase of £130m of total non-performing loans in the UK at 31st December 2004. The restatement does not reflect changes in credit quality but arises from the application of a revised methodology to the mortgage business. The restatement has not been applied to prior periods.

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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Table of Contents**Table 18: Potential problem loans**

	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
United Kingdom	640	658	989	852	872
Other European Union	26	32	23		2
United States	12	27	259	241	369
Africa	248	67	53	63	37
Rest of the World	3	14	3	6	26
Potential problem loans	929	798	1,327	1,162	1,306

Potential problem loans

(Also see chart on page 47.)

The value of potential problem loans at 31st December 2004 was restated resulting in an increase of £42m of total potential problem loans in the UK at 31st December 2004. The restatement does not reflect changes in credit quality but arises from the application of a revised methodology to the mortgage business. The restatement has not been applied to prior periods.

Table 19: Interest foregone on non-performing loans

	2005 £m	2004 ^(a) £m
Interest income that would have been recognised under the original contractual terms		
United Kingdom	304	266
Rest of the World	52	52
Total	356	318

Total
Interest income of approximately £29m (2004: £59m) from such loans was included in profit, of which £20m (2004: £54m) related to domestic lending and the remainder related to foreign lending.

In addition, a further £76m (2004: n/a) was recognised arising from impaired loans. Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the expected future cash flows for the purpose of measuring the impairment loss. £70m (2004: n/a) of this related to domestic impaired loans and the remainder related to foreign impaired loans.

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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Table 20: Analysis of impairment/provision charges

	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
Impairment charge/net specific provisions charge					
United Kingdom	1,382	1,021	1,132	1,041	964
Other European Union	75	102	37	14	20
United States	76	57	84	385	136
Africa	37	27	21	24	29
Rest of the World	4	103	46	22	16
Impairment on loans and advances	1,574	n/a	n/a	n/a	n/a
Impairment on available for sale assets	4	n/a	n/a	n/a	n/a
Impairment charge	1,578	n/a	n/a	n/a	n/a
Total net specific provisions charge	n/a	1,310	1,320	1,486	1,165
General provisions (release)/charge	n/a	(206)	27	(2)	(16)
Other credit provisions	(7)	(11)			
Impairment/provision charges	1,571	1,093	1,347	1,484	1,149

(Also see chart on page 48.)

Table 21: Impairment/provisions charges ratios (Loan loss ratios)

	IFRS		UK GAAP		
	2005 %	2004 ^(a) %	2003 %	2002 %	2001 %
Impairment/provisions charges as a percentage of average loans and advances for the year:					

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Specific provisions charge	n/a	0.40	0.46	0.58	0.52
General provisions charge	n/a	(0.07)	0.01		
Impairment charge	0.58	n/a	n/a	n/a	n/a
Total	0.58	0.33	0.47	0.58	0.52
Amounts written off (net of recoveries)	0.50	0.40	0.48	0.43	0.37

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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Table of Contents**Table 22: Analysis of allowance for impairment/provision for bad and doubtful debts**

	IFRS		2003	UK GAAP	
	2005	2004(a)		2002	2001
	£m	£m	£m	£m	£m
Impairment allowance/					
Specific provisions					
United Kingdom	2,266	1,683	1,856	1,790	1,605
Other European Union	284	149	97	84	89
United States	130	155	121	257	89
Africa	647	70	79	60	60
Rest of the World	123	90	80	70	128
Specific provision balances	n/a	2,147	2,233	2,261	1,971
General provision balances	n/a	564	795	737	745
Impairment allowance/(provision) balances	3,450	2,711	3,028	2,998	2,716
Average loans and advances for the year	271,421	328,134	285,963	256,789	223,221

Table 23: Impairment/provision balance ratios

	IFRS		2003	UK GAAP	
	2005	2004(a)		2002	2001
	%	%	%	%	%
Allowance for impairment/provision balance at end of year as a percentage of loans and advances at end of year:					
Specific provision balances	n/a	0.62	0.77	0.86	0.85
General provision balances	n/a	0.16	0.27	0.28	0.32
Impairment balance	1.14	n/a	n/a	n/a	n/a
Total	1.14	0.78	1.04	1.14	1.17

Table 24: Movements in allowance for impairment/provisions charge for bad and doubtful debts

	IFRS		2003	UK GAAP	
	2005	2004(a)		2002	2001
	£m	£m	£m	£m	£m
Allowance for impairment/provision balance at beginning of year	2,637	2,946	2,998	2,716	2,353

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Acquisitions and disposals	555	21	62	(11)	46
Unwind of discount	(76)	n/a	n/a	n/a	n/a
Exchange and other adjustments	125	(33)	(18)	(77)	(1)
Amounts written off	(1,587)	(1,582)	(1,474)	(1,220)	(973)
Recoveries	222	255	113	106	142
Impairment/provision charged against profit(b)	1,574	1,104	1,347	1,484	1,149
Impairment/provision balance at end of year (Also see chart on page 49.)	3,450	2,711	3,028	2,998	2,716

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.
- (b) Does not reflect the impairment of available for sale assets or other credit risk provisions in 2005.

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Table 25: Amounts written off

	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
United Kingdom	(1,302)	(1,280)	(1,175)	(950)	(814)
Other European Union	(56)	(63)	(54)	(31)	(36)
United States	(143)	(50)	(215)	(215)	(94)
Africa	(81)	(15)	(13)	(14)	(20)
Rest of the World	(5)	(174)	(17)	(10)	(9)
Amounts written off	(1,587)	(1,582)	(1,474)	(1,220)	(973)

Table 26: Recoveries

	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
United Kingdom	160	217	95	88	106
Other European Union	13	9	7	7	5
United States	15	14	10	9	27
Africa	16	4	1	1	1
Rest of the World	18	11		1	3
Recoveries	222	255	113	106	142

Table 27: Impairment allowances/provision charged against profit

	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m

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New and increased impairment allowance/specific provision charge:					
United Kingdom	1,763	1,358	1,373	1,210	1,157
Other European Union	113	131	57	33	35
United States	105	85	118	404	173
Africa	109	47	33	36	39
Rest of the World	39	134	47	36	36
	2,129	1,755	1,628	1,719	1,440
Reversals of impairment allowance/specific provision charge:					
United Kingdom	(221)	(120)	(146)	(81)	(87)
Other European Union	(25)	(20)	(13)	(12)	(10)
United States	(14)	(14)	(24)	(10)	(10)
Africa	(56)	(16)	(10)	(11)	(9)
Rest of the World	(17)	(20)	(2)	(13)	(17)
	(333)	(190)	(195)	(127)	(133)
Recoveries	(222)	(255)	(113)	(106)	(142)
Net impairment allowance/specific provision charge ^(b)	1,574	1,310	1,320	1,486	1,165
General provision (release)/charge	n/a	(206)	27	(2)	(16)
Net charge to profit	1,574	1,104	1,347	1,484	1,149

Notes

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Does not reflect the impairment of available for sale assets or other credit risk provisions in 2005.

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Table of Contents**Table 28: Total impairment/specific provision charges for bad and doubtful debts by industry**

	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
United Kingdom:					
Financial services	22	(1)	13	1	(2)
Agriculture, forestry and fishing	9		(3)	(1)	6
Manufacturing	120	28	79	80	62
Construction	14	10	(23)	41	12
Property	18	(42)	(3)	8	3
Energy and water	1	3	13	22	1
Wholesale and retail distribution and leisure	39	66	38	37	44
Transport	(27)	(19)	100	7	6
Postal and communication	3	(1)	1	16	1
Business and other services	45	64	76	62	75
Home loans	(1)	17	9	4	8
Other personal	1,136	894	757	748	782
Overseas customers ^(b)			66	13	(34)
Finance lease receivables	3	2	9	3	
	1,382	1,021	1,132	1,041	964
Overseas	192	289	188	445	201
	1,574	1,310	1,320	1,486	1,165

Impairment/specific provision charges^(c)

The category 'other personal' includes credit cards, personal loans and personal overdrafts.

The industry classifications in tables 28, 29 and 30 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent's predominant business may be in a different industry.

Notes

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Overseas customers are now classified as part of other industry segments.

(c) Does not reflect the impairment of available for sale investments or other credit risk provisions in 2005.

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Table of Contents**Risk management****Statistical information****Table 29: Allowance for impairment/specific provision for bad and doubtful debts by industry**

	2005		IFRS 2004 ^(a)		2003		UK GAAP 2002		2001	
	£m	%	£m	%	£m	%	£m	%	£m	%
United Kingdom:										
Financial services	26	0.8	7	0.3	12	0.5	1		5	0.3
Agriculture, forestry and fishing	12	0.3	4	0.2	5	0.2	7	0.3	13	0.7
Manufacturing	181	5.2	37	1.7	58	2.6	98	4.3	49	2.5
Construction	13	0.4	6	0.3	7	0.3	35	1.6	6	0.3
Property	24	0.7	26	1.2	3	0.1	9	0.4	8	0.4
Energy and water	18	0.5	23	1.0	27	1.2	28	1.3	10	0.5
Wholesale and retail distribution and leisure	99	2.9	70	3.3	52	2.3	54	2.4	60	3.0
Transport	32	0.9	55	2.6	103	4.6	7	0.3	6	0.3
Postal and communication	2	0.1	13	0.6	15	0.7	15	0.7	1	0.1
Business and other services	102	3.0	105	4.9	121	5.4	92	4.1	77	3.9
Home loans	50	1.4	58	2.7	55	2.5	53	2.3	60	3.0
Other personal	1,696	49.2	1,265	58.9	1,359	60.9	1,343	59.4	1,252	63.5
Overseas customers ^(b)					24	1.1	39	1.7	52	2.6
Finance lease										
receivables	11	0.3	14	0.7	15	0.7	9	0.4	6	0.3
	2,266	65.7	1,683	78.4	1,856	83.1	1,790	79.2	1,605	81.4
Overseas	1,184	34.3	464	21.6	377	16.9	471	20.8	366	18.6
Total	3,450	100.0	2,147	100.0	2,233	100.0	2,261	100.0	1,971	100.0

See note under table 28.

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

- (b) Overseas customers are now classified as part of other industry segments.

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Table of Contents**Table 30: Analysis of amounts written off and recovered by industry**

	Amounts written off for the year					Recoveries of amounts previously written off				
	IFRS		UK GAAP			IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
United Kingdom:										
Financial services	2	7	14	2	3	1	3	12		3
Agriculture, forestry and fishing	3	2		4	7		1	1	2	2
Manufacturing	47	79	126	72	65	11	30	8	22	11
Construction	15	13	19	15	16	1	2	14	3	2
Property	4	2	5	10	5	1	69	1	2	1
Energy and water	22	9	15	4	1		2		1	
Wholesale and retail distribution and leisure	85	55	45	53	35	25	7	5	11	9
Transport	29	44	5	7	4	10	15	1	1	
Postal and communication	15	2	1	2			1			
Business and other services	83	96	58	65	57	14	16	11	13	9
Home loans	2	19	11	11	14	9	5	3	1	4
Other personal	992	948	790	692	599	87	65	38	31	29
Overseas customers ^(b)			82	9	2					35
Finance lease receivables	3	4	4	4	6	1	1	1	1	1
	1,302	1,280	1,175	950	814	160	217	95	88	106
Overseas	285	302	299	270	159	62	38	18	18	36
	1,587					222				
Total		1,582	1,474	1,220	973		255	113	106	142

See note under table 28.

Notes

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Overseas customers are now classified as part of other industry segments.

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Table of Contents**Risk management****Statistical information****Table 31: Total impairment allowance/(provision) coverage of non-performing loans**

	IFRS	UK GAAP			
	2005	2004(a)	2003	2002	2001
	%	%	%	%	%
United Kingdom	64.6	68.1	74.2	71.2	72.5
Other European Union	70.1	60.9	71.4	61.8	78.6
United States	52.8	57.0	39.2	43.7	61.8
Africa	74.3	68.4	54.5	48.4	42.0
Rest of the World	68.7	71.9	94.1	47.3	41.6
Total coverage of non-performing loans	66.2	66.9	71.5	65.9	70.4

(Also see chart on page 50.)

Table 32: Total impairment allowance/(provision) coverage of potential credit risk lending (NPLs and PPLs)

	IFRS	UK GAAP			
	2005	2004(a)	2003	2002	2001
	%	%	%	%	%
United Kingdom	54.6	56.5	57.7	57.2	56.4
Other European Union	65.9	55.6	65.0	61.8	77.5
United States	50.4	52.3	23.4	33.0	28.6
Africa	57.8	43.5	39.9	32.1	33.3
Rest of the World	67.6	65.9	90.9	45.5	38.3
Total coverage of potential credit risk lending	56.2	56.0	54.6	52.8	52.9

(Also see chart on page 50.)

Note

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118

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Table of Contents**Financial data Barclays PLC****Consolidated income statement IFRS**

For the year ended 31st December

	2005 £m	2004 £m
Continuing operations		
Interest income	17,232	13,880
Interest expense	(9,157)	(7,047)
Net interest income	8,075	6,833
Fee and commission income	6,430	5,509
Fee and commission expense	(725)	(662)
Net fee and commission income	5,705	4,847
Net trading income	2,321	1,487
Net investment income	858	1,027
Principal transactions	3,179	2,514
Net premiums from insurance contracts	872	1,042
Other income	147	131
Total income	17,978	15,367
Net claims and benefits paid on insurance contracts	(645)	(1,259)
Total income net of insurance claims	17,333	14,108
Impairment charge and other credit provisions	(1,571)	(1,093)
Net income	15,762	13,015
Operating expenses excluding amortisation of intangible assets	(10,448)	(8,514)
Amortisation of intangible assets	(79)	(22)
Operating expenses	(10,527)	(8,536)
Share of post-tax results of associates and joint ventures	45	56
Profit on disposal of associates and joint ventures		45
Profit before tax	5,280	4,580
Tax	(1,439)	(1,279)
Net profit for the year	3,841	3,301
Profit attributable to minority interests	394	47
Profit attributable to equity holders of the parent	3,447	3,254
	3,841	3,301

Selected financial statistics

Basic earnings per share	54.4p	51.0p
Diluted earnings per share	52.6p	49.8p
Dividends per ordinary share	26.6p	24.0p
Dividend payout ratio	48.9%	47.1%
Profit attributable to the equity holders of the parent as a percentage of:		
average shareholders' equity	21.1%	21.7%
average total assets	0.4%	0.5%
Average United States Dollar exchange rate used in preparing the accounts	1.82	1.83
Average euro exchange rate used in preparing the accounts	1.46	1.47
Average Rand exchange rate used in preparing the accounts	11.57	11.83

The financial information shown here should be read together with, and is qualified by reference to, the accounts and Notes included in this report on pages 131 to 267.

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Table of Contents**Consolidated profit and loss account summary UK GAAP**

For the year ended 31st December

	2004 £m	2003 £m	2002 £m	2001 £m
Interest receivable	13,665	12,427	12,044	13,458
Interest payable	(6,823)	(5,823)	(5,839)	(7,492)
Net interest income	6,842	6,604	6,205	5,966
Fees and commissions receivable	5,672	4,896	4,454	4,202
Less: fees and commissions payable	(706)	(633)	(529)	(465)
Dealing profits	1,493	1,054	833	1,011
Other operating income	644	490	364	428
Operating income	13,945	12,411	11,327	11,142
Administration expenses staff costs	(4,998)	(4,295)	(3,755)	(3,714)
Administration expenses other	(2,758)	(2,404)	(2,312)	(2,303)
Depreciation	(295)	(289)	(303)	(308)
Goodwill amortisation	(299)	(265)	(254)	(229)
Operating expenses	(8,350)	(7,253)	(6,624)	(6,554)
Operating profit before provisions	5,595	5,158	4,703	4,588
Provisions for bad and doubtful debts	(1,091)	(1,347)	(1,484)	(1,149)
Provisions for contingent liabilities and commitments	(2)	1	(1)	(1)
Provisions	(1,093)	(1,346)	(1,485)	(1,150)
Operating profit	4,502	3,812	3,218	3,438
(Loss)/profit from joint ventures	(3)	1	(5)	(1)
Profit/(loss) from associates	59	28	(5)	(8)
Exceptional items	45	4	(3)	(4)
Profit on ordinary activities before tax	4,603	3,845	3,205	3,425
Tax on profit on ordinary activities	(1,289)	(1,076)	(955)	(943)
Profit on ordinary activities after tax	3,314	2,769	2,250	2,482
Minority interests (including non-equity interests)	(46)	(25)	(20)	(36)
Profit for the financial year attributable to the members of Barclays PLC	3,268	2,744	2,230	2,446
Dividends	(1,538)	(1,340)	(1,206)	(1,110)
	1,730	1,404	1,024	1,336

Profit retained for the financial year**Selected financial statistics**

Basic earnings per share	51.2p	42.3p	33.7p	36.8p
Diluted earnings per share	51.0p	42.1p	33.4p	36.4p
Dividends per ordinary share	24.00p	20.50p	18.35p	16.63p
Dividend payout ratio	46.9%	48.5%	54.5%	45.2%
Attributable profit as a percentage of:				
average shareholders' funds	19.2%	17.0%	14.7%	17.4%
average total assets	0.5%	0.6%	0.5%	0.6%
Average United States Dollar exchange rate used in preparing the accounts	1.83	1.64	1.50	1.44
Average euro exchange rate used in preparing the accounts	1.47	1.45	1.59	1.61
Average Rand exchange rate used in preparing the accounts	11.83	12.33	15.75	12.18

The financial information shown here is extracted from the published accounts for the last four years. This information should be read together with, and is qualified by reference to, the accounts and Notes included in this report on pages 131 to 267.

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Table of Contents**Financial data Barclays PLC****Consolidated balance sheet summary IFRS**

As at 31st December

	2005	2004
	£m	£m
Assets		
Cash and other short-term funds	5,807	3,525
Treasury bills and other eligible bills	n/a	6,658
Trading and financial assets designated at fair value	251,820	n/a
Derivative financial instruments	136,823	n/a
Debt securities and equity shares	n/a	141,710
Loans and advances to banks	31,105	80,632
Loans and advances to customers	268,896	262,409
Available for sale investments	53,497	n/a
Reverse repurchase agreements and cash collateral on securities borrowed	160,398	n/a
Insurance assets, including unit-linked assets	114	8,576
Property plant and equipment	2,754	2,282
Other assets	13,143	32,389
Total assets	924,357	538,181
Liabilities		
Deposits and items in the course of collection due to banks	77,468	112,229
Customer accounts	238,684	217,492
Trading and financial liabilities designated at fair value	104,949	n/a
Liabilities to customers under investment contracts	85,201	n/a
Derivative financial instruments	137,971	n/a
Debt securities in issue	103,328	83,842
Repurchase agreements and cash collateral on securities lent	121,178	n/a
Insurance contract liabilities, including unit-linked liabilities	3,767	8,377
Subordinated liabilities	12,463	12,277
Other liabilities	14,918	87,200
Total liabilities	899,927	521,417
Shareholders' equity		
Shareholders' equity excluding minority interests	17,426	15,870
Minority interests	7,004	894
Total shareholders' equity	24,430	16,764
	924,357	538,181

Total liabilities and shareholders' equity**Weighted risk assets and capital ratios**

Weighted risk assets	269,148	218,601
Tier 1 ratio ^(a)	7.0%	7.6%
Risk asset ratio ^(a)	11.3%	11.5%

Selected financial statistics

Net asset value per ordinary share	269p	246p
Year-end United States Dollar exchange rate used in preparing the accounts	1.72	1.92
Year-end euro exchange rate used in preparing the accounts	1.46	1.41
Year-end Rand exchange rate used in preparing the accounts	10.87	10.86

Note 63 to the accounts provides a reconciliation of net profit and shareholders' equity between the amounts calculated under IFRS and US GAAP.

The financial information on page 83 is extracted from the published accounts for the last four years. This information should be read together with, and is qualified by reference to, the accounts and Notes included in this report.

Note

- (a) Capital ratios for 2004 are based on UK GAAP and have not been restated as these remain as reported to the FSA. As at 1st January 2005 the tier 1 ratio was 7.1% and the risk asset ratio was 11.8% reflecting the impact of IFRS including the adoption of IAS 32, IAS 39 and IFRS 4.

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Table of Contents**Consolidated balance sheet summary UK GAAP**

As at 31st December

	2004	2003	2002	2001
	£m	£m	£m	£m
Assets				
Loans and advances to banks and customers	330,077	288,743	260,572	228,382
Other assets	177,009	139,818	129,136	113,917
	507,086	428,561	389,708	342,299
Infrastructure	6,625	6,624	6,015	6,137
	513,711	435,185	395,723	348,436
Retail life-fund assets attributable to policyholders	8,378	8,077	7,284	8,170
Total assets	522,089	443,262	403,007	356,606
Liabilities				
Deposits by banks, customer accounts and debt securities in issue	396,548	328,529	304,817	273,073
Other liabilities	86,568	77,660	64,067	50,763
	483,116	406,189	368,884	323,836
Capital resources				
Undated loan capital	6,149	6,310	6,678	5,054
Dated loan capital	6,128	6,029	4,859	4,933
Minority interests	901	283	156	134
Shareholders' equity excluding minority interests	17,417	16,374	15,146	14,479
Total shareholders' equity	18,318	16,657	15,302	14,613
	30,595	28,996	26,839	24,600
Retail life-fund liabilities attributable to policyholders	513,711	435,185	395,723	348,436
	8,378	8,077	7,284	8,170
Total liabilities and shareholders' equity	522,089	443,262	403,007	356,606
Weighted risk assets and capital ratios				
Weighted risk assets	218,601	188,997	172,748	158,873
Tier 1 ratio	7.6%	7.9%	8.2%	7.8%
Risk asset ratio	11.5%	12.8%	12.8%	12.5%
Selected financial statistics				
Net asset value per ordinary share	270p	250p	230p	217p
Year-end United States Dollar exchange rate used in preparing the accounts	1.92	1.78	1.61	1.45

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Year-end euro exchange rate used in preparing the accounts	1.41	1.41	1.54	1.64
Year-end Rand exchange rate used in preparing the accounts	10.86	11.78	13.85	17.49

The financial information shown here is extracted from the published accounts for the last four years. This information should be read together with, and is qualified by reference to, the accounts and Notes included in this report.

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Business description

UK Banking

UK Banking delivers banking solutions to Barclays UK retail and business banking customers. It offers a range of integrated products and services and access to the expertise of other Group businesses. Customers are served through a variety of channels comprising the branch network, automated teller machines, telephone banking, online banking and relationship managers. UK Banking is managed through two business areas, UK Retail Banking and UK Business Banking.

UK Retail Banking

UK Retail Banking comprises Personal Customers, Mortgages, Small Business and UK Premier. This cluster of businesses aims to build broader and deeper relationships with both existing and new customers. Personal Customers and Mortgages provide a wide range of products and services to retail customers, including current accounts, savings, mortgages, and general insurance. Small Business provides banking services to small businesses. UK Premier provides banking, investment products and advice to affluent customers.

UK Business Banking

UK Business Banking provides relationship banking to Barclays larger and medium business customers in the United Kingdom. Customers are served by a network of relationship and industry sector specialist managers who provide local access to an extensive range of products and services, as well as offering business information and support. Customers are also offered access to the products and expertise of other businesses in the Group, particularly Barclays Capital. UK Business Banking provides asset financing and leasing solutions through a specialist business.

Barclays Capital

Barclays Capital is a leading global investment bank which provides large corporate, institutional and government clients with solutions to their financing and risk management needs.

Barclays Capital services a wide variety of client needs, from capital raising and managing foreign exchange, interest rate, equity and commodity risks, through to providing technical advice and expertise. Activities are organised into three principal areas: Rates, which includes fixed income, foreign exchange, commodities, emerging markets, money markets sales, trading and research, prime services and equity products; Credit, which includes primary and secondary activities for loans and bonds for investment grade, high yield and emerging market credits, as well as hybrid capital products, asset-based finance, commercial mortgage backed securities, credit derivatives, structured capital markets and large asset leasing; and Private Equity.

Barclays Global Investors

Barclays Global Investors (BGI) is one of the world's largest asset managers and a leading global provider of investment management products and services.

BGI offers structured investment strategies such as indexing, global asset allocation and risk-controlled active products, including hedge funds. BGI also provides related investment services such as securities lending, cash management and portfolio transition services. In addition, BGI is the global leader in assets and products in the exchange traded funds business, with over 140 funds for institutions and individuals trading in 11 markets globally. BGI's investment philosophy is founded on managing all dimensions of performance: a consistent focus on controlling risk, return and cost.

Wealth Management

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Wealth Management serves affluent, high net worth and corporate clients, providing private banking, offshore banking, stockbroking, asset management and financial planning services.

Wealth Management closed life assurance activities

Wealth Management closed life assurance activities comprise the closed life assurance businesses of Barclays and Woolwich in the UK.

Barclaycard

Barclaycard is a multi-brand international credit card and consumer lending business; it is one of the leading credit card businesses in Europe.

In the UK, Barclaycard manages the Barclaycard branded credit cards and other non-Barclaycard branded card portfolios including Monument, SkyCard and Solution Personal Finance. In consumer lending, Barclaycard manages both secured and unsecured loan portfolios, through Barclays branded loans, being mostly Barclayloan, and also through the FirstPlus and Clydesdale Financial Services businesses.

Outside the UK, Barclaycard provides credit cards in the United States through Barclaycard US (previously Juniper), Germany, Spain, Greece, Italy, Portugal and a number of other countries. In the Nordic region, Barclaycard operates through Entercard, a joint venture with FöreningsSparbanken (Swedbank).

Barclaycard Business processes card payments for retailers and issues purchasing and credit cards to business customers and to the UK Government.

Barclaycard works closely with other parts of the Group, including UK Retail Banking, UK Business Banking and International Retail and Commercial Banking, to leverage their distribution capabilities.

International Retail and Commercial Banking

International Retail and Commercial Banking provides Barclays international personal and corporate customers with banking services. The products and services offered to customers are tailored to meet the regulatory and commercial environments within each country. For reporting purposes in 2005, the operations have been grouped into two components: International Retail and Commercial Banking excluding Absa encompasses Barclays operations in continental Europe, Africa and the Middle East and the Caribbean joint venture; and International Retail and Commercial Banking Absa represents the total business of Absa Group Limited in which Barclays acquired a majority stake on 27th July 2005.

International Retail and Commercial Banking excluding Absa

International Retail and Commercial Banking excluding Absa provides a range of banking services, including current accounts, savings, investments, mortgages and loans to personal and corporate customers across Spain, Portugal, France, Italy, the Caribbean, Africa and the Middle East.

International Retail and Commercial Banking excluding Absa works closely with other parts of the Group, including Barclaycard, UK Banking, Barclays Capital and Barclays Global Investors, to leverage synergies from product and service propositions.

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International Retail and Commercial Banking Absa

Absa Group Limited is one of South Africa's largest financial services organisations serving personal, commercial and corporate customers predominantly in South Africa. Absa serves retail customers through a variety of distribution channels and offers a full range of banking services, including basic bank accounts, mortgages, instalment finance, credit cards, bancassurance products and wealth management services; for commercial and large corporate customers Absa offers customised business solutions. As at 31st December 2005, Barclays owned 56.6% of Absa Group Limited's ordinary shares and has voting control.

Head office functions and other operations

Head office functions and other operations comprise:

- | Head office and central support functions

- | discontinued businesses in transition

- | consolidation adjustments

Head office and central support functions comprise the following areas: Executive Management, Finance, Treasury, Corporate Affairs, Human Resources, Strategy and Planning, Internal Audit, Legal, Corporate Secretariat, Property, Tax, Compliance and Risk. Costs incurred wholly on behalf of the businesses are recharged to them.

Discontinued businesses in transition principally relate to Middle Eastern corporate banking businesses and airline leasing activities. These businesses are centrally managed with the objective of maximising recovery from the assets.

Consolidation adjustments largely reflect the elimination of inter segment transactions.

Competition and Outlook

The Barclays Group operates in a number of highly competitive business environments and competes with a wide range of financial services companies, from banks to leasing companies.

In all business areas, competition from both incumbent players and new market entrants continues to increase, and the landscape will remain highly competitive. Across businesses and geographies, the pace of consolidation in the financial services industry has also increased in recent years, and this is likely to continue to accelerate. This consolidation could result in even more intense competition, as larger, better-capitalised firms, with stronger local presence in specific geographies, emerge.

Present in more than 60 countries, the Barclays Group also operates in a number of highly competitive geographic environments, including the UK, Continental Europe, the US, sub-Saharan Africa and the Asia-Pacific region.

Supervision and Regulation

Barclays is an international financial services group involved primarily in Banking, Investment Banking and Asset Management, and has operations in some 60 countries. The Group's operations, including its overseas offices, subsidiaries and associates, are subject to rules and regulations, including reserve and reporting requirements and conduct of business requirements imposed by the relevant central banks and regulatory authorities.

In the UK, the Financial Services Authority (FSA) is the independent body responsible for the regulation of deposit taking, life insurance, home mortgages, general insurance and investment business. The FSA was established by the Government and it exercises statutory powers under the Financial Services and Markets Act 2000 (FSMA).

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Barclays Bank PLC is authorised by the FSA to carry on a range of regulated activities within the UK and is subject to consolidated supervision. In its role as supervisor, the FSA is seeking to ensure the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers. The FSA's continuing supervision of financial institutions authorised by it is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

Under the FSA's risk-based approach to supervision, the starting point for the FSA's supervision of all financial institutions is based on a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogeneous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment are used by the FSA to develop a risk mitigation programme for a firm. The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy (see Capital ratios on page 110), limits on large exposures to individual entities and groups of closely connected entities, and liquidity.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme) where an authorised firm is unable or is likely to be unable to meet claims made against it due to its financial circumstances. Different levels of compensation are available to eligible claimants depending upon whether the protected claim is in relation to a deposit, a contract of insurance or protected investment business. The manager of the Scheme is able to make an offer of compensation or, in respect of insurance contracts, offer to continue cover or provide assistance to an insurance undertaking to allow it to continue insurance business in accordance with the rules of the Scheme. Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in Sterling or other EEA currencies (including the euro) are covered by the Scheme. Most claims made in respect of designated investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The Scheme establishes the maximum amounts of compensation payable in respect of protected claims: for eligible protected deposit claims, this is £31,700 (100% of the first £2,000 and 90% of the next £33,000) and for protected investment business, this is £48,000 (100% of the first £30,000 and 90% of the next £20,000). There is no maximum limit for protected insurance claims. The first £2,000 of a valid claim is paid in full together with 90% of the remaining loss.

Outside the UK, the Group has operations (and main regulators) located in continental Europe, in particular France, Germany, Spain, Portugal and Italy (local central banks and other regulatory authorities); Asia Pacific (various regulatory authorities including the Hong Kong Monetary Authority, the Japanese FSA and the Monetary Authority of Singapore); Africa, where the Group's operations are headquartered in Johannesburg, South Africa (The South African Reserve Bank and the Financial Services Board (FSB)) and the United States of America (the Board of Governors of the Federal Reserve System (FRB) and the Securities and Exchange Commission).

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In Europe, the UK regulatory agenda is considerably shaped and influenced by the directives emanating from the European Union. Barclays has implemented the various requirements imposed by the directives on such matters as the carrying on the business of credit institutions and investment firms, capital adequacy, own funds and large exposures across all its European operations. A number of other European Community Directives are being introduced, for example the Capital Requirements Directive and the Markets in Financial Instruments Directive. These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one European Union member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays operations in Europe are authorised and regulated by a combination of both home (the FSA) and host regulators.

Barclays operations in South Africa, including Absa Group Limited, are supervised and regulated by the South Africa Reserve Bank (SARB) and the Financial Services Board (FSB). SARB oversees the banking industry and follows a risk-based approach to supervision whilst the FSB oversees the non-banking financial services industry and focuses on enhancing consumer protection and regulating market conduct.

In the United States, Barclays PLC, Barclays Bank PLC, and certain US subsidiaries, and branches of the Bank are subject to a comprehensive regulatory structure, involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956, as amended, the Foreign Bank Supervision Enhancement Act of 1991 and the USA PATRIOT Act of 2001. Such laws and regulations impose limitations on the types of businesses, and the ways in which they may be conducted, in the United States and on the location and expansion of banking business there. The Bank's branch operations are subject to extensive federal and state supervision and regulation by the FRB, the New York State Banking Department and the Florida Office of Financial Regulation; the Office of the Comptroller of the Currency (OCC) (in the case of Barclays Global Investors, NA); and the Delaware State Banking Commissioner and the Federal Deposit Insurance Corporation (in the case of Juniper Bank). The Investment Banking and Asset Management operations are subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC) as well as a comprehensive scheme of regulation under the US federal securities laws, as enforced by, for example, the National Association of Securities Dealers (NASD) and the OCC.

The Basel Committee on Banking Supervision and the European Commission have also issued a revised framework for the allocation of regulatory capital for credit risk and introduced a capital adequacy requirement for operational risk. These bodies recognise that a more sophisticated approach is required to address both financial innovation and the increasingly complex risks faced by financial institutions. The revised Basel Capital Accord and the EU Capital Requirements Directive will be phased in from the end of 2006.

Recent developments

On 1st January 2006 Barclays completed the sale to Absa Group Limited of the Barclays South African branch business. This business consists of the Barclays Capital South African operations and Corporate and Business Banking activities carried out by International Retail and Commercial Banking (South African branch), together with the associated assets and liabilities.

FirstCaribbean Transaction

On 13th March 2006 Barclays Bank PLC announced that it had signed a non-binding letter of intent with Canadian Imperial Bank of Commerce (CIBC) for the sale of its 43.7% stake in FirstCaribbean International Bank (FirstCaribbean) to CIBC. The transaction is anticipated to take place at a price of US\$1.62 per FirstCaribbean share with a total transaction value of approximately US\$1.08 billion. The proposed transaction is subject to the completion of due diligence, the negotiation and execution of definitive documentation and regulatory approval. It is anticipated that the transaction will complete late in 2006.

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Overview

Introduction

Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. We are one of the largest financial services companies in the world by market capitalisation. Operating in over 60 countries and employing 113,300 people, we move, lend, invest and protect money for over 25 million customers and clients worldwide.

Our business was affected by global economic conditions generally and particularly by conditions in the UK. The UK economy was weaker in 2005 than 2004, with the economy growing at 1.8%. The US economy sustained strong growth in 2005, although slightly lower than in 2004, whilst the Eurozone economy growth remained broadly steady from the level of 2004. The South African economy maintained its strong economic growth.

As a financial services group domiciled in the UK, the majority of our earnings currently arise from the UK. Nonetheless, with our global businesses and our international activities, we believe that our diverse portfolio provides a broad spread of earnings capabilities and offers greater resilience against systematic events in any single business or geography. Currently about 40% of Barclays profits come from outside the UK against 20% five years ago.

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

Continuous focus on improvements in productivity provides the ability to respond flexibly to any pressure on income growth and helps offset its impact on overall profitability.

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

Net premiums from insurance contracts and claims and benefits paid on insurance contracts are shown separately in the Income Statement.

The principal drivers of operating expenses are staffing levels and their associated costs, including performance related expenditure, and the level of strategic investment spend.

Impairment charges and other credit provisions are largely driven by the quantity and quality of lending and reflect the condition of the credit environment.

In addition to the risk factors outlined on pages 31 to 33, other potential impacts on Barclays profitability are the consequences of potential regulation or legislation.

Note

(a) Restated for IFRS.

Goals

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

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

We use performance goals as an integral part of our VBM disciplines. These are designed to stretch the thinking and ambition of our businesses. Goals have been set for four-year periods to align with the planning processes described above.

The primary goal remains to achieve top quartile total shareholder return (TSR) relative to a peer group of 11 other UK and international financial services institutions. TSR is defined as the value created for shareholders through share price appreciation, plus reinvested dividend payments. In 2004, we announced a new performance cycle TSR goal for the 2004 to 2007 period.

The TSR peer group is reviewed annually to ensure it aligns with our business mix and the direction and scale of our ambition. The peer group for 2005 was: ABN Amro, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HBOS, HSBC, JP Morgan Chase, Lloyds TSB, Royal Bank of Scotland and UBS. For 2006 the peer group is unchanged.

For the first two years of the new goal period, from 31st December 2003 to 31st December 2005, Barclays was positioned fifth within its peer group, which is second quartile TSR performance.

In addition, economic profit (EP) is used to support the pursuit of the top quartile TSR goal. The strategies we follow and the actions we take are aligned to value creation for all stakeholders. Since the introduction of VBM, Barclays has used EP as its key internal financial measure, to support the achievement of our primary top quartile TSR goal. Barclays uses EP, a non-IFRS measure, as a key indicator of performance because it believes that it provides important discipline in decision-making. Barclays believes that EP encourages both profitable growth and the efficient use of capital. More information on the reconciliation of EP to profit before tax can be found on page 286.

We believe that, given current and expected market conditions, a compound annual growth rate in EP in the range of 10% to 13% p.a., which would translate into cumulative EP generation of £6.5bn to £7.0bn, will be required to deliver top quartile TSR over the 2004 to 2007 goal period. Economic profit for 2005 was £1.75bn, which, added to the £1.57bn generated in 2004, delivered a cumulative total of £3.32bn for the goal period to date. This equates to compound annual growth in economic profit of 18% per annum for the goal period to date.

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

Financial Performance 2005^(a)

Barclays applied International Financial Reporting Standards (IFRS) with effect from 1st January 2004, with the exception of IAS 32, IAS 39 and IFRS 4, which were applied from 1st January 2005. The effect of these changes is pervasive throughout these results.

The Group's profit before tax in 2005 increased 15% (£700m) to £5,280m (2004: £4,580m). Total income net of insurance claims increased 23% (£3,225m) to £17,333m (2004: £14,108m) whilst operating expenses

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excluding amortisation of intangible assets rose 23% (£1,934m) to £10,448m (2004: £8,514m). Amortisation of intangible assets was £79m (2004: £22m). Impairment charges and other credit provisions rose 44% to £1,571m (2004: £1,093m).

Earnings per share rose 7% to 54.4p (2004: 51.0p), diluted earnings per share rose 6% to 52.6p (2004: 49.8p). Dividends per share rose 11% to 26.6p (2004: 24.0p). Return on average shareholders' funds was 21% (2004: 22%). Economic profit was up 12%, in line with our expectations and a reflection of tight capital management as well as a good business performance.

Non-performing loans increased £1,095m (27%) to £5,210m. Potential problem loans increased £131m to £929m. Coverage of non-performing loans was broadly steady at 66.2% (2004: 66.9%) while the coverage of potential credit risk loans also remained stable at 56.2% (2004: 56.0%).

Our capital position remained healthy. Shareholders' equity excluding minority interests increased £1,556m (10%) to £17.4bn, primarily due to profit retention. Total assets increased £386bn (80%) to £924bn. Weighted risk assets increased £50bn (23%) to £269bn. The tier 1 capital ratio decreased to 7% (2004: 7.6%) and the risk asset ratio decreased to 11.3% (2004: 11.5%).

Business Performance

There was good growth in profit before tax for the Group as a whole with momentum in the core UK businesses and strong growth in our global product businesses. Our Group as a whole, and the businesses within it, are gaining momentum both in terms of balance sheet and assets under management. Overall, our performance in 2005 reflects consistent execution of our strategy, and has strengthened our position for future growth.

UK Banking produced good profit growth, up 8%, to £2,455m (2004: £2,265m) and outperformed its productivity target for 2005 with the cost:income ratio improving by three percentage points. In UK Banking our ambition is to build the best bank in the UK and we are making good progress.

UK Retail Banking achieved solid income growth of 4% in 2005. Operating expenses decreased 3% through strong cost control whilst continuing targeted reinvestment to improve customer service and the branch network. Profit before tax grew 7% to £1,027m (2004: £963m). Excluding the gain of £42m on the sale of our stake in Edotech in 2004, underlying profit before tax increased 12%. UK Retail Banking continued to make good progress on its transformation programme, including launching a new general insurance proposition with Aviva, a new initiative in current accounts and making ongoing investments in branding, branches and customer service.

UK Business Banking profit before tax increased 10% to £1,428m (2004: £1,302m), driven by strong income and balance sheet growth. Operating expenses grew slower than income leading to an improved cost:income ratio of 35%. UK Business Banking put in another strong performance based on its business model of relationship management and industry specialisation.

Barclays Capital continued its very strong growth of recent years, with profit before tax in 2005 rising 25% to £1,272m (2004: £1,020m). Income growth of 27% was broadly-based across products and geographies. The year also saw continued investment in building Barclays Capital's scale and diversity in terms of geography, products and people. As a result of investment and the profit performance, operating expenses grew 28%. Market risk was well controlled with DVaR falling 6% to £32m as a result of increased diversification. The rate of growth of earnings once again exceeded the rate of growth of capital consumption.

Barclays Global Investors achieved outstanding results, with profit before tax rising 61% to £542m (2004: £336m), reflecting strong growth in net

new assets and a continuing improvement in operating margins. Income growth of 48% was driven by significant increases in management fees, incentive fees, and securities lending revenues. Operating expenses rose 40%, reflecting higher performance-based compensation and significant investment in the platform and in innovative new products. Barclays Global Investors was one of the leaders in its product markets through operational excellence and a 'one firm' approach to meeting client needs.

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Profit before tax in **Wealth Management** rose by 56% to £172m (2004: £110m) a very strong performance driven by broad-based income growth of 11% and improved cost efficiency. Operating expenses grew by only 3% as efficiency savings funded significant cost restructuring and investment programmes. Our stated goal is to position our Wealth Management business as a leading European wealth manager. During 2005 the transformation of the business for future growth began to deliver results.

Barclaycard profit before tax fell 19% to £687m (2004: £843m), driven by higher levels of impairment in the UK and continued investment in the International businesses. Income growth of 15% reflected good performances by the UK cards and loans businesses and very strong international growth. Operating expenses rose 21%, reflecting continued heavy investment in the business, particularly internationally. Barclaycard US, previously Juniper, grew strongly in line with plan, and cards in Spain and Germany performed strongly. We now have over 4.3 million international cards in issue.

International Retail and Commercial Banking was transformed by the acquisition of Absa. **International Retail and Commercial Bank excluding Absa** increased profit before tax 21% to £355m (2004: £293m). Income growth of 20% reflected strong balance sheet growth in Europe and Africa. Operating expenses grew in line with income as we accelerated the integration of Banco Zaragozano. Excluding integration costs of £57m, Barclays Spain increased profit before tax 25% to £156m (2004: £125m).

We completed the acquisition of a majority stake in Absa Group Limited in July 2005. For the five-month period of Barclays ownership, Absa contributed £335m to profit before tax. The performance of Absa is ahead of the business plan that underpinned the acquisition.

Head office functions and other operations loss before tax increased to £532m (2004: £235m). This was driven by accounting adjustments to eliminate inter-segment transactions of £204m (2004: £69m) and non-recurring costs of £165m (2004: £32m) including the costs of Head office relocation and a write-off of capitalised IT-related assets.

Across our portfolio, a continuing focus throughout 2005 was on exploiting opportunities for the business in our portfolio to work together. Synergies realised during the year included product offerings from Barclays Global Investors and Barclaycard through our retail businesses in Spain whilst Barclays Capital is now one of the leading debt issuers in Iberia. Our portfolio enables us to continually provide more sophisticated financing and risk management solutions to our larger clients from UK Business Banking through Barclays Capital. We are also beginning to apply our skills to Absa's portfolio, particularly in wholesale markets and credit card services.

Capital Strength

Our capital position and strong credit rating are sources of competitive advantage. At the end of 2005, our risk asset ratio was 11.3%, and our Tier 1 capital ratio was 7.0%. This strong capital position enhances our ability to pay dividends and invest confidently in business growth. When we look at the balance sheet, we focus capital management on five areas: maintaining our double A credit rating; generating sufficient capital to support weighted risk asset growth in the business; financing corporate activity, delivering dividend growth; and using share buy-backs to manage any excess capital.

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Critical accounting estimates

Critical Accounting Estimates

The Group's accounting policies are set out on pages 118 to 129.

Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the Group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates which are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies, such as the determination of the cost of share-based payments also involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the Board Accounts Committee.

Fair Value of Financial Instruments

Some of the Bank's financial instruments are carried at fair value through profit or loss, including derivatives held for trading or risk management purposes.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of qualifying netting agreements with counterparties. Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, profits or losses are recognised upon initial recognition only when such profits can be measured solely by reference to observable current market transactions or valuation techniques based solely on observable market inputs.

The calculation of fair value for any financial instrument may also require adjustment of the quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used), or to reflect hedging costs not captured in pricing models (to the extent they would be taken into account by a market participant in determining a price). The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics. These estimates are calibrated against industry standards, economic models and observed transaction prices. The effect of changing these assumptions for those financial instruments for which the fair values were measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable market prices to a range of reasonably possible alternative assumptions, would be to provide a range of £87m lower to £121m higher than the fair values recognised in the financial statements.

The fair value of financial instruments is provided in Note 57 to the accounts.

Allowances for Loan Impairment

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Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios as at the balance sheet date. Changes to the allowances for loan impairment and changes to the provisions for undrawn contractually committed facilities and guarantees provided are reported in the consolidated income statement as part of the impairment charge and other credit risk provisions.

Within the retail and small businesses portfolios which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. The models are updated from time to time. However, experience suggests that the models are reliable and stable, stemming from the very large numbers of accounts from which the model building information is drawn. These models do not contain judgemental inputs, but judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable.

The impairment charge reflected in the income statement for these portfolios is £1,254m and amounts to 80% of the total impairment charge in 2005.

For larger accounts impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgements are made in this process. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken, case by case.

Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. However, the impairment charge reflected in the financial statements in relation to larger accounts is £320m or 20% of the total impairment charge in 2005.

Further information on impairment allowances is set out on pages 48 and 49.

Goodwill

Management have to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the impairment review process requires the identification of independent operating units, by dividing the Group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent operating units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets

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acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the operating unit, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates (e.g. competitive activity, regulatory change). In the absence of readily available market price data this calculation is usually based upon discounting expected pre-tax cash flows at the Group's cost of equity, the determination of both of which requires the exercise of judgement. The goodwill impairment testing in 2005 indicated that none of the goodwill was impaired. The most significant amounts of goodwill relate to the Absa and Woolwich acquisitions.

Intangible Assets

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

Determining the estimated useful life of these finite life intangible assets requires an analysis of circumstances, and judgement by the Bank's management. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the assets' or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arms-length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

On the acquisition of Absa, the value of intangible assets such as brands, core deposit intangibles and customer lists was determined using income approach methodologies, such as the discounted cash flow method and the relief from royalty method that estimate net cash flows attributable to an asset over its economic life and discount to present value using an appropriate rate of return. These approaches assume that the income derived from the asset will, to a large extent, control its value. The discount rate used in the valuations was based on the cost of equity adjusted for risk and ranges from 13.7% to 16.1%. In the case of brands, the pre-tax royalty rates were estimated to be 1.5% based on similar financial services transactions, information about marketing expenditure on the brands and consideration of the unique factors relating to the brand that third parties would consider. Cash flows for customer lists were based on historic revenues and customer numbers adjusted for expected attrition and taking account of applicable costs to determine expected margins. These margins varied, depending on the nature of the customer relationships. A similar approach was applied to core deposit intangibles with cash flows being calculated by charging an appropriate cost to the identified spread, on a historical margins basis. In all the calculations, the rate of tax was estimated to be 31.6% of operating profit.

Further information on intangible assets is set out in Note 28 to the accounts.

Retirement Benefit Obligations

The Group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs. For defined contribution schemes, the pension cost recognised in the profit and loss account represents the contributions payable to the scheme. For defined benefit schemes, actuarial valuation of each of the scheme's obligations using the projected unit credit method and the fair valuation of each of the scheme's assets are performed annually in accordance with the requirements of IAS 19.

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The actuarial valuation is dependent upon a series of assumptions, the key ones being mortality, morbidity, investment returns and expense inflation assumptions. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group's own experience. The returns on fixed interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on UK and overseas equities are set relative to fixed interest returns by considering the long-term expected equity risk premium. The expense inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognised actuarial gains or losses and past service cost, is recognised as a liability in the balance sheet. An asset, arising for example, as a result of past over-funding or the performance of the plan investments, is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions. To the extent that any unrecognised gains or losses at the start of the measurement year in relation to any individual defined benefit scheme exceed 10% of the greater of the fair value of the scheme assets and the defined benefit obligation for that scheme, a proportion of the excess is recognised in the income statement.

The Group's IAS 19 pension deficit across all pension and post-retirement schemes as at 31st December 2005 was £2,879m (2004: £2,464m). This comprises net recognised liabilities of £1,737m (2004: £1,786m) and unrecognised actuarial losses of £1,142m (2004: £678m). The net recognised liabilities comprises retirement benefit liabilities of £1,823m (2004: £1,865m) relating to schemes that are in deficit, and assets of £86m (2004: £79m) relating to schemes that are in surplus.

The Group's IAS 19 pension deficit in respect of the main UK scheme as at 31st December 2005 was £2,535m (2004: £2,220m). The estimated actuarial funding position of the main UK pension scheme as at 31st December 2005, estimated from the triennial valuation in 2004, was a surplus of £900m (2004: deficit of £50m).

Cash contributions to the Group's schemes totalled £373m in 2005 (2004: £279m), including £354m to the main UK scheme (2004: £255m).

Further information on retirement benefit obligations is set out in Note 38 to the accounts.

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Comparative figures have been restated as a result of the changes in accounting policy and accounting presentation as set out on page 130.

Net interest income

	2005 £m	2004 ^(a) £m
Interest income ^(b)	17,232	13,880
Interest expense	(9,157)	(7,047)
Net interest income	8,075	6,833

Group net interest income increased 18% (£1,242m) to £8,075m (2004: £6,833m). The inclusion of Absa added net interest income of £514m in the second half of 2005. Group net interest income excluding Absa grew 11% reflecting growth in average balances across all businesses. Growth in net interest income was strongest in UK Banking, particularly reflecting the growth in UK Business Banking average lending and deposit balances. Net interest income also improved in Barclaycard and International Retail and Commercial Banking as a result of strong growth in balances.

In 2005, interest income relating to reverse repurchase agreements has been included within other interest income. In 2004, such income was classified within the loans and advances to banks and the loans and advances to customers categories. Expenditure relating to repurchase agreements has been treated accordingly and is included within other interest expense. In 2004 the expenditure was included within deposits from banks and customer accounts.

Notes

(a) Does not include IAS 32, IAS 39 or IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Following application of IAS 32 and IAS 39 there are a number of reclassifications, which affect the year on year comparisons of interest income and expense:

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Certain lending related fees and commissions transferred to net interest income.

The interest expense of certain capital instruments transferred to minority interests.

A component of the benefit of free funds included in Group net interest income is the structural hedge which functions to reduce the impact of the volatility of short-term interest rate movements. The contribution of the structural hedge has decreased to £145m (2004: £304m), largely due to the impact of higher short-term interest rates and lower medium-term rates. The reduced contribution from the structural hedge has impacted the interest earned on shareholders' funds and reported liability margins.

Interest income includes £76m accrued on impaired loans, reflecting the application of IAS 32.

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Table of Contents**Financial review****Results by nature of income and expense****Net fee and commission**

	2005 £m	2004 £m
Fee and commission income	6,430	5,509
Less: fee and commission expense	(725)	(662)
Net fee and commission income	5,705	4,847

Net fee and commission income increased 18% (£858m) to £5,705m (2004: £4,847m) reflecting good growth across all businesses. The inclusion of Absa increased net fee and commission income by £334m in the second half of 2005. Group net fee and commission income excluding Absa grew 11%. Excluding the application of IAS 32 and IAS 39 net fee and commission income increased 20%.

Fee and commission income rose 17% (£921m) to £6,430m (2004: £5,509m). The inclusion of Absa increased fee and commission income by £386m. Excluding Absa, fee and commission income grew by 10%. The growth was driven by Barclays Global Investors, reflecting strong growth in net new assets, strong investment performance and higher market levels, and by Barclays Capital, as a result of increased business volumes and higher market share. In addition, Barclaycard fee and commission income increased as a result of higher contributions from Barclaycard Business and FirstPlus and the inclusion of Barclaycard US for the full year. Fee and commission expense increased 10% (£63m) to £725m (2004: £662m), largely reflecting the inclusion of Absa which added £52m.

Total foreign exchange income was £648m (2004: £520m) and consisted of revenues earned from both retail and wholesale activities. The foreign exchange income earned on customer transactions by UK Retail Banking, UK Business Banking, International Retail and Commercial Banking, Barclaycard, Barclays Global Investors and Wealth Management, both externally and with Barclays Capital, is reported in those respective business units, within fee and commission income. The foreign exchange income earned in Barclays Capital is reported within trading income.

Principal transactions

	2005 £m	2004 £m
Net trading income		
Rates related business	1,732	1,141
Credit related business	589	346
Principal transactions	2,321	1,487

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Most of the Group's trading income is generated in Barclays Capital.

Net trading income increased 56% (£834m) to £2,321m (2004: £1,487m) due to strong performances across Barclays Capital Rates and Credit businesses, in particular from commodities, foreign exchange, fixed income and credit derivatives. This was driven by the continued return on prior-year investments and higher volumes of client-led activity across a broad range of products and geographical regions. Group net trading income excluding £9m of Absa income, grew 55%.

Net investment income

	2005 £m	2004 £m
Cumulative gain from disposal of availablefor sale assets/investment securities	120	45
Dividend income	22	17
Net income from financial instruments designated at fair value	389	n/a
Income from assets backing insurance policies	n/a	717
Other investment income	327	248
Net investment income	858	1,027

Net investment income decreased 16% (£169m) to £858m (2004: £1,027m). The inclusion of Absa increased net investment income by £62m in the second half of 2005. Group net investment income excluding Absa decreased 22%.

Following the application of IAS 39 at 1st January 2005, certain assets and liabilities have been designated at fair value. Fair value movements on these items have been reported within net trading income or within net investment income depending on the nature of the transaction. Fair value movements on insurance assets included within net investment income contributed £317m.

From 1st January 2005, investment and insurance contracts are separately accounted for in accordance with IAS 39 and IFRS 4. This has resulted in investment income and the corresponding movement in investment contract liabilities being presented on a net basis within other income. In 2004, all contracts were accounted for as insurance contracts and the gross income relating to these contracts was reported as income from assets backing insurance policies.

Other income

	2005 £m	2004 £m
Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	9,234	n/a
Increase in liabilities held in respect of linked liabilities to customers under investment contracts	(9,234)	n/a
Property rentals	54	46
Other income	93	85
Other income	147	131

In accordance with IAS 39, from 1st January 2005 certain asset management products offered to institutional clients by Barclays Global Investors are recognised as investment contracts. This results in a substantial increase in the fair value of assets held in respect of linked liabilities to customers under investment contracts and in the related liabilities.

Table of Contents**Operating expenses excluding amortisation of intangible assets**

	2005 £m	2004 £m
Staff costs (Note 9)	6,318	5,227
Administrative expenses	3,443	2,766
Depreciation (Note 29)	362	297
Impairment loss intangible assets (Note 28)	9	9
Operating lease rentals	316	215
Operating expenses excluding amortisation of intangible assets	10,448	8,514

Operating expenses increased 23% (£1,934m) to £10,448m (2004: £8,514m). The inclusion of Absa added operating expenses of £622m to the second half of 2005. Group operating expenses excluding Absa grew 15% reflecting higher business activity.

Administrative expenses increased 24% (£677m) to £3,443m (2004: £2,766m). The inclusion of Absa added administrative expenses of £257m in the second half of 2005. Group administrative expenses excluding Absa grew 15% principally as a result of higher business activity in Barclays Capital and Barclays Global Investors and the inclusion of Barclaycard US for the full year. There was a strong focus on cost control across the business, with particularly good results in UK Retail Banking.

Administrative expenses included non-recurring costs relating to the write-down of capitalised IT related assets held centrally of £60m (2004: £nil). Impairment losses of £9m (2004: £9m) reflected a further charge for the impairment of certain capitalised IT related assets following a review of their likely future economic benefit.

Operating lease rentals increased 47% (£101m) to £316m (2004: £215m). The inclusion of Absa added operating lease rentals of £27m in the second half of 2005. Operating lease rentals excluding Absa increased primarily as a consequence of the double occupancy costs associated with the head office relocation to Canary Wharf.

The Group cost:income ratio remained steady at 61%. This reflected improved productivity in UK Banking, Barclays Global Investors and Wealth Management; and a stable performance by International Retail and Commercial Banking, offset by an increase in non-recurring operating expenses in Head office and other functions.

The Group cost:net income^(a) ratio was 67% (2004: 66%).

Staff costs**Other operating expenses staff costs**

	2005 £m	2004 £m
Salaries and accrued incentive payments	5,036	4,098
Social security costs	412	339
Pension costs	347	327
Post-retirement health care	27	29
Other staff costs	496	434
Staff costs	6,318	5,227

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Included in salaries and accrued incentive payments is £338m (2004: £204m) arising from equity settled share-based payments.

Staff costs increased 21% (£1,091m) to £6,318m (2004: £5,227m). The inclusion of Absa added staff costs of £296m during the second half of the year. Excluding the impact of Absa, staff costs increased 15%.

Salaries and accrued incentive payments rose 23% (£938m) to £5,036m (2004: £4,098m), principally due to increased headcount in Barclays Capital and performance related payments primarily in Barclays Capital and Barclays Global Investors and the inclusion of Absa. Excluding Absa salaries and accrued incentive payments of £276m, salaries and accrued incentive payments rose 16% (£662m).

Pension costs comprise all UK and international pension schemes. Included in pension costs is a charge of £276m (2004: £261m) in respect of the Group's main UK pension schemes.

Staff numbers

	2005	2004
UK Banking	39,900	41,800
UK Retail Banking	31,900	34,400
UK Business Banking	8,000	7,400
Barclays Capital	9,000	7,800
Barclays Global Investors	2,300	1,900
Wealth Management	7,200	7,200
Barclaycard	7,800	6,700
International Retail and Commercial Banking	46,200	12,100
Banking ex Absa	12,700	12,100
International Retail and Commercial		
Banking Absa	33,500	
Head office functions and other operations	900	900
Total Group permanent and fixed-term contract staff worldwide	113,300	78,400
Agency staff worldwide	7,000	4,300
Total including agency staff	120,300	82,700

Staff numbers are shown on a full-time equivalent basis. Total Group permanent and contract staff comprise 59,100 (2004: 60,000) in the UK and 54,200 (2004: 18,400) internationally.

Note

(a) The cost:net income ratio is defined as operating expenses compared to total income net of insurance claims, less impairment charges.

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Table of Contents**Financial review****Results by nature of income and expense**

Since 2004 permanent and contract staff numbers increased by 34,900, primarily as a result of the acquisition of Absa Group Limited, offset in part by the implementation of restructuring programmes resulting in a decrease of 2,400 staff.

UK Banking staff numbers fell by 1,900 to 39,900 (2004: 41,800), reflecting the cost management programme in UK Retail Banking partially offset by an increase in UK Business Banking frontline staff and the inclusion of 200 Iveco Finance staff.

Barclays Capital staff numbers rose by 1,200 to 9,000 (2004: 7,800), reflecting the continued expansion of the business.

Barclays Global Investors increased staff numbers by 400 to 2,300 to support strategic initiatives (2004: 1,900).

Barclaycard staff numbers rose by 1,100 to 7,800 (2004: 6,700), reflecting growth of 300 in Barclaycard US, an increase of 200 in other international operations and growth in customer facing staff in the UK.

International Retail and Commercial Banking increased staff numbers by 34,100, primarily due to the inclusion of 33,500 Absa staff. International Retail and Commercial Banking excluding Absa increased staff numbers by 600 to 12,700 (2004: 12,100), mainly due to growth in continental Europe, including over 100 from the acquisition of the ING Ferri business in France.

Head office functions and other operations staff numbers remained stable at 900 (2004: 900).

The increase in agency staff worldwide largely reflects the inclusion of 3,300 temporary staff at Absa.

The number of staff under notice at 31st December 2005, was 2,400.

Depreciation, impairment and amortisation

	2005 £m	2004 £m
Depreciation		
Property depreciation	92	86
Equipment depreciation	268	210
Assets under operating lease depreciation	2	1
Depreciation	362	297
Impairment		
Intangible assets	9	9
	9	9

Impairment

Amortisation of intangible assets

	2005 £m	2004 £m
Internally generated software	20	19
Other software	3	
Brands	9	
Customer lists	27	
Licences	13	3
Core deposit intangibles	7	

Amortisation of intangible assets

The increase in the amortisation of intangible assets primarily reflects the inclusion of Absa in the second half of 2005.

Impairment charge and other credit risk provisions/provisions for bad and doubtful debts

	2005 £m	2004 £m
Impairment charge for loans and advances	1,574	n/a
Specific provision charge	n/a	1,310
General provision release	n/a	(206)
	1,574	1,104
Available for sale impairment charge	4	n/a
	1,578	1,104
Other credit risk provisions	(7)	(11)
Impairment charge and other credit risk provisions/provisions for bad and doubtful debts	1,571	1,093

Period-on-period comparison is affected by the adoption of IAS 39 on 1st January 2005, which has changed the absolute value and calculation basis of the impairment charges and Potential Credit Risk Loans (PCRLs). In addition, following the adoption of IAS 39 on 1st January 2005, wholesale and corporate charges now include the impairment of private equity investments.

Total impairment charges and other credit provisions increased 44% (£478m) to £1,571m (2004: £1,093). This reflected some large one-off releases and recoveries in 2004, the impact of acquisitions in 2005 and changes in methodology.

In the UK, pressure on household cash flows due to a range of factors and the high level of household indebtedness have led to a greater strain on personal budgets. This has resulted in a deterioration in consumer credit quality which has been evident from higher average delinquency balances and shorter periods between delinquency and charge-off. Smaller business customers have also shown some limited deterioration in credit quality. Wholesale and corporate credit conditions remained steady. In other key markets for the Group, the US consumer and corporate credit markets remained robust while the consumer and SME markets in Iberia remained well underpinned by strong economic growth. In South Africa, good economic growth has led to buoyant domestic demand for credit, whilst rising debt:income ratios were underpinned by growth in household income and low interest rates.

As a result of an increase in impairment charges to the retail portfolios, and to a lesser extent in the wholesale and corporate portfolios, the impairment charges for the Group (excluding Absa charges of £20m) for the full-year were £1,551m (2004: £1,093m). Impairment charges excluding Absa amounted to 0.57% (2004: 0.48%), as a percentage of period-end total non-trading loans and advances.

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Retail impairment charges, excluding Absa charges of £19m, increased to £1,235m (2004: £811m), accounting for just under 80% of the Group's impairment charges. Excluding Absa, retail impairment charges amounted to 1.05% (2004: 0.72%) of the period-end total non-trading loans and advances. The increase was predominantly in the UK cards and consumer loans portfolios.

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In the wholesale and corporate businesses, excluding Absa impairment charges of £20m, impairment charges increased to £323m (2004: £282m). The increase occurred largely in UK Business Banking and reflected the fact that the 2004 results included a large one-off recovery of £57m. Underlying impairment charges excluding this item were broadly flat. Wholesale and corporate impairment charges, excluding Absa, were 0.21% (2004: 0.25%) of period-end total non-trading loans and advances.

Absa's impairment charge of £20m for the five-month period was low in a benign credit environment and also reflected a reduction in the number and value of non-performing loans and a higher level of releases and recoveries.

Impairment charges by their very nature are subject to exceptional increases, releases and recoveries from time to time. The presence of such items means that the movements in the impairment charge from one period to another will differ from the movement in the underlying trend. In 2004, the credit loss was reduced by a number of one-off items, including an exceptional recovery of £57m in UK Business Banking and a release of mortgage provisions of £40m (2005: release £10m) in UK Retail Banking.

Share of post-tax results of associates and joint ventures

	2005 £m	2004 £m
Loss from joint ventures	(8)	
Profit from associates	53	56
	45	56

Share of post-tax results of associates and joint ventures

The share of post-tax results of associates and joint ventures fell 20% (£11m) to £45m (2004: £56m). A stronger underlying performance by FirstCaribbean in 2005 was more than offset by the impact of a gain in 2004 relating to the sale of shares held in Republic Bank Ltd (Barclays share £28m). Losses from joint ventures primarily related to Intelligent Processing Systems Limited, a cheque processing joint venture in the UK.

Tax

The overall tax charge is explained in the following table:

	2005 £m	2004 £m
Profit before tax	5,280	4,580
Tax charge at average UK corporation		
tax rate of 30% (2004: 30%)	1,584	1,374
Prior year adjustments	(130)	(26)
Differing overseas tax rates	(35)	(110)
Income not taxable	(129)	(51)
Share-based payments	(12)	
Deferred tax assets not recognised	(7)	24
Other non-allowable expenses	214	88
Other items	(46)	(20)
Overall tax charge	1,439	1,279
Effective tax rate	27%	28%

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The charge for the period is based upon a UK corporation tax rate of 30% for the calendar year 2005 (full-year 2004: 30%). The effective rate of tax for 2005 was 27% (2004: 28%). This is lower than the standard rate due to the beneficial effects of lower tax on certain overseas income and certain non-taxable gains. The tax charge for the year includes £961m (2004: £1,028m) arising in the UK and £478m (2004: £251m) arising overseas.

IFRS compared with US GAAP

The Group also provides results on the basis of accounting principles generally accepted in the United States (US GAAP). The impact on net income and shareholders' equity of applying US GAAP is set out below. The individual IFRS/US GAAP adjustments are discussed in Note 63.

Profit attributable to equity holders of the parent

(IFRS)/net income (US GAAP)

	2005	2004
	£m	£m
Barclays PLC Group		
Profit attributable to equity holders of the parent (IFRS)/ Net income (US GAAP)		
IFRS	3,447	3,254
US GAAP	2,932	3,032
Barclays Bank PLC Group		
Profit attributable to equity holders of the parent (IFRS)/ Net income (US GAAP)		
IFRS	3,695	3,263
US GAAP	3,164	3,137

Shareholders' equity excluding minority interests (IFRS)/shareholders' equity (US GAAP)

	2005	2004
	£m	£m
Barclays PLC Group		
Shareholders' equity excluding minority interests (IFRS)/Shareholders' equity (US GAAP)		
IFRS	17,426	15,870
US GAAP	18,461	16,953
Barclays Bank PLC Group		
Shareholders' equity excluding minority interests (IFRS)/Shareholders' equity (US GAAP)		
IFRS	22,665	16,638
US GAAP	23,114	19,594

The Group does not manage its business with regard to reported trends on a US GAAP basis. Consequently the level of adjustment from the application of US GAAP in current or past periods is not necessarily indicative of the magnitude or direction of such adjustment in subsequent periods.

Table of Contents**Financial review****Analysis of results by business****Analysis of Results by Business**

The following section analyses the Group's performance within the businesses. Inter-business activities are included within these figures. The total income and expenditure for the businesses therefore does not necessarily equate to the amounts reported in the Group's results.

UK Banking

	2005 £m	2004 £m
Net interest income	3,990	3,477
Net fee and commission income	1,776	1,936
Net trading income		
Net investment income	31	5
Principal transactions	31	5
Net premiums from insurance contracts	280	249
Other income	26	37
Total income	6,103	5,704
Net claims and benefits on insurance contracts	(58)	(46)
Total income, net of insurance claims	6,045	5,658
Impairment charges and other credit provisions	(344)	(199)
Net income	5,701	5,459
Operating expenses excluding amortisation of intangible assets	(3,240)	(3,239)
Amortisation of intangible assets	(3)	(2)
Operating expenses	(3,243)	(3,241)
Share of post-tax results of associates and joint ventures	(3)	5
Profit on disposal of associates and joint ventures		42
Profit before tax	2,455	2,265
UK Banking profit before tax increased 8% (£190m) to £2,455m (2004: £2,265m) driven by good income growth and strong cost management.		

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UK Banking has targeted a cost:income ratio reduction of two percentage points per annum in 2005, 2006 and 2007. This has been exceeded in 2005 as the cost:income ratio improved by three percentage points to 54% (2004: 57%). UK Banking has continued to make good progress towards achieving its strategic aims of delivering integrated banking solutions to customers, enhancing the customer service experience, capturing revenue growth opportunities and improving productivity.

UK Retail Banking

	2005 £m	2004 £m
Net interest income	2,174	2,059
Net fee and commission income	1,112	1,123
Net trading income		
Net investment income	9	1
Principal transactions	9	1
Net premiums from insurance contracts	280	249
Other income	17	26
Total income	3,592	3,458
Net claims and benefits on insurance contracts	(58)	(46)
Total income, net of insurance claims	3,534	3,412
Impairment charges and other credit provisions	(142)	(60)
Net income	3,392	3,352
Operating expenses	(2,359)	(2,433)
Share of post-tax results of associates and joint ventures	(6)	2
Profit on disposal of associates and joint ventures		42
Profit before tax	1,027	963

UK Retail Banking profit before tax increased 7% (£64m) to £1,027m (2004: £963m). Profit before tax increased 12% excluding the impact of a £42m profit on disposal of a stake in Edotech in 2004.

Total income net of insurance claims increased 4% (£122m) to £3,534m (2004: £3,412m). The full-year growth compares favourably with 1% growth reported for the first half of 2005. There was good growth in current accounts, Small Business and UK Premier, whilst income from retail savings was weaker. The application of IAS 32 and IAS 39 from 1st January 2005, in particular Effective Interest Rate requirements, resulted in the reclassification of certain lending related fees from net fee and commission income to net interest income.

Net interest income increased 6% (£115m) to £2,174m (2004: £2,059m). Growth was driven by higher contributions from Mortgages and Small Business, partly offset by some margin pressure on savings and deposits. Excluding the impact of the application of IAS 32 and IAS 39 from 1st January 2005, net interest income increased 3%.

UK residential mortgage balances ended the period at £59.6bn (2004: £61.7bn). The mortgage business continued to focus on higher margin new business which resulted in an improved new business spread. Gross advances were £11.5bn which represented a market share of 4%. The loan to value ratio within the mortgage book on a current valuation basis averaged 35% (2004: 35%). There was strong balance growth in non-mortgage loans, as Small Business average loan balances increased 14% and within Personal Customers, average overdraft balances increased 8%.

Total average customer deposit balances increased 6% to £72.4bn (2004: £68.5bn). There was strong growth in UK Premier average balances of 11%, and good growth in Small Business average deposits of 5%. Within Personal Customers, retail savings average balances increased 5% and current account average balances increased 3%.

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Net fee and commission income decreased 1% (£11m) to £1,112m (2004: £1,123m) with lending related fees impacted by the application of IAS 32 and IAS 39 from 1st January 2005. Excluding this impact, net fee and commission income growth was 5%. There was strong growth in current account fees, including a higher contribution from value-added Additions accounts. UK Premier delivered strong growth reflecting higher income from investment advice. There was also good growth from Small Business, including higher income from money transmission.

Income from principal transactions was £9m (2004: £1m) representing the gain on the sale of the investment in Gresham, an insurance underwriting business, ahead of the launch in 2005 of the new general insurance offering.

Net premiums from insurance underwriting activities increased 12% (£31m) to £280m (2004: £249m). In 2004 there was a provision relating to the early termination of contracts. Adjusting for this, income was slightly lower as a result of reduced insurance take-up on consumer loans.

Impairment charges increased 137% (£82m) to £142m (2004: £60m). Excluding UK mortgage releases (£40m in 2004 and £10m in 2005), impairment charges increased 52% (£52m) to £152m (2004: £100m). The increase principally reflected some deterioration in the delinquency experience and balance growth in overdrafts and small business lending. Losses from the mortgage portfolio remained negligible, with arrears increasing slightly over the year but remaining at low levels.

Operating expenses decreased 3% (£74m) to £2,359m (2004: £2,433m). The successful execution of initiatives focused on reducing back and middle office expenditure continued. Regulatory costs reduced in 2005. Despite continued investment in the business, the cost:income ratio improved four percentage points to 67% (2004: 71%).

UK Business Banking

	2005 £m	2004 £m
Net interest income	1,816	1,418
Net fee and commission income	664	813
Net trading income		
Net investment income	22	4
Principal transactions	22	4
Other income	9	11
Total income	2,511	2,246
Impairment charges and other credit provisions	(202)	(139)
Net income	2,309	2,107
Operating expenses excluding amortisation of intangible assets	(881)	(806)
Amortisation of intangible assets	(3)	(2)
Operating expenses	(884)	(808)
Share of post-tax results of associates and joint ventures	3	3
Profit before tax	1,428	1,302

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UK Business Banking profit before tax increased 10% (£126m) to £1,428m (2004: £1,302m), driven by strong income growth. Both Larger Business and Medium Business performed well in highly competitive markets and maintained their respective shares of primary banking relationships. In June 2005, UK Business Banking completed the acquisition of a 51% stake in Iveco Finance.

Total income increased 12% (£265m) to £2,511m (2004: £2,246m), driven by strong balance sheet growth. The application of IAS 32 and IAS 39 from 1st January 2005, in particular, Effective Interest Rate requirements, resulted in the reclassification of certain lending related fees from net fee and commission income to net interest income.

Net interest income increased 28% (£398m) to £1,816m (2004: £1,418m). Excluding the impact of the application of IAS 32 and IAS 39 from 1st January 2005, net interest income increased by 13%.

Balance sheet growth was very strong. The application of IAS 32 and IAS 39 from 1st January 2005 has resulted in the grossing up of previously netted positions (assets and liabilities subject to master netting agreements). As at 31st December 2005 these balances were £8.9bn. Average lending balances (excluding previously netted balances) increased 23% to £54.9bn (2004: £44.6bn), with good contributions from all business areas and in particular large corporates. Iveco Finance contributed £1.1bn of average lending balances. Average deposit balances (excluding previously netted balances) increased 11% to £46.1bn (2004: £41.5bn) with strong growth from large corporate deposits. The underlying lending margin (adjusting for the income reclassification) was broadly stable.

Net fee and commission income decreased 18% (£149m) to £664m (2004: £813m). Excluding the impact of IAS 32 and IAS 39, net fee and commission income increased 8%, as a result of higher lending and transaction fees.

Income from principal transactions was £22m (2004: £4m). The majority of the increase represented gains on equity investments.

Impairment charges increased £63m to £202m (2004: £139m). Excluding the impact of a £57m recovery in the second half of 2004, the impairment charge was broadly stable. Corporate credit conditions remained steady during 2005 with potential credit risk loans unchanged, despite very strong loan growth.

Operating expenses increased 9% (£76m) to £884m (2004: £808m), reflecting volume growth, increased expenditure on frontline staff and the costs of Iveco Finance since acquisition. The cost:income ratio improved one percentage point to 35% (2004: 36%).

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Table of Contents**Financial review****Analysis of results by business****Barclays Capital**

	2005 £m	2004 £m
Net interest income	926	991
Net fee and commission income	724	603
Net trading income	2,194	1,463
Net investment income	401	297
Principal transactions	2,595	1,760
Other income	25	21
Total income	4,270	3,375
Impairment charges and other credit provisions	(103)	(102)
Net income	4,167	3,273
Operating expenses excluding amortisation of intangible assets	(2,894)	(2,253)
Amortisation of intangible assets	(1)	
Operating expenses	(2,895)	(2,253)
Profit before tax	1,272	1,020

Barclays Capital delivered record profit before tax and net income. Profit before tax increased 25% (£252m) to £1,272m (2004: £1,020m) as a result of the very strong income performance driven by higher business volumes and client activity levels. Net income increased 27% (£894m) to £4,167m (2004: £3,273m).

Total income increased 27% (£895m) to £4,270m (2004: £3,375m) as a result of strong growth across Rates and Credit Businesses. Income by asset category was broadly based with particularly strong growth delivered by credit products, commodities, currency products and equity products. Income by geography was well spread with significant growth in the US. Areas of investment in 2004, such as commodities, commercial mortgage backed securities and equity derivatives, performed well, delivering significant income growth. Market risk was well controlled with average DVaR falling 6% to £32m (2004: £34m) as a result of increased diversification across asset classes.

Secondary income, comprising principal transactions (net trading income and net investment income) and net interest income, is mainly generated from providing financing and client risk management solutions. This increased 28% (£770m) to £3,521m (2004: £2,751m).

Net trading income increased 50% (£731m) to £2,194m (2004: £1,463m) with very strong contributions across the Rates and Credit Businesses; commodities, foreign exchange, fixed income and credit derivatives performed particularly well. These results were driven by the continued return on prior year investments and higher volumes of client led activity across a broad range of products and geographical regions. Net investment

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income increased 35% (£104m) to £401m (2004: £297m) driven by realisations from credit products. Net interest income decreased 7% (£65m) to £926m (2004: £991m) reflecting flattening yield curves and the impact of IAS 32 and IAS 39.

Primary income, comprising net fee and commission income from advisory and origination activities, grew 20% (£121m) to £724m (2004: £603m). This reflected higher volumes and continued market share gains in a number of key markets, with strong performances from both bonds and loans.

Other income of £25m (2004: £21m) primarily reflected income from operating leases.

Impairment charges of £103m (2004: £102m) were in line with the prior year reflecting the stable wholesale credit environment.

Operating expenses increased 28% (£642m) to £2,895m (2004: £2,253m), reflecting higher business volumes and the ongoing costs associated with staff hired during 2004 and 2005 as part of the business expansion plan. Performance related costs increased due to the strong profit performance. Investment expenditure, primarily in the front office, continued to be significant although less than 2004 as headcount growth slowed. The cost:net income ratio remained stable at 69% (2004: 69%). Total staff costs to net income of 56% was in line with 2004 levels. Approximately half of operating expenses comprised performance related pay, discretionary investment spend and short-term contractor resource, consistent with 2004.

Total headcount increased by 1,200 during 2005 to 9,000 (2004: 7,800). Growth occurred across all regions with over half of the increase in the front office, spread across product, client coverage and distribution.

Barclays Global Investors

	2005 £m	2004 £m
Net interest income	17	5
Net fee and commission income	1,297	882
Net trading income	2	3
Net investment income	4	3
Principal transactions	6	6
Total income	1,320	893
Operating expenses excluding amortisation of intangible assets	(775)	(555)
Amortisation of intangible assets	(4)	(1)
Operating expenses	(779)	(556)
Share of post-tax results of associates and joint ventures	1	(2)
Profit on disposal of associates and joint ventures		1
Profit before tax	542	336

Barclays Global Investors (BGI) delivered another year of outstanding financial results, achieving record revenues and profit before tax. The performance was spread across a diverse range of products, distribution channels and geographies. Profit before tax increased 61% (£206m) to £542m (2004: £336m) reflecting substantial income growth and focused investment spend.

Net fee and commission income increased 47% (£415m) to £1,297m (2004: £882m), driven by significant increases in management, incentive and securities lending revenues. Higher margin assets under management, strong investment performance and higher market levels contributed to the significant income growth, which was strong across all areas, particularly in the active and iShares businesses.

Investment performance remained very good for the majority of active funds as they outperformed their respective benchmarks. The growth in global iShares continued apace, with related assets under management up 66% (£45bn) to £113bn (2004: £68bn).

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Operating expenses increased 40% (£223m) to £779m (2004: £556m) as a result of higher performance based expenses, significant investment in key growth initiatives and ongoing investment in infrastructure required to support business growth. The cost:income ratio improved to 59% (2004: 62%).

Total headcount rose by 400 to 2,300 (2004: 1,900). Headcount increased in all regions, across product groups and the support functions, reflecting the investments made to support strategic initiatives.

Total assets under management increased 24% (£172bn) to £881bn (2004: £709bn). The growth included £48bn of net new assets, £53bn attributable to favourable exchange rate movements and £71bn as a result of market movements. In US\$ terms, the increase in assets under management to US\$1,513bn from US\$1,362bn (2004) included US\$88bn of net new assets and US\$121bn of market movements, partially offset by adverse exchange rate movements of US\$58bn. BGI manages assets denominated in numerous currencies although the majority are held in US dollars.

Wealth Management

	2005 £m	2004 £m
Net interest income	335	303
Net fee and commission income	589	529
Net trading income		
Net investment income	5	
Principal transactions	5	
Other income	(1)	7
Total income	928	839
Impairment charges and other credit provisions	(2)	1
Net income	926	840
Operating expenses excluding amortisation of intangible assets	(752)	(729)
Amortisation of intangible assets	(2)	(1)
Operating expenses	(754)	(730)
Profit before tax	172	110
Wealth Management profit before tax increased 56% (£62m) to £172m (2004: £110m), driven by broad based-income growth and improved cost efficiency.		

Total income increased 11% (£89m) to £928m (2004: £839m).

Net interest income increased 11% (£32m) to £335m (2004: £303m) reflecting strong growth in loans and deposits. Total average customer deposits increased 12% to £23bn (2004: £20.6bn) driven by strong growth from offshore and private banking clients. Total average loans increased 22% to £4.4bn (2004: £3.6bn), reflecting growth from corporate clients in the offshore business.

Net fee and commission income increased 11% (£60m) to £589m (2004: £529m). The increase was driven principally by sales of investment products to private banking and financial planning clients, stronger equity markets and higher client transaction volumes.

Operating expenses increased 3% (£24m) to £754m (2004: £730m). The business is being reorganised to establish an integrated global operating model and efficiency savings have enabled the funding of significant restructuring expenditure and the initiation of major investment programmes in people and infrastructure. The cost:income ratio improved six percentage points to 81% (2004: 87%).

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The integration of the Gerrard business continued to make good progress with profits well ahead of 2004.

Total customer funds, comprising customer deposits and assets under management, increased to £78.3bn (31st December 2004: £70.8bn). Multi-Manager assets increased to £6bn (31st December 2004: £1.6bn); this growth included existing customer assets.

Wealth management closed life assurance activities

	2005 £m	2004 £m
Net interest income	(13)	(53)
Net fee and commission income	44	
Net trading income		
Net investment income	259	596
Principal transactions	259	596
Net premiums from insurance contracts	195	362
Other income	11	4
Total income	496	909
Net claims and benefits on insurance contracts	(375)	(818)
Total income, net of insurance claims	121	91
Operating expenses	(127)	(143)
Loss before tax	(6)	(52)
Wealth Management closed life assurance activities loss before tax reduced to £6m (2004: loss of £52m), predominantly due to lower funding and redress costs in 2005.		

Profit before tax excluding customer redress costs of £85m was £79m (2004: £45m).

From 1st January 2005, following the application of IAS 39 and IFRS 4, life assurance products are divided into investment contracts and insurance contracts. Investment income from assets backing investment contracts, and the corresponding movement in investment contract liabilities, has been presented on a net basis in other income. In addition, these standards have impacted the reporting of net claims and benefits paid.

Total income decreased to £496m (2004: £909m), largely due to the application of IFRS. The decrease was offset by a broadly similar reduction in net claims and benefits.

Operating expenses decreased 11% (£16m) to £127m (2004: £143m). Costs relating to redress for customers decreased to £85m (2004: £97m) and other operating expenses decreased 9% (£4m) to £42m (2004: £46m).

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Table of Contents**Financial review****Analysis of results by business****Barclaycard**

	2005 £m	2004 £m
Net interest income	1,773	1,600
Net fee and commission income	972	790
Net premiums from insurance contracts	24	22
Total income	2,769	2,412
Net claims and benefits on insurance contracts	(7)	(5)
Total income, net of insurance claims	2,762	2,407
Impairment charges and other credit provisions	(1,098)	(761)
Net income	1,664	1,646
Operating expenses excluding amortisation of intangible assets	(961)	(804)
Amortisation of intangible assets	(17)	(3)
Operating expenses	(978)	(807)
Share of post-tax results of associates and joint ventures	1	4
Profit before tax	687	843

Barclaycard profit before tax decreased 19% (£156m) to £687m (2004: £843m) as strong income growth was more than offset by higher impairment charges and increased costs from the continued development of the International business. Excluding Barclaycard US (previously Juniper) loss before tax of £56m, profit before tax fell 12% (£102m) to £743m.

Total income, net of insurance claims, increased 15% (£355m) to £2,762m (2004: £2,407m) driven by good performances across the diversified UK cards and loans businesses and Barclaycard Business, and by very strong momentum in international cards. Excluding Barclaycard US income of £75m, income increased 10%. The application of IAS 32 and IAS 39 from 1st January 2005, in particular the Effective Interest Rate requirements, resulted in the reclassification of fee and commission expenses to net interest income.

Net interest income increased 11% (£173m) to £1,773m (2004: £1,600m) as a result of growth in average balances, although the rate of growth in the UK slowed during 2005. UK average extended credit balances rose 5% to £8.6bn (2004: £8.2bn) and international average extended credit balances doubled to £1.8bn (2004: £0.9bn). Excluding Barclaycard US average extended credit balances of £0.9bn, international average extended credit balances increased 26%. UK average consumer lending balances increased 10% to £10.3bn (2004: £9.4bn). Margins in the cards business improved during 2005 to 7.96% (2004: 7.34%) due to the impact of increased card rates and a reduced proportion of total balances on promotional

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offers. Margins in consumer lending fell to 4.96% (2004: 6.27%), due to the impact of IAS 32 and IAS 39, competitive pressure and a change in the product mix. Excluding the impact of the application of IAS 32 and IAS 39, net interest income increased 14%.

Net fee and commission income increased 23% (£182m) to £972m (2004: £790m) as a result of the inclusion of Barclaycard US and increased contributions from Barclaycard Business and FirstPlus. Excluding the impact of IAS 32 and IAS 39, net fee and commission income increased 16%.

Impairment charges increased 44% (£337m) to £1,098m (2004: £761m). The increase was driven by a rise in delinquent balances, lower rates of recovery from customers, the inclusion of Barclaycard US, and an increase in the size of the average loan book. Excluding Barclaycard US impairment charges of £53m, impairment charges increased 38%. The increases arose in the UK businesses as a result of the industry wide credit experience during 2005. Within the portfolio, the greater increase arose in the UK cards business; impairment charges in the consumer lending business increased at a lower rate. Non-performing loans increased significantly, driven by the growth in delinquent balances.

Operating expenses rose 21% (£171m) to £978m (2004: £807m), mostly as a result of the inclusion of Barclaycard US. Excluding Barclaycard US operating expenses of £111m, operating expenses rose 7% reflecting continued investment in the UK and continental European card businesses and the development of the UK Partnerships business.

Barclaycard International performed strongly, with Germany and Spain delivering excellent results. In June, Barclaycard formed a new joint venture with Swedbank to develop a card business in the Nordic region; the business is performing in line with expectations. Excluding Barclaycard US, Barclaycard International profit before tax was £26m (2004: £8m), with income ahead 22%. Barclaycard US performance and integration proceeded in line with expectations, with strong growth in balances and customers and the establishment of a number of new partnerships. The loss before tax for Barclaycard US was £56m (2004: loss of £2m).

International Retail and Commercial Banking

	2005 £m	2004 £m
Net interest income	1,096	534
Net fee and commission income	711	288
Net trading income	40	
Net investment income	150	135
Principal transactions	190	135
Net premiums from insurance contracts	227	300
Other income	62	25
Total income	2,286	1,282
Net claims and benefits on insurance contracts	(205)	(390)
Total income, net of insurance claims	2,081	892
Impairment charges and other credit provisions	(33)	(31)
Net income	2,048	861
Operating expenses excluding amortisation of intangible assets	(1,356)	(616)
Amortisation of intangible assets	(48)	(1)
Operating expenses	(1,404)	(617)
Share of post-tax results of associates and joint ventures	46	49

Profit before tax

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International Retail and Commercial Banking profit before tax increased £397m to £690m (2004: £293m). The increase reflected the inclusion of Absa profit before tax of £335m for the period from 27th July 2005 and strong organic growth in Africa and Europe.

From 1st January 2005, following the application of IAS 39 and IFRS 4, life assurance products are divided into investment contracts and insurance contracts. Investment income from assets backing insurance contracts, and the corresponding movement in investment contract liabilities, has been presented on a net basis in other income. In addition, these standards have impacted the reporting of net claims and benefits paid. Also the application of IAS 32 and IAS 39 from 1st January 2005, in particular the Effective Interest Rate requirements, resulted in the reclassification of certain lending related fees from net fee and commission income to net interest income.

International Retail and Commercial Banking excluding Absa

	2005 £m	2004 £m
Net interest income	582	534
Net fee and commission income	377	288
Net trading income	31	
Net investment income	88	135
Principal transactions	119	135
Net premiums from insurance contracts	129	300
Other income	23	25
Total income	1,230	1,282
Net claims and benefits on insurance contracts	(161)	(390)
Total income, net of insurance claims	1,069	892
Impairment charges and other credit provisions	(13)	(31)
Net income	1,056	861
Operating expenses excluding amortisation of intangible assets	(734)	(616)
Amortisation of intangible assets	(6)	(1)
Operating expenses	(740)	(617)
Share of post-tax results of associates and joint ventures	39	49
Profit before tax	355	293

International Retail and Commercial Banking excluding Absa performed strongly, with profit before tax increasing 21% (£62m) to £355m (2004: £293m). The performance was broad based, featuring stronger profits in all geographies.

Total income net of insurance claims increased 20% (£177m) to £1,069m (2004: £892m).

Net interest income increased 9% (£48m) to £582m (2004: £534m), reflecting strong balance sheet growth in Europe, Africa and the Middle East, and the development of the corporate businesses in Spain.

Total average customer loans increased 28% to £22.8bn (2004: £17.8bn). Mortgage balance growth in continental Europe was particularly strong with average euro balances up 25%. Average lending balances in Africa and the Middle East increased 34%. Changes in the overall product mix, as a result of growth in European mortgages and competitive pressures in key European markets contributed to lower lending margins. Average customer deposits increased 7% to £9.5bn (2004: £8.9bn), with deposit margins rising modestly.

Net fee and commission income increased 31% (£89m) to £377m (2004: £288m). This reflected a strong performance from the Spanish funds business, where assets under management increased 15%, together with good growth in France, including the contribution of the ING Ferri business which was acquired on 1st July 2005. Fee income also showed solid growth in Italy, Africa and the Middle East. Excluding the impact of

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IAS 32 and IAS 39, net fee and commission income increased 25%.

Principal transactions reduced to £119m (2004: £135m), reflecting the change in accounting for insurance business, partly offset by investment realisations during 2005 including a gain of £23m from the redemption of preference shares in FirstCaribbean.

Impairment charges decreased 58% (£18m) to £13m (2004: £31m), mainly as a result of releases and recoveries in Africa and the Middle East. In Europe, charges remained broadly stable.

Operating expenses increased 20% (£123m) to £740m (2004: £617m). The increase was in line with the growth in income, and was due to higher integration costs in Spain, the continued expansion of the business in Africa and the Middle East, investments in the European distribution network, particularly in Portugal and Italy, and the acquisition of the ING Ferri business in France. The cost:income ratio remained stable at 69% (2004: 69%).

Barclays Spain continued to perform very strongly with profit before tax, pre-integration costs of £57m, up 25% to £156m (2004: £125m) including integration costs, profit before tax was up 19% to £99m (2004: £83m). This was driven by the continued realisation of benefits from the accelerated integration of Banco Zaragozano, together with good growth in mortgages and assets under management. The integration of Banco Zaragozano continued to be well ahead of plan; integration costs were £57m (2004: £42m). Profit before tax also increased strongly in Italy and Portugal reflecting strong customer acquisition and increased business volumes. France performed well as a result of good organic growth and the acquisition of ING Ferri.

Africa and the Middle East profit before tax increased 14% to £142m (2004: £125m) reflecting continued investment and balance sheet growth across the businesses, particularly in Egypt, United Arab Emirates and South Africa and lower impairment charges.

The post-tax profit from associates decreased £10m to £39m (2004: £49m) due to a lower contribution from FirstCaribbean. The underlying performance in 2005 was stronger; Barclays results in 2004 included £28m relating to the gain made by FirstCaribbean on the sale of shares in Republic Bank Limited.

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Table of Contents**Financial review****Analysis of results by business****International Retail and Commercial Banking Absa**

Period from 27th July until 31st December 2005	2005 £m
Net interest income	514
Net fee and commission income	334
Net trading income	9
Net investment income	62
Principal transactions	71
Net premiums from insurance contracts	98
Other income	39
Total income	1,056
Net claims and benefits on insurance contracts	(44)
Total income, net of insurance claims	1,012
Impairment charges and other credit provisions	(20)
Net income	992
Operating expenses excluding amortisation of intangible assets	(622)
Amortisation of intangible assets	(42)
Operating expenses	(664)
Share of post-tax results of associates and joint ventures	7
Profit before tax and minority interest	335

Absa's profit before tax for the period from 27th July 2005 was £335m. On consolidation into Barclays results, a charge of £42m has been taken for the amortisation of intangible assets and is included within operating expenses. The consolidated results for Absa represent 100% of earnings, 43.4% of which is attributable to minority interests. This is deducted from Barclays results as profit attributable to minority interests.

Absa Group Limited experienced good net interest income growth in the period since acquisition from the personal, commercial and wholesale businesses. The areas of strongest balance sheet growth were mortgages, credit cards and instalment finance as the retail credit environment remained strong.

The performance in net fees and commission income was driven by good retail customer transaction volume growth and a strong performance from insurance related activities. This growth was partly offset by income reclassification due to the implementation of IFRS.

Principal transactions growth was predominantly driven by higher treasury trading income.

Impairment charges for the period were low, reflecting the benign credit environment, a reduction in non-performing loans and a higher level of releases and recoveries.

Operating expenses grew as Absa Group Limited invested in the expansion and improvement of the branch and ATM network and in customer service initiatives, including increased staff numbers. Expense growth also reflected higher volumes and regulatory programme expenditure.

Table of Contents**Head office functions and other operations**

	2005 £m	2004 £m
Net interest expense	(49)	(24)
Net fee and commission expense	(408)	(181)
Net trading income	85	21
Net investment income	8	(9)
Principal transactions	93	12
Net premiums from insurance contracts	146	109
Other income	24	37
Total income	(194)	(47)
Impairment charges and other credit provisions	9	(1)
Net (loss)/income	(185)	(48)
Operating expenses excluding amortisation of intangible assets	(343)	(175)
Amortisation of intangible assets	(4)	(14)
Operating expenses	(347)	(189)
Share of post-tax results of associates and joint ventures		2
Loss before tax	(532)	(235)
Head office functions and other operations loss before tax increased £297m to £532m (2004: loss £235m), reflecting the elimination of inter-segment transactions and increased operating expenses.		

Group segmental reporting is prepared in accordance with Group accounting policies. This means that inter-segment transactions are recorded in each segment as if undertaken on an arms-length basis. Consolidation adjustments necessary to eliminate the inter-segment transactions, including adjustments to eliminate the timing differences on the recognition of inter-segment income and expenses, are included in Head office functions and other operations.

The increase in asymmetric consolidation adjustments of £135m to £204m (2004: £69m) mainly arises from the timing of the recognition of insurance premiums included in Barclaycard and UK Banking amounting to £113m (2004: £nil).

In UK Banking, captive insurers pay commissions to other businesses for the introduction of short-term payment protection insurance. The recognition of commissions payable is generally spread over the term of the insurance to match the fact that claims arise over the term of the insurance.

In Barclaycard, introducer commissions received from UK Banking's captive insurers are recognised as Net fees and commission income at the time the service is provided. This is on the basis that the introducer carries none of the related policy risk and provides no ongoing service to the policy holder. In addition, the related cost of introduction is incurred at the inception of any policy.

In 2004 and prior years, Barclaycard dealt with third-party underwriters but from the start of 2005 this activity was undertaken with the captive insurance operation within UK Banking.

In Head office functions and other operations, consolidation adjustments are made:

to eliminate the differential timing of the recognition of insurance commissions between UK Banking and Barclaycard; and

to reclassify fees and commissions, as recorded in Barclaycard, as net premiums from insurance contracts in Head office functions and other operations.

In addition, there were two other significant consolidation adjustments: internal fees for structured capital markets activities arranged by Barclays Capital of £67m (2004: £63m); and the fees paid to Barclays Capital for capital raising and risk management advice of £50m (2004: £nil). Previously, capital raising fees were amortised over the life of the capital raising and taken as a charge to net interest income. Under IFRS they are recognised as a cost in the year of issue.

Net trading income of £85m (2004: £21m) primarily arose as a result of hedging related transactions in Treasury. The hedge ineffectiveness from 1st January 2005, together with other related Treasury adjustments, amounted to a gain of £18m (2004: £nil) and was reported in net interest income. The cost of hedging the foreign exchange risk on the Group's investment in Absa amounted to £37m (2004: £nil) and was deducted from net interest income.

Other income primarily comprises property rental income.

Impairment gains reflect recoveries made on loans previously written off in the transition businesses.

Operating expenses rose £158m to £347m (2004: £189m) and included non-recurring costs relating to the head office relocation to Canary Wharf of £105m (2004: £32m) and a charge to write down capitalised IT related assets held centrally of £60m (2004: £nil). Underlying operating expenses, excluding non-recurring costs of £165m, rose by £25m, representing an increase of 16%.

Table of Contents**Financial review****Average balance sheet**

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

	IFRS			2004		UK GAAP			
	2005		Average	2004		2003			
	Average	Interest	Average	Average	Interest	Average	Average	Interest	Average
	balance	£m	rate	balance	£m	rate	balance	£m	rate
	£m	£m	%	£m	£m	%	£m	£m	%
Assets									
Treasury bills and other eligible bills:									
in offices in the United Kingdom	n/a	n/a	n/a	1,786	68	3.8	4,048	121	3.0
in offices outside the United Kingdom	n/a	n/a	n/a	1,989	63	3.2	1,222	66	5.4
Loans and advances to banks:									
in offices in the United Kingdom	14,798	454	3.1	18,144	691	3.8	14,012	574	4.1
in offices outside the United Kingdom	11,063	403	3.6	9,619	271	2.8	4,272	108	2.5
Loans and advances to customers:									
in offices in the United Kingdom	172,398	10,229	5.9	144,175	8,810	6.1	135,373	7,804	5.8
in offices outside the United Kingdom	50,699	2,975	5.9	34,017	1,270	3.7	26,323	1,136	4.3
Lease receivables:									
in offices in the United Kingdom	6,521	348	5.3	4,960	220	4.4	4,520	215	4.8
in offices outside the United Kingdom	1,706	117	6.9	369	21	5.7	265	19	7.2
Debt securities:									
in offices in the United Kingdom	n/a	n/a	n/a	51,212	2,129	4.2	58,435	2,174	3.7
in offices outside the United Kingdom	n/a	n/a	n/a	11,533	338	2.9	4,267	210	4.9
Financial investments:									
in offices in the United Kingdom	43,133	1,755	4.1	n/a	n/a	n/a	n/a	n/a	n/a
in offices outside the United Kingdom	10,349	467	4.5	n/a	n/a	n/a	n/a	n/a	n/a
External trading assets									
in offices in the United Kingdom	n/a	n/a	n/a	178,659	4,971	2.8	107,739	3,589	3.3
in offices outside the United Kingdom	n/a	n/a	n/a	116,645	2,224	1.9	81,707	1,412	1.7
Reverse repurchase agreements and cash									
collateral on securities borrowed									
in offices in the United Kingdom	156,292	4,617	3.0	n/a	n/a	n/a	n/a	n/a	n/a
in offices outside the United Kingdom	92,407	2,724	2.9	n/a	n/a	n/a	n/a	n/a	n/a
Trading portfolio assets:									
in offices in the United Kingdom	81,607	2,710	3.3	n/a	n/a	n/a	n/a	n/a	n/a
in offices outside the United Kingdom	57,452	2,116	3.7	n/a	n/a	n/a	n/a	n/a	n/a
Total average interest earning assets	698,425	28,915	4.1	573,108	21,076	3.7	442,183	17,428	3.9
Impairment allowances/provisions	(3,105)			(2,907)			(2,796)		
Non-interest earning assets	278,328			68,742			53,428		

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Total average assets and interest income	973,648	28,915	3.0	638,943	21,076	3.3	492,815	17,428	3.5
Percentage of total average assets in offices									
outside the United Kingdom	32.0%			30.4%			26.7%		
Total average interest earning assets related to:									
Interest income		28,915	4.1		21,076	3.7		17,428	3.9
Interest expense		(20,965)	2.2		(14,464)	2.3		(10,756)	2.4
		7,950	0.8		6,612	1.0		6,672	1.5

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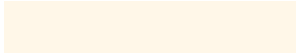
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Average balance sheet and net interest income (year ended 31st December)

	IFRS			UK GAAP					
	2005		2004	2003					
	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %
Liabilities and shareholders equity									
Deposits by banks:									
in offices in the United Kingdom	54,801	1,665	3.0	46,669	1,225	2.6	40,959	993	2.4
in offices outside the United Kingdom	21,921	705	3.2	16,610	310	1.9	10,100	184	1.8
Customer accounts:									
demand deposits:									
in offices in the United Kingdom	22,593	510	2.3	20,829	310	1.5	18,788	170	0.9
in offices outside the United Kingdom	6,196	88	1.4	3,317	31	0.9	3,497	48	1.4
Customer accounts:									
savings deposits:									
in offices in the United Kingdom	52,569	1,570	3.0	47,583	1,325	2.8	45,565	999	2.2
in offices outside the United Kingdom	1,904	39	2.0	1,117	21	1.9	813	26	3.2
Customer accounts:									
other time deposits retail:									
in offices in the United Kingdom	33,932	1,470	4.3	34,518	1,306	3.8	35,228	1,171	3.3
in offices outside the United Kingdom	6,346	260	4.1	4,526	118	2.6	3,678	103	2.8
Customer accounts:									
other time deposits wholesale:									
in offices in the United Kingdom	41,745	1,191	2.9	58,035	1,844	3.2	57,364	1,634	2.8
in offices outside the United Kingdom	12,545	590	4.7	13,140	342	2.6	8,193	247	3.0
Debt securities in issue:									
in offices in the United Kingdom	46,583	1,631	3.5	47,132	1,233	2.6	34,811	949	2.7
in offices outside the United Kingdom	52,696	1,695	3.2	17,218	336	2.0	11,906	244	2.0
Dated and undated loan capital and other subordinated liabilities principally									
in offices in the United Kingdom	11,286	605	5.4	12,740	692	5.4	12,312	684	5.6
External trading liabilities:									
in offices in the United Kingdom	n/a	n/a	n/a	190,036	5,611	3.0	131,423	3,847	2.9
in offices outside the United Kingdom	n/a	n/a	n/a	115,032	1,805	1.6	59,817	1,088	1.8
Repurchase agreements and cash collateral on securities lent:									
in offices in the United Kingdom	130,767	3,634	2.8	n/a	n/a	n/a	n/a	n/a	n/a
in offices outside the United Kingdom	80,391	2,379	3.0	n/a	n/a	n/a	n/a	n/a	n/a
Trading portfolio liabilities:									
in offices in the United Kingdom	44,349	1,737	3.9	n/a	n/a	n/a	n/a	n/a	n/a
in offices outside the United Kingdom	36,538	1,196	3.3	n/a	n/a	n/a	n/a	n/a	n/a
Internal funding of trading business	n/a	n/a	n/a	(72,291)	(2,045)	(2.8)	(58,436)	(1,631)	(2.8)
Total average interest bearing liabilities	657,162	20,965	3.2	556,211	14,464	2.6	416,018	10,756	2.6
Interest free customer deposits:									
in offices in the United Kingdom	25,095			15,522			13,819		
in offices outside the United Kingdom	2,053			3,190			1,260		
Other non-interest bearing liabilities	267,531			48,614			45,392		
Minority and other interests and shareholders equity	21,807			15,406			16,326		
Total average liabilities, shareholders equity and interest expense	973,648	20,965	2.2	638,943	14,464	2.3	492,815	10,756	2.2
	33.3%			30.7%			23.6%		

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Percentage of total average non-capital liabilities in
offices outside the United Kingdom



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.

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Table of Contents**Financial review****Average balance sheet****Changes in net interest income volume and rate analysis**

The following tables allocate changes in net interest income between changes in volume and changes in interest rates for the last two years. Volume and rate variances have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Where variances have arisen from changes in both volumes and interest rates, these have been allocated proportionately between the two.

	2005/2004 ^(a) Change due			2004 ^(a) /2003 ^(b) Change due		
	to increase/(decrease) in:			to increase/(decrease) in:		
	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
Interest receivable						
Treasury bills and other eligible bills:						
in offices in the UK	(68)	(68)	n/a	(53)	(80)	27
in offices outside the UK	(63)	(63)	n/a	(3)	31	(34)
	(131)	(131)	n/a	(56)	(49)	(7)
Loans and advances to banks:						
in offices in the UK	(237)	(115)	(122)	117	160	(43)
in offices outside the UK	132	45	87	163	149	14
	(105)	(70)	(35)	280	309	(29)
Loans and advances to customers:						
in offices in the UK	1,419	1,681	(262)	1,006	523	483
in offices outside the UK	1,705	787	918	134	301	(167)
	3,124	2,468	656	1,140	824	316
Lease receivables:						
in offices in the UK	128	78	50	5	20	(15)
in offices outside the UK	96	91	5	2	7	(5)
	224	169	55	7	27	(20)
Debt securities:						
in offices in the UK	(2,129)	(2,129)	n/a	(45)	(285)	240
in offices outside the UK	(338)	(338)	n/a	128	241	(113)
	(2,467)	(2,467)	n/a	83	(44)	127

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Financial investments:						
in offices in the UK	1,755	1,755	n/a	n/a	n/a	n/a
in offices outside the UK	467	467	n/a	n/a	n/a	n/a
	2,222	2,222	n/a	n/a	n/a	n/a
External trading assets:						
in offices in the UK and outside the UK	(4,971)	(4,971)	n/a	1,382	2,051	(669)
	(2,224)	(2,224)	n/a	812	654	158
	(7,195)	(7,195)	n/a	2,194	2,705	(511)
Reverse repurchase agreements and cash collateral on securities borrowed:						
in offices in the UK	4,617	4,617	n/a	n/a	n/a	n/a
in offices outside the UK	2,724	2,724	n/a	n/a	n/a	n/a
	7,341	7,341	n/a	n/a	n/a	n/a
Trading portfolio assets:						
in offices in the UK	2,710	2,710	n/a	n/a	n/a	n/a
in offices outside the UK	2,116	2,116	n/a	n/a	n/a	n/a
	4,826	4,826	n/a	n/a	n/a	n/a
Total interest receivable:						
in offices in the UK	3,224	3,558	(334)	2,412	2,389	23
in offices outside the UK	4,615	3,605	1,010	1,236	1,383	(147)
	7,839	7,163	676	3,648	3,772	(124)

Notes

(a) 2004 figures do not reflect the applications of IAS 32, and IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) 2003 reflects UK GAAP.

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Changes in net interest income volume and rate analysis

	2005/2004 ^(a) Change due to increase/(decrease) in:			2004 ^(a) /2003 ^(b) Change due to increase/(decrease) in:		
	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
Interest payable						
Deposits by banks:						
in offices in the UK	440	231	209	232	146	86
in offices outside the UK	395	121	274	126	121	5
	835	352	483	358	267	91
Customer accounts demand deposits:						
in offices in the UK	200	28	172	140	20	120
in offices outside the UK	57	36	21	(17)	(2)	(15)
	257	64	193	123	18	105
Customer accounts savings deposits:						
in offices in the UK	245	145	100	326	46	280
in offices outside the UK	18	16	2	(5)	8	(13)
	263	161	102	321	54	267
Customer accounts other time deposits retail:						
in offices in the UK	164	(23)	187	135	(24)	159
in offices outside the UK	142	59	83	15	22	(7)
	306	36	270	150	(2)	152
Customer accounts other time deposits wholesale:						
in offices in the UK	(653)	(479)	(174)	210	19	191
in offices outside the UK	248	(16)	264	95	132	(37)
	(405)	(495)	90	305	151	154
Debt securities in issue:						
in offices in the UK	398	507	(109)	284	(73)	357
in offices outside the UK	1,359	323	1,036	92	256	(164)
	1,757	830	927	376	183	193
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	(87)	(78)	(9)	8	23	(15)
External trading liabilities:						
in offices in the UK	(5,611)	(5,611)	n/a	1,764	1,747	17
outside the UK	(1,805)	(1,805)	n/a	717	884	(167)
	(7,416)	(7,416)	n/a	2,481	2,631	(150)

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Repurchase agreements and cash collateral on securities lent:						
in offices in the UK	3,634	3,634	n/a	n/a	n/a	n/a
in offices outside the UK	2,379	2,379	n/a	n/a	n/a	n/a
	6,013	6,013	n/a	n/a	n/a	n/a
Trading portfolio liabilities:						
in offices in the UK	1,737	1,737	n/a	n/a	n/a	n/a
in offices outside the UK	1,196	1,196	n/a	n/a	n/a	n/a
	2,933	2,933	n/a	n/a	n/a	n/a
Internal funding of trading businesses	2,045	2,045	n/a	(414)	(392)	(22)
Total interest payable:						
in offices in the UK	2,512	2,136	376	2,685	1,512	1,173
in offices outside the UK	3,989	2,309	1,680	1,023	1,421	(398)
	6,501	4,445	2,056	3,708	2,933	775
Movement in net interest income						
Increase/(decrease) in interest receivable	7,839	7,163	676	3,648	3,772	(124)
(Increase)/decrease in interest payable	(6,501)	(4,445)	(2,056)	(3,708)	(2,933)	(775)
	1,338	2,718	(1,380)	(60)	839	(899)

Notes

(a) 2004 figures do not reflect the applications of IAS 32, and IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) 2003 reflects UK GAAP.

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Total assets and weighted risk assets

Total assets

	2005	2004
	£m	£m
UK Banking	141,190	122,380
UK Retail Banking	69,193	71,647
UK Business Banking	71,997	50,733
Barclays Capital	581,865	346,901
Barclays Global Investors	80,900	968
Wealth Management	6,094	5,616
Wealth Management – closed life assurances activities	7,276	6,425
Barclaycard	25,771	23,367
International Retail and Commercial Banking	73,589	28,505
International Retail and Commercial Banking – ex Absa	34,195	28,505
International Retail and Commercial Banking – Absa	39,394	
Head office functions and other operations	7,672	4,019
Total assets	924,357	538,181

Weighted risk assets

	2005	2004
	£m	£m
UK Banking	94,195	91,913
UK Retail Banking	32,298	37,111
UK Business Banking	61,897	54,802
Barclays Capital	96,095	79,949
Barclays Global Investors	1,659	1,230
Wealth Management	4,467	4,018
Wealth Management – closed life assurances activities		
Barclaycard	20,438	20,188
International Retail and Commercial Banking	50,071	19,319
International Retail and Commercial Banking – ex Absa	21,637	19,319
International Retail and Commercial Banking – Absa	28,434	
Head office functions and other operations	2,223	1,984
Weighted risk assets	269,148	218,601
Total Assets and Weighted Risk Assets		

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Total assets increased 72% to £924.4bn (2004: £538.2bn). Weighted risk assets increased 23% to £269.1bn (2004: £218.6bn). Loans and advances to customers that have been securitised or subject to similar

risk transfer increased £17.3bn to £21.6bn (2004: £4.3bn). The increase in weighted risk assets since 2004 reflects a rise of £37.6bn in the banking book and a rise of £12.9bn in the trading book.

UK Retail Banking total assets decreased 3% to £69.2bn (2004: £71.6bn). This was mainly attributable to lower residential mortgage balances. Weighted risk assets decreased 13% to £32.3bn (2004: £37.1bn), reflecting lower mortgage balances and a £4.5bn securitisation of mortgage assets in the second half of 2005, which more than offset strong growth in non-mortgage loans.

UK Business Banking total assets increased 42% to £72.0bn (2004: £50.7bn) due to the impact of the adoption of IAS 32 and IAS 39 and strong growth in lending balances. Weighted risk assets increased 13% to £61.9bn (2004: £54.8bn), the increase being lower than asset growth, mostly as a result of £5bn securitisation of corporate loans in the second half of 2005. The acquisition of a 51% stake in Iveco Finance, completed in June, increased total assets and weighted risk assets by £1.8bn. Excluding the impact of Iveco Finance, assets and weighted risk assets increased 38% and 10% respectively.

Barclays Capital total assets increased 68% to £581.9bn (2004: £346.9bn). This was mainly attributable to increases in debt securities and reverse repurchase agreements as the business continued to grow, and in derivative financial instruments as a result of business growth and market movements. Weighted risk assets increased 20% to £96.1bn (2004: £79.9bn), below the rate of balance sheet growth. This reflected trading book weighted risk assets moving in line with risk rather than the balance sheet and the lower weighting of fully collateralised reverse repurchase agreements.

Barclays Global Investors total assets increased £79.9bn to £80.9bn (2004: £1bn) due to the impact of the adoption of IAS 32, IAS 39 and IFRS 4 and growth in asset management products reported on the balance sheet. For the amounts related to asset management products, equal and offsetting balances are reflected within liabilities to customers. Weighted risk assets rose 42% to £1.7bn (2004: £1.2bn) due to growth in the business.

Wealth Management total assets increased 9% to £6.1bn (2004: £5.6bn). Weighted risk assets increased 13% to £4.5bn (2004: £4bn) reflecting good growth in lending balances.

Barclaycard total assets increased 10% to £25.8bn (2004: £23.4bn). Weighted risk assets rose by 1% to £20.4bn (2004: £20.2bn), which is less than the increase in assets, reflecting increased securitisation activity during the second half of 2005.

International Retail and Commercial Banking excluding Absa total assets increased 20% to £34.2bn (2004: £28.5bn) reflecting strong volume growth in European mortgages and African corporate lending. Weighted risk assets increased 12% to £21.6bn (2004: £19.3bn), which was lower than the increase in assets, reflecting strong growth in mortgage balances, which carry a 50% weighting, and the securitisation of assets in Spain during the second half of 2005.

International Retail and Commercial Banking Absa total assets were £39.4bn and weighted risk assets £28.4bn. Growth in assets since acquisition has been driven by increases in retail lending balances.

Head office functions and other operations total assets increased 93% to £7.7bn (2004: £4bn). The increase includes financial instruments acquired for hedging purposes. Weighted risk assets increased 10% to £2.2bn (2004: £2bn), reflecting assets held for hedging purposes.

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Table of Contents**Financial review****Capital management and resources****Capital Management**

Barclays operates a centralised capital management model, considering both regulatory and economic capital. The capital management strategy is to continue to maximise shareholder value through optimising both the level and mix of capital resources in order to:

l Meet the individual capital ratios required by our regulators plus a prudent buffer.

l Maintain an AA credit rating.

l Generate sufficient capital to support asset growth.

l Manage the currency exposure to its overall Sterling equivalent capital requirement.

Decisions on the allocation of capital resources are based on a number of factors including return on economic and regulatory capital. This is conducted as part of the strategic planning review.

Capital Resources

The Group manages both its debt and equity capital actively. The Group's authority to buy-back equity shares was renewed at the 2005 AGM to provide additional flexibility in the management of the Group's capital resources.

	2005 £m	2004 £m
Barclays PLC Group		
Shareholders' equity excluding minority interests	17,426	15,870
Minority interests	7,004	894
Shareholders' equity	24,430	16,764
Undated loan capital	4,397	6,149
Dated loan capital	8,066	6,128
Total capital resources	36,893	29,041

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The authorised share capital of Barclays PLC is £2,500m (2004: £2,500m) comprising 9,996 million (2004: 9,996 million) ordinary shares of 25p each and 1 million (2004: 1 million) staff shares of £1 each. Called up share capital comprises 6,490 million (2004: 6,454 million); ordinary shares of 25p each and 1 million (2004: 1 million) staff shares of £1 each.

Total capital resources increased £7,852m to £36,893m since 2004.

Shareholders' equity, excluding minority interests, increased £1,556m since 2004. The increase primarily reflected the impact of the adoption of IAS 32, IAS 39 and IFRS 4, profits attributable to equity holders of the parent of £3,447m, offset by dividends of £1,581m.

Loan capital rose £186m reflecting capital raisings of £1,283m, acquisition of Absa Group Limited's loan capital of £669m, interest charge of £210m and exchange rate movements of £207m; offset by redemptions of £464m, fair value adjustments of £43m and amortisation of issue expenses of £5m, and IFRS adjustments of £1,671m.

Minority interests increased £6,110m since 2004, primarily reflecting: the purchase of Absa Group Limited with minority interest of £1,351m, the IFRS reclassification of £2,493m of certain capital instruments from loan capital to minority interests and the following issuances of Preference Shares by Barclays Bank PLC during 2005:

- | 140,000 Preference Shares of nominal 100 each (Principal amount: 1.4bn; £978m) with a 4.75% dividend issued on 15th March 2005.
 - | 100,000 Preference Shares of nominal US\$100 each (Principal amount: US\$1.0bn; £551m) with a 6.278% dividend issued on 8th June 2005.
 - | 75,000 Preference Shares of nominal £100 each (Principal amount: £750m) with a 6% dividend issued on 22nd June 2005.
- The capital instruments reclassified under IFRS and the Preference Shares issued are included within Shareholders' equity excluding minority interests in Barclays Bank PLC Group.

	2005 £m	2004 £m
Barclays Bank PLC Group		
Shareholders' equity excluding minority interests	22,665	16,638
Minority interests	1,578	211
Shareholders' equity	24,243	16,849
Undated loan capital	4,397	6,149
Dated loan capital	8,066	6,128
Total capital resources	36,706	29,126

Capital resources for Barclays Bank PLC Group were £187m lower than for Barclays PLC Group (2004: £85m higher).

Table of Contents**Financial review****Capital management and resources****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 Union Directives, as implemented by the Financial Services Authority (FSA) for supervisory purposes.

These techniques include the risk asset ratio calculation, which the FSA regards as a key supervisory tool. The FSA sets ratio requirements for individual banks in the UK at or above the internationally agreed minimum of 8%. The ratio calculation involves the application of designated risk weightings to reflect an estimate of credit, market and other risks associated with broad categories of transactions and counterparties. Regulatory guidelines define three tiers of capital resources. Tier 1 capital, comprising mainly shareholders' funds and including Reserve Capital Instruments and Tier One Notes, is the highest tier and can be used to meet trading and banking activity requirements. Tier 2 includes perpetual, medium-term and long-term subordinated debt, general provisions for bad and doubtful debts and fixed asset revaluation reserves. Tier 2 capital can also be used to support both trading and banking activities. Tier 3 capital also comprises short-term subordinated debt with a minimum original maturity of two years. The use of tier 3 capital is restricted to trading activities only and it is not eligible to support counterparty or settlement risk. The aggregate of tiers 2 and 3 capital included in the risk asset ratio calculation may not exceed tier 1 capital.

Capital ratios

	IFRS 2005		UK GAAP 2004 ^(a)	
	Barclays PLC Group £m	Barclays Bank PLC Group £m	Barclays PLC Group £m	Barclays Bank PLC Group £m
Capital ratios				
Tier 1 ratio	7.0	6.9	7.6	7.6
Risk asset ratio	11.3	11.2	11.5	11.5
Weighted risk assets				
Banking book				
on-balance sheet	180,808	179,955	148,621	148,621
off-balance sheet	31,351	32,204	26,741	26,741
Associates and joint ventures	3,914	3,914	3,020	3,020
Total banking book	216,073	216,073	178,382	178,382
Trading book				
Market risks	23,216	23,216	22,106	22,106
Counterparty and settlement risks	29,859	29,859	18,113	18,113
Total trading book	53,075	53,075	40,219	40,219
	269,148	269,148	218,601	218,601

Total weighted risk assets



Note

(a) Regulatory capital, weighted risk assets and resultant capital ratios for 2004 are based on UK GAAP and have not been restated as these remain as reported to the FSA. As at 1st January 2005, for Barclays PLC Group and Barclays Bank PLC Group the tier 1 ratio was 7.1% and the risk asset ratio was 11.8% reflecting the impact of IFRS including the adoption of IAS 32, IAS 39 and IFRS 4.

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	IFRS		UK GAAP	
	2005		2004 ^(a)	
	Barclays PLC Group £m	Barclays Bank PLC Group £m	Barclays PLC Group £m	Barclays Bank PLC Group £m
Capital resources (as defined for regulatory purposes)				
Tier 1				
Called up share capital	1,623	2,348	1,614	2,316
Eligible reserves	16,837	18,646	15,670	15,656
Minority interests	6,634	3,700	2,890	2,202
Tier One Notes	981	981	920	920
Less: Intangible assets	(7,180)	(7,180)	(4,432)	(4,432)
Total qualifying Tier 1 capital	18,895	18,495	16,662	16,662
Tier 2				
Revaluation reserves	25	25	25	25
Available for sale equity	223	223	n/a	n/a
Collectively assessed impairment allowances	2,306	2,306	n/a	n/a
General provisions	n/a	n/a	564	564
Minority interests	515	515		–
Qualifying subordinated liabilities ^(b)				
Undated loan capital	3,212	3,212	3,573	3,573
Dated loan capital	7,069	7,069	5,647	5,647
Other ^(c)			2	2
Total qualifying Tier 2 capital	13,350	13,350	9,811	9,811
Tier 3: Short-term subordinated liabilities^(b)			286	286
Less: Supervisory deductions				
Investments not consolidated for supervisory purposes ^(d)	(782)	(782)	(1,047)	(1,047)
Other deductions	(961)	(961)	(496)	(496)
Total deductions	(1,743)	(1,743)	(1,543)	(1,543)
Total net capital resources	30,502	30,102	25,216	25,216

The difference in the net capital resources of Barclays PLC Group and Barclays Bank PLC Group at 31st December 2005 arises from the retention by Barclays PLC of dividends paid by Barclays Bank PLC.

Notes

- (a) Regulatory capital, weighted risk assets and resultant capital ratios for 2004 are based on UK GAAP and have not been restated as these remain as reported to the FSA.
- (b) Subordinated liabilities are included in Tiers 2 or 3, subject to limits laid down in the supervisory requirements. Barclays retains significant capacity to raise additional capital within these limits.
- (c) Comprises revaluation reserves attributable to minorities £nil (2004: £2m).
- (d) Includes £nil (2004: £610m) of shareholders' interest in the retail life-fund.

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Financial review

Deposits and short-term borrowings

Deposits

	Average: year ended 31st December		
	IFRS 2005	2004 ^(a)	UK GAAP 2003
	£m	£m	£m
Deposits from banks			
Customers in the United Kingdom	9,703	14,216	41,034
Customers outside the United Kingdom:			
Other European Union	29,092	51,656	2,696
United States	8,670	27,623	597
Africa	3,236	1,168	209
Rest of the World	39,060	38,969	6,606
Total deposits from banks	89,761	133,632	51,142
Customer accounts			
Customers in the United Kingdom	155,252	140,486	170,689
Customers outside the United Kingdom:			
Other European Union	20,773	22,175	6,935
United States	15,167	38,818	3,671
Africa	17,169	5,068	3,121
Rest of the World	16,911	14,761	3,706
Customer accounts	225,272	221,308	188,122

A further analysis of deposits from banks and customer accounts at 2005 is given in Note 30 and Note 31 to the accounts.

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118

Short-term Borrowings

Short-term borrowings include deposits by banks as reported in Deposits, Commercial paper and negotiable certificates of deposit.

Deposits from Banks

Deposits from banks are taken from a wide range of counterparties and generally have maturities of less than one year.

	IFRS		UK GAAP
	2005	2004(a)	2003
	£m	£m	£m
Year-end balance	75,127	111,024	57,641
Average balance	89,761	133,632	51,059
Maximum balance	103,397	155,971	77,195
Average interest rate during year	2.6%	2.4%	2.3%
Year-end interest rate	3.6%	2.9%	2.5%

Commercial Paper

Commercial paper is issued by the Group, mainly in the United States, generally in denominations of not less than \$100,000, with maturities of up to 270 days.

	IFRS		UK GAAP
	2005	2004(a)	2003
	£m	£m	£m
Year-end balance	28,275	20,948	4,426
Average balance	22,309	16,680	3,288
Maximum balance	28,598	20,948	6,284
Average interest rate during year	3.4%	1.8%	1.1%
Year-end interest rate	4.5%	2.2%	1.6%

Negotiable Certificates of Deposit

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Negotiable certificates of deposits are issued mainly in the UK and US, generally in denominations of not less than \$100,000.

	IFRS	UK GAAP	
	2005 £m	2004 £m	
		2003 £m	
Year-end balance	43,109	37,213	28,536
Average balance	45,533	35,409	33,013
Maximum balance	53,456	44,934	40,274
Average interest rate during year	3.5%	2.2%	2.2%
Year-end interest rate	4.5%	2.8%	2.1%

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Financial review

Securities

Securities

The following table analyses the book value of securities under IFRS, which are carried at fair value.

	2005 Book value £m	2005 Amortised cost £m
Investment securities available for sale		
Debt securities:		
United Kingdom government	31	31
Other government	14,860	14,829
Other public bodies	216	216
Mortgage and asset backed securities	3,062	3,062
Corporate issuers	25,590	25,595
Other issuers	6,265	6,257
Equity shares	1,250	1,007
	51,274	50,997
Investment securities available for sale		
Other securities held for trading		
Debt securities:		
United Kingdom government	4,786	n/a
Other government	46,426	n/a
Other mortgage and asset backed securities	10,290	n/a
Bank and building society certificates of deposit	15,837	n/a
Other issuers	51,028	n/a
Equity shares	20,299	n/a
	148,666	n/a
Other securities held for trading		

A further analysis of book value and amortised cost is given in Note 21 to the accounts. The following table analyses the book value and valuation of securities under UK GAAP.

	2004		2003	
	Book value £m	Valuation £m	Book value £m	Valuation £m
Investment securities				
Debt securities:				
United Kingdom government	18	18	565	621
Other government	11,858	12,051	16,347	16,772
Other public bodies	21	21	78	79
Mortgage and asset backed securities	8,260	8,234	3,074	3,077
Corporate issuers	17,029	17,062	13,826	13,966
Other issuers	5,531	5,549	3,691	3,695
Equity shares	526	746	954	1,134
Investment securities	43,243	43,681	38,535	39,344
Other securities				
Debt securities:				
United Kingdom government	2,567	2,567	2,084	2,084
Other government	37,438	37,438	28,011	28,011
Other public bodies	8,177	8,177	4,513	4,513
Bank and building society certificates of deposit	7,063	7,063	5,796	5,796
Other issuers	32,349	32,349	19,408	19,408
Equity shares	10,873	10,873	6,905	6,905
Other securities	98,467	98,467	66,717	66,717

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 were valued at cost, adjusted for the amortisation of premiums or discounts to redemption, less any provision for diminution in value.

Other securities comprise dealing securities which are valued at market value.

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

A further analysis of the book value and valuation of securities is given in Notes 19 and 20 to the accounts.

In addition to UK government securities shown above, at 31st December 2005 and 2004 the Group held the following government securities which exceeded 10% of shareholders' equity.

	2005 Book value ^(a) £m	2004 Book value £m	Valuation £m
United States government securities	16,093	14,334	14,349
Japanese government securities	14,560	8,494	8,512
German government securities	6,376	6,215	6,229
French government securities	4,822	3,035	3,035
Italian government securities	4,300	6,900	6,930
Netherlands government securities	2,791	484	484
Spanish government securities	2,456	2,597	2,631
Maturities and yield of available for sale 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	6,501	4.0	5,342	4.2	2,216	4.5	832	1.0	14,891	4.0
Other public bodies	59	6.3	152	11.2	1	6.4	4	5.7	216	9.7
Other issuers	6,950	4.2	21,635	4.0	2,281	4.9	4,051	3.1	34,917	4.0
Total book value^(b)	13,510	4.1	27,129	4.0	4,498	4.7	4,887	2.7	50,024	4.0

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2005 by the amortised cost of securities held at that date.

Notes

- (a) The book value represents the fair value.
- (b) Yields are determined using the carrying value excluding the fair value uplift.

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Financial review

Off-balance sheet arrangements

Off-Balance Sheet Arrangements

In the ordinary course of business and primarily to facilitate client transactions, the Group enters into off-balance sheet arrangements with unconsolidated entities. These arrangements include the provision of guarantees on behalf of the Group's customers, retained interests in assets which have been transferred to an unconsolidated entity and obligations arising out of variable interests in an unconsolidated entity.

Guarantees

In the normal course of business, the Group issues guarantees on behalf of its customers. In the majority of cases, Barclays will hold collateral against the exposure, have a right of recourse to the customer or both. In addition, Barclays issues guarantees on its own behalf. The main types of guarantees provided are financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts and other banking facilities, including stock borrowing indemnities and standby letters of credit. Other guarantees provided include performance guarantees, advance payment guarantees, tender guarantees, guarantees to Her Majesty's Revenue and Customs and retention guarantees. Further details on these guarantees are provided in Note 63(m) to the accounts.

Derivatives on Own Shares

The Group has no obligations under derivative instruments that are indexed to the Group's own equity shares.

Special Purpose and Variable Interest Entities

The off-balance sheet arrangements entered into by the Group typically involve the use of special purpose entities (SPEs) as defined under SIC 12 and variable interest entities (VIEs) under FIN 46-R. These are entities that are set up for a specific purpose and generally would not enter into an operating activity nor have any employees. The most common form of SPE involves the acquisition of financial assets that are funded by the issuance of securities to external investors, which have cash flows different from those of the underlying instruments. The repayment of these securities is determined by the performance of the assets acquired by the SPE. These entities form an integral part of many financial markets, and are important to the development of the securitisation markets and functioning of the US commercial paper market. The accounting treatment under IFRS and US GAAP is summarised in Note 63 on page 247 with further information on the US GAAP treatment provided in Note 63(k) on pages 259 and 260.

Credit Structuring Business

The Group structures investments with specific risk profiles which are attractive to investors. This business involves the sale by the Group of credit exposures based on an underlying portfolio of assets into SPEs, often using credit derivative contracts. The assets are funded by issuing securities with varying terms. The Group may also provide other financial services, which include the provision of liquidity or contingent liquidity facilities, act as derivatives counterparty as well as the purchasing and warehousing of securities until they are sold to the SPE. The commitments to provide liquidity to these SPEs is a maximum of £1.1bn (2004: £0.6bn).

Asset Securitisations

The Group assists companies with the formation of asset securitisations. These entities have minimal equity and rely on funding in the form of notes to purchase the assets for securitisation. The Group provides financing in the form of senior notes and/or junior notes and may also provide derivatives to the SPE.

The Group has also used SPEs to securitise part of its originated and purchased retail and commercial lending portfolios and credit card receivables. Where the Group has sold the assets to a Qualifying SPE (QSPE), the QSPE is not consolidated by the Group. This results in the derecognition of assets of £6,953m as at 31st December 2005 (2004: £7,660m) under US GAAP. Following the sale of these assets to the securitisation vehicles, the Group may retain servicing rights and an interest in the residual income of the SPEs. Under IFRS, the SPEs are consolidated where the Group is exposed to the majority of the risks and rewards of the transaction. Further details are included in Note 63 to the accounts.

Client Intermediation

The Group is involved in structuring transactions as a financial intermediary to meet investor and client needs. These transactions involve entities structured by either the Group or the client and they are used to modify cash flows of third-party assets to create investments with specific risk or return profiles or to assist clients in the efficient management of other risks. The Group also invests in lessor entities specifically to acquire assets for leasing. Client intermediation also includes arrangements to fund the purchase or construction of specific assets (most common in the property industry). Certain entities that are consolidated in accordance with IAS 27 and SIC 12 under IFRS are deconsolidated under US GAAP where the Group is not the primary beneficiary. The impact on the Group's total assets under US GAAP is an increase of £327m (2004: reduction of £656m).

Fund Management

The Group provides asset management services to a large number of investment entities on an arm's-length basis and at market terms and prices. The majority of these entities are investment funds that are owned by a large and diversified number of investors. These funds are not consolidated under either IFRS or US GAAP because the Group does not own either a significant portion of the equity, or the risks and rewards inherent in the assets.

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Independent Registered Public Accounting Firm's report

Report of the Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of Barclays PLC and Barclays Bank PLC

We have audited the accompanying consolidated financial statements of Barclays PLC and its subsidiary undertakings on pages 131 to 266 and Barclays Bank PLC and its subsidiary undertakings on pages 271 to 283 as of 31st December 2005 and 2004, which comprise the Consolidated Income Statements, the Consolidated Balance Sheets, the Consolidated Cash Flow Statements, and the Consolidated Statement of Recognised Income and Expense, for each of the two years in the period ended 31st December 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Barclays PLC and its subsidiary undertakings and Barclays Bank PLC and its subsidiary undertakings at 31st December 2005 and 2004, and the results of their operations and their cash flows for each of the two years in the period ended 31st December 2005 in conformity with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Accounting principles in conformity with IFRSs as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 63 to the consolidated financial statements.

As discussed in the Significant Accounting Policies of the consolidated financial statements, the Group has applied International Financial Reporting Standards with effect from 1st January 2004, the date of transition in accordance with the transitional provisions set out in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Previously, the Group followed the generally accepted principles of the United Kingdom (UK GAAP).

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

9th March 2006, except for the last paragraph of Note 51, as to which the date is 29th March 2006

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Consolidated accounts Barclays PLC

Accounting policies

Significant Accounting Policies

1. Reporting entity

These financial statements are prepared for the Barclays PLC Group (Barclays or the Group) under Section 227(2) of the Companies Act 1985. The Group is an international financial services group engaged in the provision of a wide range of financial services, including banking, investment banking, venture capital and asset management. In addition, individual financial statements have been prepared for the holding company, Barclays PLC (the Company), under Section 226(2)(b) of the Companies Act 1985.

Barclays PLC is a public limited company, incorporated in England and Wales and having a registered office in England and Wales.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays PLC Group and the individual financial statements of Barclays PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union. In all material respects, this is also in accordance with full IFRS.

The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out below. These policies have been consistently applied, except for the first-time application of IFRS relating to financial instruments and insurance contracts for which the 2004 comparatives have been prepared in accordance with UK generally accepted accounting principles (UK GAAP) as permitted by IFRS 1 and as is described in more detail in the relevant accounting policies.

In addition, the disclosure provisions of amendment to IAS 19 Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures have been adopted from 1st January 2004. The other provisions of the amendment have not changed any accounting policies applied to Barclays PLC Group or Barclays PLC individual statements.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and contracts to buy or sell non-financial items and trading inventories to the extent required or permitted under accounting standards and as set out in the relevant accounting policies. They are stated in millions of pounds Sterling, (£m), the currency of the country in which Barclays PLC is incorporated.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements such as fair value of financial instruments (Note 57), loan loss impairment (Note 18), goodwill (Note 27), intangible assets (Note 28) and retirement benefit obligations (Note 38).

4. First-time application of IFRS

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The Group has applied IFRS in its financial reporting with effect from 1st January 2004, the date of transition, in accordance with the transitional provisions set out in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Previously, the Group followed UK accounting standards issued by the UK Accounting Standards Board and the pronouncements of its Urgent Issues Task Force, *Statements of Recommended Practice* issued by the British Bankers Association and by the Finance and Leasing Association, and the accounting requirements of the Companies Act 1985 (collectively, UK GAAP). The Group has used the provisions of IFRS 1 in arriving at appropriate opening balances for the purposes of these financial statements, as follows:

Goodwill

The Group has not applied IFRS 3, *Business Combinations* retrospectively to business combinations prior to the date of transition. The carrying amount of goodwill in the UK GAAP balance sheet as at 31st December 2003 has accordingly been brought forward without adjustment.

Property, plant and equipment

The Group has adopted the carrying values under UK GAAP of all items of property, plant and equipment at the date of transition as their deemed cost rather than either reverting to historical cost or carrying out a valuation as permitted by IFRS 1.

Cumulative foreign currency difference

The Group has brought forward a nil opening balance on the cumulative foreign currency translation adjustment arising from the retranslation of foreign operations, which is shown as a separate item in shareholders' equity at the date of transition in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Employee benefits

For defined benefit pension schemes and other post-retirement benefits, the Group has recognised all cumulative actuarial gains and losses at the date of transition.

Derecognition of financial assets and liabilities

The Group has elected not to re-recognise financial assets and liabilities derecognised before 1st January 2004.

Share-based payment

The Group has applied the requirements of IFRS 2 to grants of shares and share options whether they were granted before or after 7th November 2002.

5. First-time application of IFRS relating to Financial Instruments and Insurance Contracts

In addition to the options described above, IFRS 1 also includes specific transitional provisions for International Accounting Standard 32, *Financial Instruments, Disclosure and Presentation*, International Accounting Standard 39, *Financial Instruments Recognition and Measurement* and International Financial Reporting Standard 4, *Insurance Contracts*. The Group has decided to adopt these provisions and therefore has not applied these standards to the 2004 comparatives. The impact of these standards is reflected through further adjustments to shareholders' equity as at 1st January 2005. In the 2004 comparatives, financial instruments and insurance contracts are included using the measurement bases and the disclosure requirements of UK GAAP relating to financial instruments and insurance contracts.

6. Effect of the transition to IFRS

A description of the differences between UK GAAP and IFRS accounting policies is set out in Note 62 to the accounts. Reconciliations of balance sheets prepared under UK GAAP and IFRS at 1st January 2004 and 31st December 2004 are included in Note 62 to the accounts. Reconciliations of the profit and loss account prepared in accordance with UK GAAP and prepared in accordance with IFRS for the year ending 31st December 2004

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are included in Note 62 to the accounts. In addition, a reconciliation of the amount of shareholders' equity at 1st January 2005, before and after the application of IAS 32, IAS 39 and IFRS 4, and an explanation of the effects of their application on the opening 2005 balance sheet, is presented in Note 62 to the accounts.

The Group's accounting policies set out below, insofar as they relate to financial instruments and insurance contracts set out the policy applied both before and after the application of these standards on 1st January 2005.

7. Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Barclays PLC and all its subsidiaries, including certain special purpose entities where appropriate, made up to 31st December. Entities qualify as subsidiaries where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity. Details of the principal subsidiaries are given in Note 49.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See accounting policy 17 on page 126 for the accounting policy for goodwill. Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

As the consolidated financial statements include partnerships where a Group member is a partner, advantage has been taken of the exemption of Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 with regard to the preparation and filing of individual partnership financial statements.

Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, though not necessarily, through entities which are subject to joint control.

Unless designated as at fair value through profit and loss as set out in policy 10, the Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associated or jointly controlled entity. Goodwill arising on the acquisition of an associate or joint venture is included in the carrying amount of the investment (net of any accumulated impairment loss). When the Group's share of losses in an associate or joint venture equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

The Group's share of the results of associates and joint ventures is based on financial statements made up to a date not earlier than three months before the balance sheet date, adjusted to conform with the accounting policies of the Group. Unrealised gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

In the individual financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less impairment, if any.

8. Foreign currency translation

The consolidated and individual financial statements are presented in Sterling, which is the functional currency of the parent Company.

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Items included in the financial statements of each of the Group's entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investments. See accounting policy 15 on page 124 for the policies on hedge accounting.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available for sale financial assets and non-monetary items are included directly in equity.

For the purposes of translation into the reporting currency, assets, liabilities and equity of foreign operations are translated at the closing rate, and items of income and expense are translated into Sterling at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate to actual rates.

The exchange differences arising on the translation of a foreign operation are included in cumulative translation reserves within shareholders' equity and included in the profit or loss on disposal or partial disposal of the operation.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are maintained in the functional currency of the foreign operation, translated at the closing rate and are included in hedges of net investments where appropriate.

9. Interest, fees and commissions

From 1st January 2005

Interest

Interest income is recognised in interest receivable in the income statement for all interest-bearing financial instruments classified as held to maturity, available for sale or other loans and receivables using the effective interest method.

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The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating effective interest, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Commitment fees, together with related direct costs, for loan facilities where draw-down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw-down is not probable are recognised over the term of the commitment.

Prior to 1st January 2005

Interest income is recognised in the income statement as it accrues, with the exception of interest on non-performing loans as set out in accounting policy 11.

Fee income relating to loans and advances is recognised in the income statement to match the cost of providing a continuing service, together with a reasonable profit margin. Where a fee is charged in lieu of interest, it is recognised in the income statement as interest receivable on a level yield basis over the life of the advance. Fees and commissions receivable in respect of all other services provided are recognised in the income statement when the related services are performed and when considered recoverable.

Mortgage indemnity premiums

From 1st January 2005

Mortgage indemnity premiums received are included in the effective interest rate on the associated loan.

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Prior to 1st January 2005

Premiums are deferred and included in accruals and deferred income in the Group balance sheet. Following regular reviews of the amount of income required to cover anticipated losses in respect of this lending, deferred income is released to the income statement on an annual basis.

Insurance premiums

Insurance premiums are recognised in the period earned.

Net trading income

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in the Income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Lending related fees and commissions payable and incentives

From 1st January 2005

Fees and commissions payable to introducers in respect of obtaining lending business, where these are direct and incremental costs related to the issue of a financial instrument, are included in interest income as part of the effective interest rate.

Prior to 1st January 2005

Fees and commissions payable to introducers in respect of obtaining certain lending business, where this is the primary form of distribution, are charged to the income statement as fees and commissions payable, over the anticipated life of the loans.

The costs of mortgage incentives, which comprise cashbacks and interest discounts, are charged to the income statement as a reduction to interest receivable as incurred.

Dividends from subsidiaries

In the individual financial statements of Barclays PLC, dividends from subsidiaries are accounted for on the basis of dividends received in the accounting period.

10. Financial assets and liabilities

From 1st January 2005

Financial assets

The Group classifies its financial assets in the following categories: financial instruments designated at fair value through profit or loss; loans and receivables; held to maturity investments and available for sale financial assets. Management determines the classification of financial assets and liabilities at initial recognition.

Financial instruments at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated by management under the fair value option. Instruments are classified as held for trading if they are:

- (i) acquired principally for the purposes of selling or repurchasing in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

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(iii) a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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Financial instruments cannot be transferred into or out of this category after inception. Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the Income statement. Gains and losses arising from changes in fair value are included directly in the Income statement. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Regular way purchases and sales of financial instruments held for trading or designated under the fair value option are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

The fair value option is used in the following circumstances:

- (i) financial assets backing insurance contracts and financial assets backing investment contracts are designated at fair value through profit or loss because the related liabilities have cash flows that are contractually based on the performance of the assets or the related liabilities are insurance contracts whose measurement incorporates current information. Fair valuing the assets through profit and loss significantly reduces the recognition inconsistencies that would arise if the financial assets were classified as available for sale;
- (ii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss if they contain substantive embedded derivatives;
- (iii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost; and
- (iv) Certain private equity and other investments that are managed, and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 9 on pages 119 and 120). They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments that the Group's management has the intention and ability to hold to maturity. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 9 on pages 119 and 120). They are derecognised

when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of held to maturity financial assets are recognised on contractual settlement.

Available for sale

Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest determined using the effective interest method (see accounting policy 9 on pages 119 and 120), impairment losses and translation differences on monetary items are recognised in the income statement. The assets are

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derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of available for sale financial instruments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are derecognised when they are extinguished.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset, the Group uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Profits or losses are only recognised on initial recognition when such profits can be measured solely by reference-observable current market transactions or valuation techniques based solely on observable market inputs.

Prior to 1st January 2005, financial assets were accounted for as follows:

Loans and advances

Loans and advances, other than those held in a dealing portfolio, are recorded in the balance sheet at cost, less interest in suspense debited to the customer's account, specific and general provisions. Advances held in a dealing portfolio for the purpose of trading on a secondary market are valued at the lower of cost and market value.

Investment securities

Investment securities are debt securities and equity shares intended for use on a continuing basis by the Group and identified as such. Investment securities are stated at cost less any provision for impairment. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on purchase over the period to redemption. The amortisation of premiums and discounts is included in interest receivable.

Other debt securities and equity shares are stated at market value and profits and losses arising from this revaluation are taken directly to the income

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statement through dealing profits. Listed securities are valued based on market prices, with long positions at bid and short positions at offer price. Unlisted securities are valued, based on the Directors' estimate, which takes into consideration discounted cash flows, price earnings ratios and other valuation techniques.

In the case of private equity investments, listed and unlisted investments are stated at cost less any provision for impairment.

11. Impairment of financial assets

From 1st January 2005

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets carried at amortised cost is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. Objective evidence that a financial asset or a portfolio is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;

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(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and receivables and assets held to maturity, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of

the loss is recognised using an allowance account and recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Equity securities acquired in exchange for loans and advances in order to achieve an orderly realisation are accounted for as a disposal of the loan and an acquisition of equity securities. Where control is obtained over an entity as a result of the transaction, the entity is consolidated. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business and not as an impairment of the original instrument.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt securities are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income

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statement. Increases in the fair value of equity shares after impairment are recognised directly in equity.

Prior to 1st January 2005

Specific provisions are raised when the Group considers that the creditworthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. Typically, this is done on an individual basis, although scope exists within the retail businesses, where the portfolio comprises homogeneous assets and where statistical techniques are appropriate, to raise specific provisions on a portfolio basis.

General provisions are raised to cover losses which are judged to be present in loans and advances at the balance sheet date, but which have not been specifically identified as such. These provisions are adjusted at least half yearly by an appropriate charge or release of general provision based on a statistical analysis. The accuracy of this analysis is periodically assessed against actual losses. Gradings are used to rate the credit quality of borrowers. Each grade corresponds to an Expected Default Frequency and is calculated by using manual or computer driven score-sheets validated by an analysis of the Group's own historical data. This grade can be derived from different sources depending upon the borrower (e.g. internal model, credit rating agency). The general provision also takes into account the economic climate in the market in which the Group operates and the level of security held in relation to each category of counterparty. The general provision includes a specifically identified element to cover country transfer risk calculated on a basis consistent with the overall general provision calculation. General provisions are created with respect to the recoverability of assets arising from off-balance sheet exposures in a manner consistent with the general provisioning methodology.

The aggregate specific and general provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against operating profit and are deducted from loans and advances. Impaired lendings are written off against the balance sheet asset and provision in part, or in whole, when the extent of the loss incurred has been confirmed.

If the collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the income statement. Although it continues to be charged to the customers' accounts, the suspense account in the balance sheet is netted against the relevant loan. If the collection of interest is considered to be remote, interest is no longer applied and suspended interest is written off. Loans on which interest is suspended are not reclassified as accruing interest until interest and principal payments are up to date and future payments are reasonably assured.

Assets acquired in exchange for advances in order to achieve an orderly realisation continue to be reported as advances. The asset acquired is recorded at the carrying value of the original advance updated as at the date of the exchange. Any subsequent impairment is accounted for as a specific provision.

12. Sale and repurchase agreements (including stock borrowing and lending)

From 1st January 2005

Investment and other securities may be lent or sold subject to a commitment to repurchase them (a repo). Such securities are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet as appropriate.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a reverse repo) but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the balance sheet.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

Prior to 1st January 2005

The cash legs of repos and reverse repos are included within loans and advances to banks, loans and advances to customers, deposits by banks and customer accounts. The Group aims to earn net interest income and net trading income from these activities, as well as funding its own holdings of securities. The difference between sale and repurchase and purchase and resale prices for such transactions, including dividends received where appropriate, is charged or credited to the income statement over the life of the relevant transactions.

13. Securitisation transactions

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Certain Group undertakings have issued debt securities or have entered into funding arrangements with lenders in order to finance specific loans and advances to customers.

From 1st January 2005

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless:

- (i) substantially all the risks and rewards associated with the financial instruments have been transferred, in which case, the assets are derecognised in full; or
- (ii) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement. Where (i) or (ii) above applies to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Transactions undertaken prior to 1st January 2004 that were accounted for on the basis of linked presentation under UK GAAP have been represented by separate recognition of the gross assets and the related funding in 2004.

14. Collateral and netting

The Group enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities.

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The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Netting

From 1st January 2005

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

Prior to 1st January 2005

Where the amounts owed by both the Group and the counterparty are determinable and in freely convertible currencies, and where the Group has the ability to insist on net settlement which is assured beyond doubt, and is based on a legal right under the netting agreement that would survive the insolvency of the counterparty, transactions with positive carrying values are netted against transactions with negative carrying values.

15. Derivatives and hedge accounting

Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions. In addition, the use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading activities. Derivatives entered into for hedging purposes and for trading purposes include foreign exchange, interest rate, credit, equity and commodity derivatives mainly in the form of swaps, forwards, options and combinations of these instrument types.

Derivatives

From 1st January 2005

Derivatives are measured initially at fair value and subsequently remeasured to fair value. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models as appropriate. All derivatives are included in assets when their fair value is positive, and liabilities when their fair value is negative, unless there is the legal ability and intention to settle net (as per accounting policy 14).

Prior to 1st January 2005

Derivatives entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, 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 and reduced by the effects of qualifying netting agreements with counterparties.

The fair value of derivatives is determined by calculating the expected cash flows under the terms of each specific contract, discounted back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models.

The effect of discounting expected cash flows back to present value is achieved by constructing discount curves derived from the market price of the most appropriate observable interest rate products such as deposits, interest rate futures and swaps. The calculation of fair value for any financial instrument may also require adjustment of the quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used), or to reflect hedging costs not captured in pricing models (to the extent they would be taken into account by a

market participant in determining a price).

Embedded derivatives

From 1st January 2005

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through income, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement.

Profits or losses cannot be recognised on the initial recognition of embedded derivatives unless the host contract is also carried at fair value.

Hedge accounting

From 1st January 2005

Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group discontinues hedge accounting when:

- (i) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
 - (ii) the derivative expires, or is sold, terminated, or exercised;
 - (iii) the hedged item matures or is sold or repaid; or
 - (iv) a forecast transaction is no longer deemed highly probable.
- In certain circumstances, the Group may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedging instrument.

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To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item; or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, the hedge is deemed ineffective. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement, in net interest income.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the fair value hedging adjustment cumulatively made to the carrying value of the hedged item is, for items carried at amortised cost, amortised over the period to maturity of the previously designated hedge relationship using the effective interest method. For available for sale items this fair value hedging adjustment remains in equity until the hedged item affects profit or loss.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in shareholders' equity, and recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Hedges of net investments

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of the net investment, are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is recognised directly in equity and the ineffective portion is recognised immediately in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement on the disposal or partial disposal of the foreign operation.

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative liability only the foreign exchange risk is designated as a hedge.

Derivatives that do not qualify for hedge accounting

Derivative contracts entered into as economic hedges that do not qualify for hedge accounting are held at fair value through profit or loss.

Hedge accounting is not generally applied to credit derivatives that are purchased to reduce credit risk for large portfolios of loans and receivables.

Prior to 1st January 2005

Derivatives used for hedging purposes are measured on an accruals basis consistent with the assets, liabilities, positions or future cash flows being hedged. The gains and losses on these instruments (arising from changes in fair value) are not recognised in the income statement immediately as they arise. Such gains are either not recognised in the balance sheet or are recognised and carried forward. When the hedged transaction occurs, the gain or loss is recognised in the income statement at the same time as the hedged item. The criteria required for a derivative instrument to be classified as a designated hedge are that:

- (i) the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged and which results from potential movements in market rates and credit risk; and

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

Designated hedges are reviewed for effectiveness by regular tests to determine that the hedge is closely negatively correlated to the designated hedged position in each and every identified time band in the maturity profile.

Profits and losses on interest rate swaps and options entered into for hedging purposes are measured on an accrual accounting basis, included in the related category of income and expense and reported as part of the yield on the hedged transaction. Amounts paid or received over the life of futures contracts are deferred until the contract is closed; accumulated deferred amounts on futures contracts and settlement amounts paid or received on forward contracts are accounted for as elements of the carrying value of the associated instrument, affecting the resulting yield.

A premium paid or received in respect of a credit derivative hedging an asset or liability is amortised over the life of the protection purchased or sold against either interest payable or interest receivable. Where a credit event occurs which triggers a recovery under the credit derivative, then the recovery will be offset against the profit and loss charge on the underlying asset or liability.

Foreign exchange contracts which qualify as hedges of foreign currency exposures, including positions relating to investments the Group makes outside the UK, are retranslated at the closing rate with any forward premium or discount recognised over the life of the contract in net interest income.

Profits and losses related to qualifying hedges, including foreign exchange contracts, of firm commitments and probable anticipated transactions are deferred and recognised in income or as adjustments to carrying amounts when the hedged transactions occur.

Hedging transactions that are superseded or cease to be effective are measured at fair value. Any profit or loss on these transactions, together with any profit or loss arising on hedging transactions that are terminated prior to the end of the life of the asset, are deferred and amortised into interest income or expense over the remaining life of the item previously being hedged. When the underlying asset, liability position or cash flow is terminated prior to the hedging transaction, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured on the fair value accounting basis, as described in the section on derivatives used for

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trading purposes below, prior to being transferred to the trading portfolio. The profit or loss arising from the fair value measurement prior to the transfer to the trading portfolio is included in the category of income or expense relating to the previously hedged transaction.

16. Property, plant and equipment

Property and equipment is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its economic life.

The Group uses the following annual rates in calculating depreciation:

Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property (less than 50 years to run)	Over the remaining life of the lease
Costs of adaptation of freehold and leasehold property ^(a)	7-10%
Equipment installed in freehold and leasehold property ^(a)	7-10%
Computers and similar equipment	20-33%
Fixtures and fittings and other equipment	10-20%

Note

(a) Where leasehold property has a remaining useful life of less than ten or 15 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life.

No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

17. Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiary and associated entities and joint ventures, and represents the excess of the fair value of the purchase consideration and direct costs of making the acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows.

Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill on acquisitions of associates and joint ventures is included in the amount of the investment. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

Computer software

Computer software is stated at cost, less amortisation and provisions for impairment, if any.

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

Capitalised computer software is amortised over three to five years.

Other intangible assets

Other intangible assets consist of brands, customer lists, licences and other contracts, core deposit intangibles and customer relationships. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method and the relief from royalty method that estimate net cash flows attributable to an asset over its economic life and discount to present value using an appropriate rate of return based on the cost of equity adjusted for risk.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 4-25 years.

18. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. Goodwill is subject to an impairment review as at the balance sheet date each year. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arms-length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets and goodwill are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount.

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The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised. Impairment losses on goodwill are not reversed. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets.

19. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities (facility guarantees), and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Other than where the fair value option is applied, subsequent to initial recognition, the bank s liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

Any increase in the liability relating to guarantees is taken to the income statement in Provisions for undrawn contractually committed facilities and guarantees provided. Any liability remaining is recognised in the income statement when the guarantee is discharged, cancelled or expires.

This is in accordance with the amendments to IAS 39 and IFRS 4, Financial Guarantee Contracts . This policy has been applied from 1st January 2004 and has had an immaterial impact on the 2004 income statement and earnings per share, and has reduced retained earnings by £34m as at 1st January 2004.

20. Issued debt and equity securities

From 1st January 2005

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable, or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the company. Financial instruments issued which contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method as set out in policy 9. Derivatives embedded in financial liabilities that are not designated at fair value are accounted for as set out in accounting policy 15.

Equity instruments, including share capital, are initially recognised at net proceeds, after deducting transaction costs and any related income tax. Dividend and other payments to equity holders are deducted from equity, net of any related tax.

Prior to 1st January 2005

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Debt securities in issue and similar securities are stated at the net issue proceeds adjusted for amortisation of premiums, discounts and expenses related to their issue where the liability is a fixed amount. Where the liability fluctuates, based on, for example, the performance of an index, then the debt security reflects the current value of the liability.

Loan capital in issue is stated at the net issue proceeds adjusted for amortisation of premiums, discounts and expenses related to their issue. Amortisation is calculated in order to achieve a constant yield across the life of the instrument.

21. Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares or options or the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Barclays PLC shareholders.

Treasury shares

Where the Company or any member of the Group purchases the Company's share capital, the consideration paid is deducted from shareholders equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

22. Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts.

From 1st January 2005

The Group has applied IFRS 4, Insurance contracts to insurance contracts and contracts with a discretionary participation feature from 1st January 2005. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are at least 5% more than the benefits that would be payable if the insured event does not occur.

Wealth management contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39, Financial Instruments: Recognition and Measurement.

Long-term insurance contracts

These contracts, insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due.

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Accounting policies

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income.

Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

Short-term insurance contracts

Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property, or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date, even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred not reported.

Deferred acquisition costs (DAC)

Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

Deferred income liability

Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

Value of business acquired

On acquisition of a portfolio of contracts, such as through the acquisition of a subsidiary, the Group recognises an intangible asset representing the value of business acquired (VOBA), representing the future profits embedded in acquired insurance contracts and investment contracts with a discretionary participation feature. The asset is amortised over the remaining terms of the acquired contracts.

Liability adequacy test

Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC and VOBA assets. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Where a deficiency is highlighted by the test, DAC and VOBA assets are written off first, and insurance liabilities increased when these are written off in full. Any deficiency is immediately recognised in the income statement.

Reinsurance

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Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there

is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly, resulting in a charge to the income statement.

Prior to 1st January 2005

Prior to 1st January 2005, the Group treated all products taking the legal form of an insurance contract as insurance contracts.

From 1st January 2004 the Group has chosen to change its accounting policy in relation to insurance contracts to use Modified Statutory Solvency Basis rather than an Embedded Value Basis to account for insurance policies in the UK. This change resulted in insurance contracts and investment contracts being accounted for on a similar basis and represents the most appropriate accounting policy in the circumstances. This change in policy reduced other operating income by £47m in 2004 and reduced retained earnings by £592m as at 1st January 2004. The impact on earnings per share was immaterial.

23. Leases

Lessor

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are included within property, plant and equipment on the Group's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Lessee

Operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

24. Employee benefits

The Group provides employees worldwide with post-retirement benefits mainly in the form of pensions. The Group operates a number of pension schemes which may be funded or unfunded and of a defined contribution or defined benefit nature. In addition, the Group contributes, according to local law in the various countries in which it operates, to governmental and other plans which have the characteristics of defined contribution plans.

For defined benefit schemes, actuarial valuation of each of the scheme's obligations, using the projected unit credit method and the fair valuation of each of the scheme's assets, are performed annually, using the assumptions set out in Note 38. The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognised actuarial gains or losses and past service cost, is recognised as a liability in the balance sheet. An asset, arising for example as a result of past overfunding or the performance of the plan investments, is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

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Cumulative actuarial gains and losses in excess of the greater of 10% of the assets or 10% of the obligations of the plan are recognised in the income statement over the remaining average service lives of the employees of the related plan, on a straight-line basis.

For defined contribution schemes, the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

The Group also provides health care benefits to certain retired employees, which are accrued as a liability in the financial statements over the period of employment, using a methodology similar to that for defined benefit pensions plans.

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses.

25. Share-based payments to employees

The Group engages in equity settled share-based payment transactions in respect of services received from certain of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that the services are received, which is the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that, ultimately, the amount recognised in the income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market-related vesting condition is met, provided that the non-market vesting conditions are met.

26. Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when

the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

27. Taxes, including deferred taxes

Income tax payable on taxable profits (current tax), is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred tax is provided in full, using the liability method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted, or substantially enacted, by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

28. Segment Reporting

Business segments are distinguishable components of the Group that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those of components operating in other economic environments. Business segments are the primary reporting segments. Group costs are allocated to segments on a reasonable and consistent basis. Transactions between segments are generally accounted for in accordance with Group policies as if the segment were a stand-alone business with intra-segment revenue and costs being eliminated in Head office.

The analyses by geographical segment are based on the location of the customer.

29. Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Trading balances, repurchase agreements and reverse repurchase agreements are not considered to be part of cash equivalents.

30. Trust activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

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Accounting presentation

Changes in Accounting Policy

As a result of the requirement to use the accounting policies applied as at 31st December 2005 to the IFRS transition and 2004 comparatives, there have been no changes in IFRS accounting policies. However, as permitted by IFRS 1, IAS 32, IAS 39 and IFRS 4 have not been applied to the 2004 comparatives. The impact of adopting these standards as at 1st January 2005 is set out in Note 62.

Changes in Accounting Estimates

The Group has undertaken a review of the actual useful economic lives of property, plant and equipment. As a result of this review, the assumed useful economic lives of the costs of adaptation of freehold and leasehold property installed in freehold and leasehold property have increased from 10 to a range of 10-15 years. The useful economic lives of fixtures and fittings and other equipment have increased from 5 to a range of 5-10 years. This change in accounting estimate better reflects historical experience and has been applied prospectively from 1st January 2005. This has reduced the depreciation charge for the year by £30m.

Future Accounting Developments

IFRS 7 (Financial Instruments Disclosures) and an amendment to IAS 1 (Presentation of Financial Statements) on capital disclosures were issued by the IASB in August 2005 for application in accounting periods beginning on or after 1st January 2007 and have been adopted by the European Commission. The new or revised disclosures will be adopted by the Group for reporting in 2007.

Consideration will be given early in 2006 to the implications, if any, of the following IFRIC interpretations issued during 2005 which first apply to accounting periods beginning on or after 1st January 2006:

I Interpretation 4 Determining whether an arrangement contains a lease

I Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

I Interpretation 6 Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment

Interpretation 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, first applies to accounting periods beginning on or after 1st March 2006. While this is unlikely to have any implications for the Group, if necessary, it will be applied from 1st January 2007.

US GAAP

Significant differences exist between accounting principles generally accepted under IFRS and those generally accepted in the US. The effect of US GAAP profit attributable to equity holders of the parent and shareholders equity excluding minority interests for Barclays PLC Group is set out in Note 63.

Acquisitions

On 1st June 2005, Barclays Asset and Sales Finance (BASF) acquired a 51% share and controlling stake in Fiat s Iveco Vehicle Finance Business. The transaction will expand BASF s commercial vehicle expertise.

On 30th June 2005, EnterCard, the joint venture between Barclays Bank PLC and FöreningsSparbanken (also known as Swedbank), which was announced on 4th February 2005, began operations. Barclays Bank PLC has a 50% economic interest in the joint venture. EnterCard provides credit cards in the Nordic market, initially in Sweden and Norway.

On 1st July 2005, Barclays acquired the wealth business of ING Securities Bank (France) consisting of ING Ferri and ING Private Banking.

On 9th May 2005, Barclays announced the terms of a recommended acquisition of a majority stake in Absa Group Limited (Absa). The acquisition was subject to a number of conditions, one of which was the approval of the South African Minister of Finance, under the Banks Act, 1990, of South Africa. As part of the Banks Act approval process, Barclays confirmed its long-term commitment to investing in South Africa pursuant to the acquisition of Absa and its intention to retain a controlling stake. Barclays also acknowledged the importance of maintaining the South African character of Absa, in which regard the Chairman of Absa, Dr Danie Cronjé, would continue to serve as chairman and would become a non-executive Director of Barclays PLC and Barclays Bank PLC and Dr Steve Booyesen would remain as Group Chief Executive of Absa. Three Barclays representatives were appointed to the Absa board. Barclays has consolidated Absa from 27th July 2005. As at 31st December 2005, Barclays shareholding was 377,527,453 ordinary shares (56.6%).

The acquisition was endorsed by Absa s black economic empowerment partner. Batho Bonke Capital (Proprietary) Limited and the Absa Share Ownership Trust hold redeemable cumulative option-holding preference shares in Absa. These redeemable preference shares have the same rights as ordinary shares, including voting rights (amounting to approximately 11% of the aggregate voting rights), save for the rights relating to dividends, redemption and option liquidation. Each redeemable preference share carries the option to acquire one Absa ordinary share at a discount to the market price during an option exercise period commencing on 2nd July 2007 and ending on 1st July 2009.

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Table of Contents**Consolidated accounts Barclays PLC****Consolidated income statement****Consolidated income statement**

For the year ended 31st December

	Notes	2005 £m	2004 £m
Continuing operations			
Interest income	2	17,232	13,880
Interest expense	2	(9,157)	(7,047)
Net interest income		8,075	6,833
Fee and commission income	3	6,430	5,509
Fee and commission expense	3	(725)	(662)
Net fee and commission income		5,705	4,847
Net trading income	4	2,321	1,487
Net investment income	4	858	1,027
Principal transactions		3,179	2,514
Net premiums from insurance contracts	5	872	1,042
Other income	6	147	131
		17,978	15,367

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Total income			
Net claims and benefits paid on insurance contracts	5	(645)	(1,259)
Total income net of insurance claims		17,333	14,108
Impairment charge and other credit provisions	7	(1,571)	(1,093)
Net income		15,762	13,015
Operating expenses excluding amortisation of intangible assets	8	(10,448)	(8,514)
Amortisation of intangible assets	28	(79)	(22)
Operating expenses		(10,527)	(8,536)
Share of post-tax results of associates and joint ventures	26	45	56
Profit on disposal of associates and joint ventures			45
Profit before tax		5,280	4,580
Tax	10	(1,439)	(1,279)
Net profit for the year		3,841	3,301
Profit attributable to minority interests	41	394	47
Profit attributable to equity holders of the parent		3,447	3,254
		3,841	3,301
		p	p
Earnings per share			
Basic earnings per share	11	54.4	51.0
Diluted earnings per share	11	52.6	49.8
Interim dividend per ordinary share		9.20	8.25
Proposed final dividend per ordinary share	1	17.40	15.75
Interim dividend		£m	£m
Proposed final dividend	1	582	528
The Board of Directors approved the accounts set out on pages 118 to 267 on 9th March 2006.		1,105	1,001

The accompanying notes form an integral part of the Consolidated Accounts.

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Table of Contents**Consolidated accounts Barclays PLC****Consolidated balance sheet**

Consolidated balance sheet

As at 31st December

	Notes	2005 £m	2004 £m
Assets			
Cash and balances at central banks		3,906	1,753
Items in the course of collection from other banks		1,901	1,772
Treasury bills and other eligible bills	12	n/a	6,658
Trading portfolio assets	13	155,723	n/a
Financial assets designated at fair value:			
held on own account	14	12,904	n/a
held in respect of linked liabilities to customers under investment contracts	14	83,193	n/a
Derivative financial instruments	15	136,823	n/a
Loans and advances to banks	16	31,105	80,632
Loans and advances to customers	17	268,896	262,409
Debt securities	19	n/a	130,311
Equity shares	20	n/a	11,399
Available for sale financial investments	21	53,497	n/a
Reverse repurchase agreements and cash collateral on securities borrowed	22	160,398	n/a
Other assets	23	4,620	25,915
Insurance assets, including unit-linked assets	25	114	8,576
Investments in associates and joint ventures	26	546	429
Goodwill	27	6,022	4,518
Intangible assets	28	1,269	139
Property, plant and equipment	29	2,754	2,282
Deferred tax assets	24	686	1,388
Total assets		924,357	538,181

The accompanying notes form an integral part of the Consolidated Accounts.

Matthew W Barrett Chairman**John Varley** Group Chief Executive**Naguib Kheraj** Group Finance Director

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Table of Contents**Consolidated balance sheet**

As at 31st December

		2005	2004
	Notes	£m	£m
Liabilities			
Deposits from banks	30	75,127	111,024
Items in the course of collection due to other banks		2,341	1,205
Customer accounts	31	238,684	217,492
Trading portfolio liabilities	13	71,564	n/a
Financial liabilities designated at fair value: held on own account	32	33,385	n/a
Liabilities to customers under investment contracts	14	85,201	n/a
Derivative financial instruments	15	137,971	n/a
Debt securities in issue	33	103,328	83,842
Repurchase agreements and cash collateral on securities lent	22	121,178	n/a
Other liabilities	34	11,131	82,936
Current tax liabilities	24	747	621
Insurance contract liabilities, including unit-linked liabilities	25	3,767	8,377
Subordinated liabilities:			
Undated loan capital non-convertible	35	4,397	6,149
Dated loan capital convertible	36	38	15
Dated loan capital non-convertible	36	8,028	6,113
Deferred tax liabilities	24	700	1,362
Other provisions for liabilities	37	517	416
Retirement benefit liabilities	38	1,823	1,865
Total liabilities		899,927	521,417
Shareholders equity			
Called up share capital	39	1,623	1,614
Share premium account	39	5,650	5,524
Available for sale reserve	40	225	n/a
Cash flow hedging reserve	40	70	n/a
Capital redemption reserve	40	309	309
Other capital reserve	40	617	617
Translation reserve	40	156	(58)
Retained earnings	40	8,957	7,983
Less: treasury shares	40	(181)	(119)
Shareholders equity excluding minority interests		17,426	15,870
Minority interests	41	7,004	894
Total shareholders equity		24,430	16,764
Total liabilities and shareholders equity		924,357	538,181
		2005	2004
	Note	£m	£m

Memorandum items:

Contingent liabilities:

Acceptances and endorsements
 Assets pledged as collateral security
 Other contingent liabilities

Commitments

The accompanying notes form an integral part of the Consolidated Accounts.

42		
	283	303
	38,035	30,011
	8,825	8,245
	47,143	38,559
	203,785	134,051

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Table of Contents**Consolidated accounts Barclays PLC****Consolidated statement of recognised income and expense****Consolidated statement of recognised income and expense**

For the year ended 31st December

	2005 £m	2004 £m
Available for sale reserve:		
Net losses from changes in fair value	(249)	n/a
Gains transferred to net profit on disposal	(120)	n/a
Losses transferred to net profit due to fair value hedging	260	n/a
Cash flow hedges:		
Net losses from changes in fair value	(50)	n/a
Gains transferred to net profit	(69)	n/a
Currency translation differences arising during the year	300	(58)
Tax	50	
Other	(102)	
Amounts included directly in equity	20	(58)
Net profit for the year	3,841	3,301
Total recognised income and expense for the year	3,861	3,243
Attributable to:		
Equity holders of the parent	3,379	3,196
Minority interests	482	47
	3,861	3,243
Effect of adoption of IAS 32, IAS 39 and IFRS 4 (Note 62) on shareholders equity:		
Equity holders of the parent	(583)	n/a
Minority interests	2,436	n/a
	1,853	n/a

The accompanying notes form an integral part of the Consolidated Accounts.

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Barclays PLC

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Table of Contents**Consolidated accounts Barclays PLC****Consolidated cash flow statement****Consolidated cash flow statement**

For the year ended 31st December

	Notes	2005 £m	2004 £m
Cash flows (used in)/from operating activities			
Cash used in operating activities	44	(18,221)	(583)
Interest paid		(23,319)	(13,857)
Interest received		32,124	20,301
Tax paid		(1,082)	(690)
Net cash (used in)/from operating activities		(10,498)	5,171
Cash flows (used in)/from investing activities			
Dividends received from associates, joint ventures and available for sale investments		23	15
Purchase of available for sale investments		(53,483)	(47,520)
Proceeds from sale and redemption of available for sale investments		51,111	41,163
Purchase of intangible assets		(91)	(64)
Purchase of property and equipment		(588)	(532)
Proceeds from sale of property and equipment		98	125
Acquisition of subsidiaries, net of cash acquired	45	(2,115)	(211)
Disposal of associates and joint ventures		40	47
Acquisition of associates and joint ventures		(176)	(21)
Net cash used in investing activities		(5,181)	(6,998)
Cash flows (used in)/from financing activities			
Dividends paid		(1,894)	(1,425)
Proceeds from borrowed funds and debt securities		1,179	666
Repayments of borrowed funds and debt securities		(464)	(611)
Issue of equity instruments		135	60
Repurchase of equity instruments			(699)
Purchase of treasury shares		(143)	(35)
Sale of treasury shares		3	
Net issue of shares to minority interests		2,273	740

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Net cash from non-recourse financing	14,030	4,264
Net cash from financing activities	15,119	2,960
Net gain on exchange rate changes on cash and cash equivalents	(237)	(470)
Net (decrease)/increase in cash and cash equivalents	(797)	663
Cash and cash equivalents at beginning of year^(a)	21,602	13,854
Cash and cash equivalents at end of year	20,805	14,517
Cash and cash equivalents comprise:		
Cash and balances with central banks	3,906	1,753
Cash equivalents	16,899	12,764
	20,805	14,517

The accompanying notes form an integral part of the Consolidated Accounts.

Note

(a) In 2005 the opening cash and cash equivalents balance has been adjusted to reflect the adoption of IAS 32 and IAS 39.

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Table of Contents**Accounts of Barclays PLC****Parent company accounts****Parent company accounts****Income statement for the year ended 31st December**

	2005 £m	2004 £m
Dividends received from subsidiary	2,012	2,138
Interest income	4	3
Management charge from subsidiary undertaking	(4)	(3)
Profit before tax	2,012	2,138
Tax		
Net profit for the year	2,012	2,138

Balance sheet as at 31st December

	Notes	2005 £m	2004 £m
Assets			
Non-current assets			
Investment in Barclays Bank PLC	46	8,462	8,327
Current assets			
Cash and balances at central banks		438	38
Other current assets		4	3
Total assets		8,904	8,368
Liabilities			
Current liabilities			
Amounts payable within one year		4	3

Shareholders equity		
Called up share capital	39	1,614
Share premium account	39	5,650
Capital redemption reserve	40	309
Retained earnings	40	1,318
Total shareholders equity		8,904
		8,365
Total liabilities and shareholders equity		8,904
		8,368

The accompanying notes form an integral part of the Accounts.

Matthew W Barrett Chairman

John Varley Group Chief Executive

Naguib Kheraj Group Finance Director

Barclays PLC

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Table of Contents[Statement of recognised income and expense](#)

For the year ended 31st December

	2005	2004
	£m	£m
Net profit for the year	2,012	2,138
Total recognised income and expense for the year	2,012	2,138
Attributable to:		
Equity holders of the parent	2,012	2,138

[Cash flow statement](#)

For the year ended 31st December

	2005	2004
	£m	£m
Cash flows (used in)/from operating activities		
Cash used in operating activities	(3)	(4)
Interest received	3	4
Tax paid		
Net cash from operating activities		
Cash flows (used in)/from investing activities		
Dividends received from subsidiary undertakings	2,012	2,138
Net cash from investing activities	2,012	2,138
Cash flows (used in)/from financing activities		
Dividends paid	(1,612)	(1,413)
Repurchase of ordinary shares		(699)
Net cash used in financing activities	(1,612)	(2,112)
Net increase in cash and cash equivalents	400	26
Cash and cash equivalents at beginning of year	38	12
Cash and cash equivalents at end of year	438	38

Cash and cash equivalents comprise:

Cash and balances with central banks

438 38

438 38

The accompanying notes form an integral part of the Accounts.

Barclays PLC

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****1 Dividends per share**

The Directors have recommended the final dividends in respect of 2005 of 17.4p per ordinary share of 25p each and 10p per staff share of £1 each, amounting to a total of £1,105m, which will be paid on 28th April 2006. The financial statements for the year ended 31st December 2005 do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31st December 2006. The financial statements to 31st December 2005 include the 2004 final dividend of £1,001m.

2 Net interest income

	2005 £m	2004 £m
Cash and balances with central banks	9	4
Financial investments	2,272	n/a
Debt securities	n/a	2,597
Loans and advances to banks	690	957
Loans and advances to customers	12,944	10,312
Other	1,317	10
Interest income	17,232	13,880
Deposits from banks	(2,056)	(1,535)
Customer accounts	(2,715)	(2,053)
Debt securities in issue	(3,268)	(1,569)
Subordinated liabilities	(605)	(692)
Other	(513)	(1,198)
Interest expense	(9,157)	(7,047)
Net interest income	8,075	6,833

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Interest income includes £76m (2004: n/a) accrued on impaired loans.

In 2005, other interest income principally includes interest income relating to reverse repurchase agreements. In 2004, such income was classified within the loans and advances to banks and the loans and advances to customers categories. Similarly, other interest expense principally includes expenditure relating to repurchase agreements. In 2004, the expenditure was included within deposits from banks and customer accounts.

Included in net interest income is hedge ineffectiveness as detailed in Note 15.

3 Net fee and commission income

	2005 £m	2004 £m
Fee and commission income		
Brokerage fees	64	27
Investment management fees	1,250	821
Securities lending	151	111
Securities trading and investment activity fees	1,465	959
Banking and credit related fees and commissions	4,805	4,386
Foreign exchange commission	160	164
Fee and commission income	6,430	5,509
Fee and commission expense	(725)	(662)
Net fee and commission income	5,705	4,847

Barclays PLC

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Table of Contents**4 Principal transactions**

	2005 £m	2004 £m
Rates related business	1,732	1,141
Credit related business	589	346
Net trading income	2,321	1,487
Gain from disposal of available for sale assets/investment securities	120	45
Dividend income on equity investments	22	17
Net gain from financial instruments designated at fair value	389	n/a
Income from assets backing insurance policies	n/a	717
Other investment income	327	248
Net investment income	858	1,027
Principal transactions	3,179	2,514

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

The gain/loss from disposal of available for sale assets was calculated on an instrument by instrument basis.

Of the total net trading income, £498m (2004: £556m) was earned on securities and £340m (2004: £213m) was earned in dealings in foreign currencies.

Rates, which includes fixed income, foreign exchange, commodities, emerging markets, money markets sales, trading and research, prime services and equity products; Credit, which includes primary and secondary activities for loans and bonds for investment grade, high yield and emerging market credits, as well as hybrid capital products, asset based finance, commercial mortgage backed securities, credit derivatives, structured capital markets and large asset leasing.

Following the application of IAS 39 at 1st January 2005, certain assets and liabilities have been designated at fair value. Fair value movements on these items have been reported within net trading income or within net investment income depending on the nature of the transaction.

The net gain on financial assets designated as at fair value and included within principal transactions was £391m (2004: n/a). The net loss on financial liabilities designated at fair value and included within principal transactions was £666m (2004: n/a). In many cases these changes in fair values were offset by changes in fair values of other financial instruments, or by transactions which have been realised.

5 Insurance premiums and insurance claims and benefits

2005	2004
£m	£m

Gross premiums from insurance contracts	909	1,069
Premiums ceded to reinsurers	(37)	(27)
Net premiums from insurance contracts	872	1,042

2005

£m

2004
£m

Gross claims and benefits paid on insurance contracts	694	1,275
Reinsurers' share of claims paid	(49)	(16)
Net claims and benefits paid on insurance contracts	645	1,259

6 Other income

2005
£m

2004
£m

Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	9,234	n/a
Increase in liabilities held in respect of linked liabilities to customers under investment contracts	(9,234)	n/a
Property rentals	54	46
Other income	93	85
Other income	147	131

Included in other income are sub-lease payments of £18m (2004: £12m).

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****7 Impairment charge and other credit provisions**

	2005 £m	2004 £m
Impairment charges		
The charges for the period in respect of impairment for loans and advances comprise:		
New and increased	2,129	1,755
Reversals	(333)	(396)
Recoveries	(222)	(255)
Total impairment charges for loans and advances	1,574	1,104
Impairment on available for sale investments	4	n/a
Other credit provisions		
Releases for the period in respect of provision for undrawn contractually committed facilities and guarantees provided	(7)	(11)
Impairment charge and other credit provisions	1,571	1,093

8 Operating expenses excluding amortisation of intangible assets

	2005 £m	2004 £m
Staff costs (Note 9)	6,318	5,227
Administrative expenses	3,443	2,766
Depreciation (Note 29)	362	297
Impairment loss on intangible assets (Note 28)	9	9
Operating lease rentals	316	215
Operating expenses excluding amortisation of intangible assets	10,448	8,514

The gain/loss recognised in profit or loss in the year due to foreign exchange translation, except for those arising on financial instruments measured at fair value through profit or loss, was a gain of £19m in 2005 and a loss of £42m in 2004.

Auditors remuneration

Total auditors remuneration in relation to statutory audit was £15m (2004: £7m) which included £3m (2004: £nil) paid to auditors other than PricewaterhouseCoopers LLP and its affiliated firms.

Amounts paid and payable to the Group's principal auditors PricewaterhouseCoopers LLP and its affiliated firms, were as follows:

	2005 £m	2004 £m
Audit related		
Group statutory	12	7
Regulatory	5	5
Further assurance services	5	3
Taxation services		
Compliance	3	3
Advisory	1	2
Other services		
Transaction support	3	2
Total principal auditors remuneration	29	22

The figures shown in the above table include amounts paid in the United Kingdom to PricewaterhouseCoopers LLP. Fees for audit services above include all amounts paid to the Group's auditors in their capacity as such.

Further assurance services include internal control reviews, attestation services not required by statute or regulation and consultation concerning financial accounting and reporting standards.

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

Transaction support services includes due diligence related to transactions and accounting consultations and audits in connection with transactions.

Total auditors remuneration includes £0.25m (2004: £0.30m) in relation to the audit of Barclays pension schemes.

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Table of Contents**9 Staff costs**

	2005 £m	2004 £m
Salaries and accrued incentive payments	5,036	4,098
Social security costs	412	339
Pension costs – defined contribution plans	76	92
Pension costs – defined benefit plans (Note 38)	271	235
Other post-retirement benefits (Note 38)	27	29
Other	496	434
Staff costs	6,318	5,227

Included in salaries and accrued incentive payments is £338m (2004: £204m) arising from equity settled share-based payments, and £nil (2004: £nil) arising from cash settled share-based payments.

The average number of persons employed by the Group worldwide during the year, excluding agency staff, was 92,800 (2004: 77,000).

10 Tax

The charge for tax is based upon the effective UK corporation tax rate of 30% (2004: 30%) and comprises:

	2005 £m	2004 £m
Current tax		
Current year	1,598	1,252
Adjustment for prior years	(59)	(48)
Benefit of previously unrecognised tax losses, tax credits and temporary differences	(15)	(12)
Total	1,524	1,192
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	(7)	65
Adjustment for prior years	(71)	22
Other	(7)	
Total	(85)	87
Tax charge	1,439	1,279
	2005 £m	2004 £m
Current tax		
United Kingdom	1,013	938

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Overseas	511	254
Total	1,524	1,192
Deferred tax (credit)/charge		
United Kingdom	(52)	90
Overseas	(33)	(3)
Total	(85)	87
Tax charge	1,439	1,279

Available overseas tax credits of £270m (2004: £360m) have been applied to reduce UK tax in accordance with UK legislation.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****10 Tax (continued)**

The tax for the year in 2004 and 2005 is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are set out below:

	2005 £m	2004 £m
Profit before tax	5,280	4,580
Tax charge at average UK corporation tax rate of 30% (2004: 30%)	1,584	1,374
Adjustment for prior years	(130)	(26)
Differing overseas tax rates	(35)	(110)
Income not taxable	(129)	(51)
Share-based payments	(12)	
Deferred tax assets not recognised	(7)	24
Other non-allowable expenses	214	88
Other items	(46)	(20)
Overall tax charge	1,439	1,279
Effective tax rate	27%	28%

11 Earnings per share

	2005 £m	2004 £m
Profit attributable to equity holders of parent from continuing operations	3,447	3,254
Dilutive impact of convertible options	(38)	(16)
Profit attributable to equity holders of parent including dilutive impact of convertible options	3,409	3,238

2005
million 2004
million

Number of basic weighted average number of shares	6,337	6,381
Number of potential ordinary shares	149	124

Diluted weighted average number of shares **6,486** 6,505

Basic earnings per share	54.4	51.0
Diluted earnings per share	52.6	49.8

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares excluding own shares held in employee benefits trusts, currently not vested.

When calculating the diluted earnings per share, the profit attributable to equity holders of the parent is adjusted for the conversion of outstanding options into shares within certain subsidiary entities. The weighted average number of ordinary shares excluding own shares held in employee benefit trusts, currently not vested, is adjusted for the effects of all dilutive potential ordinary shares, totalling 149 million (2004: 124 million).

Options outstanding at the year end which were not dilutive, but could potentially dilute earnings per share in the future, were 170 million (2004: 208 million). These were excluded from the diluted earnings per share calculation due to certain criteria not met at the year end.

Subsequent to the balance sheet date, the Group continued to make further on-market purchases of treasury shares, under its various employee share schemes. No adjustment has been made to earnings per share in respect of these purchases.

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Table of Contents**12 Treasury bills and other eligible bills**

	2004 £m
Treasury bills	6,438
Other eligible bills	220

Treasury bills and other eligible bills 6,658

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 £3,438m at 31st December 2004.

From 1st January 2005 treasury bills and other eligible bills have been classified and measured in accordance with IAS 39 and classified as available for sale financial investments or trading assets as appropriate. See Note 62.

13 Trading portfolio

	2005 £m
Trading portfolio assets	
Treasury and other eligible bills	6,074
Debt securities	
United Kingdom government bonds	4,786
Other government bonds	46,426
Other mortgage and asset backed securities	10,290
Bank and building society certificates of deposit	15,837
Other issuers	51,028
thereof:	
Listed	74,458
Unlisted	53,909
Debt securities	128,367
Equity securities	
Listed	15,177
Unlisted	5,122
	20,299

Equity securities

Traded loans

408

London Metal Exchange warrants and other metals trading positions

575

Trading portfolio assets

155,723

Trading portfolio liabilities

Treasury bills and other eligible bills

(1,120)

Debt securities

United Kingdom government bonds

(7,784)

Other government bonds

(44,601)

Other mortgage and asset backed securities

(40)

Bank and building society certificates of deposit

(45)

Other issuers

(9,903)

thereof:

Listed

(45,219)

Unlisted

(17,154)

Debt securities

(62,373)

Equity securities

Listed

(8,044)

Unlisted

(27)

Equity securities

(8,071)

Traded deposits

Trading portfolio liabilities

(71,564)

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****14 Financial assets designated at fair value****Held on own account**

	2005 £m
Loans and advances designated at fair value	8,600
Other financial assets designated at fair value	4,304
Financial assets designated at fair value held on own account	12,904
Credit risk on loans and advances designated at fair value	

The maximum exposure to credit risk on loans and advances designated at fair value at 31st December 2005 was £8,600m (2004: n/a). The amount by which related credit derivatives and similar instruments mitigate the exposure to credit risk at 31st December 2005 was £2,505m (2004: n/a).

The net gain attributable to changes in credit risk for loans and advances designated at fair value was £3m in 2005 (2004: n/a). The gains or losses on related credit derivatives was £nil for the year (2004: n/a).

The cumulative net gain attributable to changes in credit risk for loans and advances designated at fair value since initial recognition is £3m at 31st December 2005 (2004: n/a). The cumulative change in fair value of related credit derivatives at 31st December 2005 is £nil (2004: n/a).

Securitisations of loans and advances designated at fair value

During the year, Barclays acquired and then securitised static pools of residential mortgage loans which were originated by unaffiliated mortgage companies. The securitisations were effected through the sale of mortgage loans to trusts, which issue notes to fund the acquisition of these loans. The notes were underwritten by Barclays and sold to third-party investors. The offering circulars for the issues of the notes stated that they were the obligations of the respective trust only and are not guaranteed by, or the responsibility of, any other party.

Loans and advances designated at fair value include balances that have been securitised, and continue to be partially recognised to the extent of the Group's continuing involvement in the original asset. These retained interests are in the form of interest only strips and represent a continuing exposure to the prepayment and credit risk of the underlying securitised assets. The total amount of loans designated at fair value which have been securitised and derecognised on a continuing involvement basis is £6,291m (2004: n/a). The total amount of the continuing involvement asset which has been designated at fair value that we continue to partially recognise is £175m (2004: n/a).

Held in respect of linked liabilities to customers under investment contracts/liabilities arising from investment contracts

2005

	£m
Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts	83,193
Cash and bank balances within the funds	2,008

Assets held in respect of linked liabilities to customers under investment contracts

85,201

Liabilities to customers under investment contracts

(85,201)

A portion of the Group's fund management business takes the legal form of insurance policies, under which legal title to the underlying investment is held by the Group, but the inherent risks/rewards in the investments are borne by the customer. In the normal course of business, the Group's financial interest in such investments is restricted to fees for investment management services.

Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to the policyholders.

In the balance sheet, the assets are included as "Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts". Cash balances within the portfolio have been included in the Group's cash balances. The associated obligation to deliver the value of the investments to customers at their fair value on balance sheet date is included as "Liabilities to customers under investment contracts".

The increase/decrease in the value arising from the return on the investments and the corresponding increase/decrease in linked liabilities to customers is included in the Other income note in Note 6.

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Table of Contents**15 Derivative financial instruments****Financial instruments**

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in Note 54 under the headings, Financial Risk Management, Interest Rate Risk, Credit Risk, Currency Risk and Liquidity Risk.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arms-length transaction, calculated at market rates current at the balance sheet date.

The disclosure of financial instruments in respect of 2004, excluding the impact of IAS 32, IAS 39 and IFRS 4, can be found in Note 60.

The fair values and notional amounts of derivative instruments held for trading are set out in the following table:

Year ended 31st December 2005	Notional contract amount £m	2005 Fair value	
		Assets £m	Liabilities £m
Derivatives held for trading			
Foreign exchange derivatives			
Forward foreign exchange	585,635	7,574	(6,707)
Currency swaps	351,319	8,316	(8,045)
OTC options bought and sold	244,810	2,595	(2,516)
OTC derivatives			
Exchange traded futures bought and sold	1,181,764	18,485	(17,268)
Exchange traded options bought and sold	2,304		
	6		
Foreign exchange derivatives	1,184,074	18,485	(17,268)
Interest rate derivatives			
Interest rate swaps	7,311,939	68,341	(67,669)
Forward rate agreements	1,345,368	431	(434)
OTC options bought and sold	1,267,683	12,256	(11,598)
OTC derivatives	9,924,990	81,028	(79,701)
Exchange traded futures bought and sold	1,862,606		
Exchange traded options bought and sold	826,351		
Exchange traded swaps	2,760,110		
Interest rate derivatives	15,374,057	81,028	(79,701)

Credit derivatives

Swaps

609,381 4,172 (4,806)

Equity and stock index derivatives

OTC options bought and sold

208,068 9,974 (13,067)

Equity swaps and forwards

8,108 328 (164)

OTC derivatives

216,176 10,302 (13,231)

Exchange traded futures bought and sold

52,454

Exchange traded options bought and sold

26,789

Equity and stock index derivatives

295,419 10,302 (13,231)

Commodity derivatives

OTC options bought and sold

68,377 4,070 (3,881)

Commodity swaps and forwards

211,541 17,674 (17,336)

OTC derivatives

279,918 21,744 (21,217)

Exchange traded futures bought and sold

50,244

Exchange traded options bought and sold

11,871 435 (680)

Commodity derivatives

342,033 22,179 (21,897)

Derivative assets/(liabilities) held for trading

17,804,964 136,166 (136,903)

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****15 Derivative financial instruments (continued)**

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

Year ended 31st December 2005	Notional contract amount £m	2005 Fair value	
		Assets £m	Liabilities £m
Derivatives held for risk management			
Derivatives designated as cash flow hedges			
Currency swaps	14	1	
Interest rate swaps	27,042	230	(290)
OTC interest rate options bought	782	1	
Exchange traded interest rate swaps	11,899		
Commodity swaps and forwards	343		(193)
Derivatives designated as cash flow hedges	40,080	232	(483)
Derivatives designated as fair value hedges			
Currency swaps	1,686		(81)
Interest rate swaps	29,394	387	(190)
Equity options	1,084	36	(46)
Forward foreign exchange	28		(14)
OTC interest rate options bought	1,287		
Derivatives designated as fair value hedges	33,479	423	(331)
Derivatives designated as hedges of net investments			
Currency swaps	5,919	2	(254)
Derivatives designated as hedges of net investment	5,919	2	(254)
	79,478	657	(1,068)

Derivative assets/(liabilities) held for risk management

The Group's total derivative asset and liability position as reported on the balance sheet is as follows:

	Notional contract amount £m	2005 Fair value	
		Assets £m	Liabilities £m
Year ended 31st December 2005			
Total derivative assets/(liabilities) held for trading	17,804,964	136,166	(136,903)
Total derivative assets/(liabilities) held for risk management	79,478	657	(1,068)
	17,884,442	136,823	(137,971)

Recognised derivative assets/(liabilities)

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	Total	Up to one	Between	Between	Between	Between	More than
		year	one to two	two to three	three to four	four to five	five years
	£m	£m	£m	£m	£m	£m	£m
Forecast receivable cash flows	3,230	779	768	704	458	265	256
Forecast payable cash flows	2,300	358	350	337	287	238	730

The maximum length of time over which the Group is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments is 29 years.

No gain or loss on forecast transactions accorded hedge accounting in 2005 that are no longer expected to occur remains in equity.

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Table of Contents**15 Derivative financial instruments (continued)**

The amount of movement in fair value that has been recognised in net interest income in relation to ineffectiveness is:

	Cash flow hedges	2005 Fair value hedges	Hedge of net investment
	£m	£m	£m
Ineffectiveness	(34)	40	(5)

16 Loans and advances to banks

	2005 £m	2004 £m
Repayable:		
on demand	3,929	1,699
not more than three months	15,921	12,321
over three months but not more than one year	5,175	2,105
over one year but not more than five years	2,631	1,552
over five years	3,453	1,903
Total	31,109	19,580
Reverse repurchase agreements	n/a	61,075
Less: Allowance for impairment/provisions (Note 18)	(4)	(23)
Loans and advances to banks	31,105	80,632
By geographical area		
United Kingdom	4,624	3,949
Other European Union	5,423	1,813
United States	13,267	7,668
Africa	880	425
Rest of the World	6,915	5,725
Total	31,109	19,580
Reverse repurchase agreements	n/a	61,075
Less: Allowance for impairment/provisions (Note 18)	(4)	(23)
Loans and advances to banks	31,105	80,632

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The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £1,218m at 31st December 2005 (2004: £621m).

Information relating to effective interest rates can be found in Note 55.

The geographical analysis is based on the location of the customer to which the lendings are made.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****17 Loans and advances to customers**

	2005	2004
	£m	£m
Retail business	144,039	106,296
Wholesale business	128,303	100,497
	272,342	206,793
Reverse repurchase agreements	n/a	58,304
Less: Allowances for impairment/provisions (Note 18)	(3,446)	(2,688)
Loans and advances to customers	268,896	262,409
Repayable:		
on demand	34,945	17,706
not more than three months	44,280	31,118
over three months but not more than one year	33,202	26,462
over one year but not more than five years	59,221	32,699
over five years	100,694	98,808
	272,342	206,793
Reverse repurchase agreements	n/a	58,304
Less: Allowance for impairment/provisions (Note 18)	(3,446)	(2,688)
Loans and advances to customers	268,896	262,409
By geographical area		
United Kingdom	163,759	146,248
Other European Union	38,923	26,210
United States	22,925	20,982
Africa	33,221	2,759
Rest of the World	13,514	10,594
	272,342	206,793
Reverse repurchase agreements	n/a	58,304
Less: Allowance for impairment/provisions (Note 18)	(3,446)	(2,688)
	268,896	262,409

Loans and advances to customers**Loans and advances to customers by industry**

	2005	2004
At 31st December	£m	£m
Financial services	43,102	25,132
Agriculture, forestry and fishing	3,785	2,345
Manufacturing	13,779	9,044
Construction	5,020	3,278
Property	16,325	8,992
Energy and water	6,891	3,709
Wholesale and retail, distribution and leisure	17,760	11,099
Transport	5,960	3,742
Postal and communication	1,313	834
Business and other services	24,247	23,223
Home loans	89,529	80,855
Other personal	35,543	27,602
Finance lease receivables	9,088	6,938
	272,342	206,793
Reverse repurchase agreements	n/a	58,304
Less: Allowance for impairment/provisions (Note 18)	(3,446)	(2,688)
Loans and advances to customers	268,896	262,409

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Table of Contents**17 Loans and advances to customers (continued)****Loans and advances to customers in the UK**

	2005	2004
	£m	£m
At 31st December		
Financial services	11,958	8,774
Agriculture, forestry and fishing	2,409	1,963
Manufacturing	8,469	5,684
Construction	3,090	2,285
Property	10,547	7,912
Energy and water	2,701	802
Wholesale and retail distribution and leisure	12,747	9,356
Transport	2,797	1,822
Postal and communication	455	440
Business and other services	15,403	13,439
Home loans	61,256	63,039
Other personal	26,724	25,181
Finance lease receivables	5,203	5,551
Loans and advances to customers in the UK	163,759	146,248

Loans and advances to customers outside the UK

	2005	2004
	£m	£m
At 31st December		
Financial services	31,144	16,358
Agriculture, forestry and fishing	1,376	382
Manufacturing	5,310	3,360
Construction	1,930	993
Property	5,778	1,080
Energy and water	4,190	2,907
Wholesale and retail distribution and leisure	5,013	1,743
Transport	3,163	1,920
Postal and communication	858	394
Business and other services	8,844	9,784
Home loans	28,273	17,816
Other personal	8,819	2,421
Finance lease receivables	3,885	1,387
Loans and advances to customers outside the UK	108,583	60,545

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****17 Loans and advances to customers (continued)**

The geographical analysis is based on the location of the customer to which the lendings are made.

Effective interest rates are included in Note 55.

Loans and advances to customers include the following finance lease receivables:

	2005 £m	2004 £m
Gross investment in finance lease receivables		
Not more than one year	2,038	1,351
Over one year but not more than five years	5,345	2,995
Over five years	5,252	6,535
	12,635	10,881
Less unearned future finance income on finance leases	(3,547)	(3,943)
Net investment in finance leases		
Not more than one year	1,524	998
Over one year but not more than five years	4,123	1,914
Over five years	3,441	4,026
Total	9,088	6,938
Unguaranteed residual values included in finance lease receivables:		
Not more than one year	61	4
Over one year but not more than five years	113	7
Over five years	31	7
Total	205	18
The allowance for uncollectable finance lease receivables included in the allowance for impairment amounted to £11m at 31st December 2005 (2004: £14m).		

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Assets acquired in the year for renting under finance leases amounted to £2,674m (2004: £1,572m).

Barclays Asset and Sales Finance (BASF) specialises in asset-based lending and works with a broad range of international technology, industrial equipment and commercial companies and provides customised finance programmes to help manufacturers, dealers and distributors of assets.

During the year, Barclays Mercantile Business Finance Limited, (a wholly owned subsidiary of Barclays Bank PLC and the main operating entity within BASF) acquired a 51% share in Iveco Finance Holdings Limited. Iveco Finance Holdings Limited is the holding company for the Iveco Finance group of companies, whose principal activity is the provision of hire purchase, finance leasing, instalment loans and contract and contract hire solutions for the Iveco commercial vehicle operations.

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both UK and overseas residential mortgages and commercial and credit card loans. Beneficial interests in the loans were transferred to special purpose entities which in turn issued floating rate debt securities. Barclays PLC and its subsidiaries are not obliged to support any losses that may be suffered by the noteholders and do not intend to offer such support. The floating rate noteholders only receive payments of interest and principal to the extent that the special purpose vehicles have received sufficient funds from the transferred loans and after certain expenses have been met. In the event of a deficiency, they have no recourse whatsoever to the Group.

A proportion of the Barclaycard personal credit card and charge card portfolio in the UK was also securitised. The noteholders in this securitisation have a proportionate interest in each balance in the portfolio.

The total amounts of loans subject to securitisation are £18,594m (2004: £4,314m) and the related funding received is £18,420m (2004: £3,859m) (see Note 33), included in Debt Securities in issue.

Of the total loans securitised in 2005, £5bn relates to the securitisation of commercial loans utilising a credit default swap. Noteholders have exposure to the credit risk of the securitised commercial loan portfolio and in the event of a loss, have no recourse to the Group.

The Bank participates in the securitisation through the provision of administration and other services, the provision of interest rate and currency swaps and in the form of unsecured loan financing which is subordinate to the interests of the floating rate noteholders.

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Table of Contents**18 Allowance for impairment/provisions for bad and doubtful debts**

Movement in the allowance for impairment/provisions for bad and doubtful debts is as follows:

	2005 £m	2004 £m
At beginning of year^(a)	2,637	2,946
Acquisitions and disposals	555	21
Unwind of discount	(76)	n/a
Exchange and other adjustments	125	(33)
Amounts written off	(1,587)	(1,582)
Recoveries	222	255
Amounts charged against profit ^(b)	1,574	1,104
At end of year	3,450	2,711

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the balance sheet date. For the retail and small business portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics, statistical techniques are used to calculate impairment allowances on a portfolio basis. These models do not contain judgemental inputs. The impairment charge in relation to retail and small business portfolios is £1,254m or 80% of the total impairment charge in 2005. For larger accounts, impairment allowances are calculated on an individual basis using discounted expected future cash flows. Subjective judgements are made in this process. Changes in these estimates could result in a change in allowances and have a direct impact on the impairment charge. However, the impairment charge in relation to larger accounts is £320m or 20% of the total impairment charge in 2005.

	2005 £m	2004 £m
Allowance for impairment/provisions for bad and doubtful debts at 31st December		
United Kingdom	2,266	1,683
Other European Union	284	149
United States	130	155
Africa	647	70
Rest of the World	123	90
General Provisions	n/a	564
Allowance for impairment/provisions for bad and doubtful debts at 31st December	3,450	2,711

	2005 £m	2004 £m
Non-performing loans		
Impaired loans	4,550	n/a
Non-accrual loans	n/a	2,115
Accruing loans where interest is being suspended with or without provision	n/a	492
Other accruing loans against which provisions have been made	n/a	943
	4,550	3,550

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Accruing loans which are contractually overdue 90 days or more as to principal or interest	609	550
Restructured loans	51	15
Non-performing loans	5,210	4,115

Notes

- (a) The 2005 opening balance has been adjusted to reflect the application of IAS 32, IAS 39 and IFRS 4.
- (b) Does not reflect the impairment on available for sale investments or other credit risk provisions in 2005.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****19 Debt securities**

The following tables show the unrealised gains and losses not recognised in the income statement for the year ended 2004.

From 1st January 2005 debt securities have been classified and measured in accordance with IAS 39 and classified as available for sale financial investments or trading assets as appropriate. See Note 62.

	Balance sheet	2004 Gross unrealised gains	2004 Gross unrealised losses	Valuation
	£m	£m	£m	£m
Investment securities				
United Kingdom government	18			18
Other government	11,858	200	(7)	12,051
Other public bodies	21			21
Mortgage and asset backed securities	8,260	3	(29)	8,234
Corporate issuers	17,029	41	(8)	17,062
Other issuers	5,531	22	(4)	5,549
Investment securities	42,717	266	(48)	42,935
Other debt securities				
United Kingdom government	2,567			2,567
Other government	37,438			37,438
Other public bodies	8,177			8,177
Bank and building society certificates of deposit	7,063			7,063
Other issuers	32,349			32,349
Other debt securities	87,594			87,594
Debt securities	130,311	266	(48)	130,529

2004

	Cost	Provisions	Balance sheet
	£m	£m	£m
Movements in investment securities			
At beginning of year	40,860	(65)	40,795
Exchange and other adjustments	(1,158)		(1,158)
Acquisitions and transfers	44,114		44,114
Redemption of Investment securities	(18,441)		(18,441)
Sale of Investment securities	(22,486)	18	(22,468)
Provisions raised		(12)	(12)
Amortisation of discounts and premiums	(113)		(113)
At end of year	42,776	(59)	42,717

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Table of Contents**19 Debt securities (continued)**

The total value of debt securities at 31st December 2004 includes securities which are subject to sale and repurchase agreements of £58,557m, unamortised net premium on investment securities of £319m and holdings by the Group of debt securities of £nil issued by associates and joint ventures. The value of securities due within one year at 31st December 2004 was £13,399m.

The Group has a portfolio of investment debt securities, a large portion of which are subject to limited recourse financing. This portfolio, with a Sterling equivalent book value of £4,782m is included in the total above, with the financing reported in Deposits by banks and Debt securities in issue. At 31st December 2004, the Group's net exposure to these investment Debt securities, after taking into account the limited recourse financing, was £1,149m.

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m.

Gross gains of £34m and gross losses of £16m were realised on the sale of investment securities using an average weighted cost approach.

Other debt securities are held at valuation. The cost of other debt securities is not available and would be unreasonably expensive to obtain.

Of the total debt securities disclosed above, £81,146m were listed on a recognised exchange. These listed debt securities had a market value of £81,342m.

	Maturing within one year	Maturing after one but within five years	Maturing after five but within ten years	Maturing after ten years	Total £m
Maturities of investment debt securities	£m	£m	£m	£m	
Government	2,271	5,660	3,609	336	11,876
Other public bodies	9	12			21
Other issuers	9,661	16,041	1,013	4,105	30,820
Total book value	11,941	21,713	4,622	4,441	42,717
Total valuation	11,960	21,819	4,691	4,465	42,935

20 Equity shares

2004	
Balance	Valuation
sheet	£m
	£m
	526
	746

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Investment securities		10,873	10,873
Other securities			
Equity shares		11,399	11,619
		2004	Balance
	Cost	Provisions	sheet
Movements in investment securities	£m	£m	£m
At beginning of year	210	(19)	191
Acquisitions and transfers	420	(2)	418
Sale of investment securities	(73)		(73)
Exchange and other	(10)		(10)
At end of year	547	(21)	526

Gross unrealised gains on equity shares amounted to £220m. Gross unrealised losses amounted to £nil.

Gross gains of £200m and gross losses of £nil were realised on the sale of investment securities.

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

Of the total equity shares disclosed above, £9,675m were listed on a recognised exchange. These listed equity securities had a market value of £9,753m.

From 1st January 2005, equity shares have been classified and measured in accordance with IAS 39 and classified as available for sale financial investments or trading assets as appropriate. See Note 62.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****21 Available for sale financial investments**

	2005
	£m
Debt securities	50,024
Equity securities	1,250
Treasury bills and other eligible bills	2,223
Available for sale financial investments	53,497
	2005
	£m
Movement in available for sale financial investments	
At beginning of year	48,097
Exchange and other adjustments	1,791
Acquisitions and transfers	54,556
Disposals (sale and redemption)	(50,609)
Losses from changes in fair value recognised in equity	(248)
Impairment	(4)
Amortisation of discounts/premium	(86)
At end of year	53,497

The following table analyses the book value of securities under IFRS, which are carried at fair value.

Amortised	2005		Book
	Available for sale securities		
Cost	Gross	Gross	value
£m	unrealised	unrealised	£m
	gains	losses	

		£m	£m	
Debt securities				
United Kingdom government	31			31
Other government	14,827	83	(50)	14,860
Other public bodies	216	2	(2)	216
Mortgage and asset backed securities	3,062			3,062
Corporate issuers	25,597	101	(108)	25,590
Other issuers	6,257	17	(9)	6,265
Total debt securities	49,990	203	(169)	50,024
Equity securities	1,007	247	(4)	1,250
Treasury bills and other eligible bills	2,223			2,223
Available for sale financial investments	53,220	450	(173)	53,497

Gross gains of £318m and gross losses of £198m have been realised on the sale of available for sale financial investments.

A maturity analysis of available for sale financial investments is included in Note 59.

The basis of determining cost during the calculation of gains and losses on available for sale investments is on an instrument by instrument basis.

Impairment of available for sale investments totalled £4m in 2005.

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Table of Contents**22 Securities borrowing, securities lending, repurchase and reverse repurchase agreements**

The following amounts were included in the balance sheet and are reported on a net basis where the Group has the intention and the ability to settle net or realise simultaneously.

	2005
	£m
Reverse repurchase agreements and cash collateral on securities borrowed	
Banks	83,610
Customers	76,788
	160,398
Reverse repurchase agreements and cash collateral on securities borrowed	
Repurchase agreements and cash collateral on securities lent	
Banks	66,939
Customers	54,239
	121,178

Repurchase agreements and cash collateral on securities lent

Reverse repurchase agreements and cash collateral on securities borrowed are accounted for as collateralised loans. It is the Group's policy to seek collateral at the outset equal to 100% to 105% of the loan amount. The level of collateral held is monitored daily and further collateral calls made to bring the level of cash held and the market value of collateral in line with the loan balance.

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Group is allowed to sell or repledge the collateral held. The fair value at the balance sheet date of collateral accepted and repledged to others was as follows:

	2005
	£m
Fair value of securities accepted as collateral under reverse repurchase agreements and stock borrowing transactions which can be repledged or resold	248,010
Of which, fair value of securities repledged/transferred to others	203,777

23 Other assets

	2004
	£m

	2005 £m	
Sundry debtors	3,569	3,711
Prepayments	722	467
Balances arising from off-balance sheet instruments	n/a	18,174
Accrued income	329	3,563
Other assets	4,620	25,915

Included in the above are balances of £3,734m (2004: £15,850m) expected to be recovered within no more than 12 months after the balance sheet date; and balances of £886m (2004: £10,065m) expected to be recovered more than 12 months after the balance sheet date.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****24 Current and deferred tax**

The components of taxes are as follows:

	2005		2004	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current tax				
United Kingdom		484		494
Overseas		263		127
Current tax		747		621
Deferred tax				
United Kingdom	1,425	1,517	1,157	1,199
Overseas	284	206	231	163
Deferred tax	1,709	1,723	1,388	1,362

Deferred taxes are calculated on all temporary differences under the liability method. The movement on the deferred tax account is as follows:

	2005	2004
	£m	£m
At beginning of year^(a)	244	91
Income statement charge	85	(87)
Equity		
Available for sale investments	10	n/a
Cash flow hedges	(112)	n/a
Share-based payments	101	

Other equity movements	(24)	
Acquisitions and disposals	(199)	5
Exchange and other adjustments	(119)	17
At end of year	(14)	26

Note

(a) The 2005 opening balance has been adjusted to reflect the application of IAS 32, IAS 39 and IFRS 4.

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Table of Contents**24 Current and deferred tax (continued)**

Deferred tax assets and liabilities are attributable to the following items:

	2005	2004
	£m	£m
Deferred tax liabilities		
Accelerated tax depreciation	883	1,075
Available for sale investments	119	n/a
Cash flow hedges	138	n/a
Other	583	287
Deferred tax liabilities	1,723	1,362
Deferred tax assets		
Pensions and other retirement benefits	609	590
Allowance for impairment on loans/provision for bad and doubtful debts	41	39
Other provisions	342	332
Cash flow hedges	44	n/a
Tax losses carried forward	26	25
Share-based payments	232	
Other	415	402
Deferred tax assets	1,709	1,388
Net deferred tax (liability)/asset	(14)	26
Disclosed as deferred tax liabilities	700	1,362
Disclosed as deferred tax assets	686	1,388
Net deferred tax (liability)/asset	(14)	26

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off and the balances relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax group where there is the intention and ability to settle on a net basis or realise the assets and liabilities simultaneously.

The amount of deferred tax liability expected to be settled after more than 12 months is £982m (2004: £776m).

The amount of deferred tax asset expected to be recovered after more than 12 months is £1,686m (2004: £1,370m).

The deferred tax assets balance includes £27m (2004: £169m) which is the excess deferred tax assets over deferred tax liabilities in entities which have suffered a loss in either the current or prior year. This is based on management assessment that it is probable that the relevant entities will have taxable profits against which the temporary differences can be utilised.

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The deferred tax charge/(credit) in the income statement comprises the following temporary differences:

	2005 £m	2004 £m
Accelerated tax depreciation	130	138
Pensions and other retirement benefits	39	41
Allowance for impairment on loans/provision for bad and doubtful debts	(1)	(29)
Other provisions	(133)	(141)
Tax losses carry forward	(20)	(23)
Available for sale investments	(52)	n/a
Cash flow hedges	1	n/a
Share-based payments	(115)	3
Other	66	98
Total	(85)	87

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****24 Current and deferred tax (continued)**

Deferred tax assets have not been recognised in respect of the following items:

	2005 £m	2004 £m
Deductible temporary differences	340	
Unused tax losses	363	17
Unused tax credits	24	18

The following tax losses expire: £10m in 2006; £8m in 2006-2008; and £78m in 2023-2025. The other tax losses, tax credits and temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The amount of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which deferred tax liabilities have not been recognised is £2,126m (2004: £1,888m).

25 Insurance assets and liabilities**Insurance assets including unit-linked assets**

Insurance assets, including assets held to cover linked and non-linked liabilities under UK GAAP at 31st December 2004, comprise the following:

	2005 £m	2004 £m
Reinsurers' share of provisions	114	109
Assets held to cover linked liabilities		5,870
Assets held to cover non-linked liabilities	114	2,597
		8,576

Insurance assets including unit-linked assets

Reinsurance assets relate principally to the Group's long-term business. Reinsurers' share of provisions relating to the Group's short-term business are £15m (2004: £nil).

Of the reinsurers' share of provisions above, £99m (2004: £109m) is expected to be recovered after more than one year.

From 1st January 2005, assets held to cover linked and non-linked insurance liabilities have been combined with other financial assets held by the Group in the appropriate balance sheet heading.

Insurance contract liabilities including unit-linked liabilities

Insurance liabilities comprise the following:

	2005 £m	2004 £m
Insurance contract liabilities:		
linked liabilities	1,532	5,821
non-linked liabilities	2,187	2,520
Provision for claims	48	36
	3,767	8,377

Insurance contract liabilities including unit-linked liabilities

Insurance contract liabilities relate principally to the Group's long-term business. Insurance contract liabilities associated with the Group's short-term non-life business are £133m (2004: £48m).

In 2004, liabilities on products now classified as investment contracts under IAS 39 were reported within insurance liabilities above. In 2005 these are reported in liabilities arising from investment contracts.

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Table of Contents**25 Insurance assets and liabilities (continued)****Movements in insurance liabilities and reinsurance assets**

Movements in insurance assets and insurance contract liabilities were as follows:

	Gross	2005 Reinsurance	Net
	£m	£m	£m
At beginning of year	8,377	(109)	8,268
Effects of the adoption of IAS 39 and IFRS 4 (Note 62)	(4,781)		(4,781)
Acquisitions	252	(29)	223
Change in year	(81)	24	(57)
At end of year	3,767	(114)	3,653

Assumptions used to measure insurance liabilities

The assumptions that have the greatest effect on the measurement of the amounts recognised above, and the processes used to determine them were as follows:

Long-term business linked and non-linked

Mortality mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group's own experience. A margin is added to ensure prudence for example, future mortality improvements for annuity business.

Renewal expenses level and inflation expense reserves are a small part of overall insurance liabilities, however, increases in expenses caused by unanticipated inflation or other unforeseen factors could lead to expense reserve increases. Expenses are therefore set using prudent assumptions. Initial renewal expense levels are set by considering expense forecasts for the business and where appropriate building in a margin to allow for the increasing burden of fixed costs on the UK closed life book of business. The inflation assumption is set by adding a margin to the market rate of inflation implied by index-linked gilt yields.

Short-term business

Short-term business for single premium policies the proportion of unearned premiums is calculated based on estimates of the frequency and severity of incidents.

Changes in assumptions

Sensitivity analysis regarding changes in these assumptions are described at Sensitivities on page 160. There have been no changes in assumptions in 2005 that have had a material effect on the financial statements.

Uncertainties associated with cash flows related to insurance contracts and risk management activities**Long-term insurance contracts (linked and non-linked)**

For long-term insurance contracts where death is the insured risk, the most significant factors that could detrimentally affect the frequency and severity of claims are the incidence of disease, such as AIDS, or general changes in lifestyle, such as in eating, exercise and smoking. Where survival is the insured risk, advances in medical care and social conditions are the key factors that increase longevity.

The Group manages its exposure to risk by operating in part as a unit-linked business, prudent product design, applying strict underwriting criteria, transferring risk to reinsurers, managing claims and establishing prudent reserves.

Short-term insurance contracts

For payment protection contracts where inability to make payments under a loan contract is the insured risk, the most significant factors are the health of the policyholder and the possibility of unemployment which depends upon, among other things, long-term and short-term economic factors. The Group manages its exposure to such risks through prudent product design, efficient claims management, prudent reserving methodologies and bases, regular product, economic and market reviews and regular adequacy tests on the size of the reserves.

Absa insures property and motor vehicles, for which the most significant factors that could effect the frequency and severity of claims are climatic change and crime. Absa manages its exposure to risk by diversifying insurance risks accepted and transferring risk to reinsurers.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****25 Insurance assets and liabilities (continued)****Concentration of insurance risk**

The Group considers that the concentration of insurance risk that is most relevant to the Group financial statements is according to the type of cover offered and the location of insured risk. The following table shows the maximum amounts payable under all of the Group's insurance products. It ignores the probability of insured events occurring and the contribution from investments backing the insurance policies. The table shows the location of the insured risk and the broad product types; before and after the impact of reinsurance that represents the risk that is passed to other insurers.

	Before reinsurance £m	2005 Reinsurance £m	After reinsurance £m
Total benefits insured by product type			
Long-term insurance contracts	28,877	(12,128)	16,749
Short-term insurance contracts	57,049	(753)	56,296
Total benefits insured	85,926	(12,881)	73,045

	Before reinsurance £m	2005 Reinsurance £m	After reinsurance £m
Total benefits insured by geographic location			
UK	28,687	(8,697)	19,990
Europe	5,418	(2,981)	2,437
Africa	51,821	(1,203)	50,618
Total benefits insured	85,926	(12,881)	73,045
Credit risk			

For the long-term business, reinsurance programmes are in place to restrict the amount of cover to any single life. The reinsurance cover is spread across highly rated companies to diversify the risk of reinsurer solvency. Net of insurance reserves include a margin to reflect reinsurer credit risk.

Claims development

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The amount and timing of claims payments is normally within one year.

Sensitivity analysis

The following table presents the sensitivity of the level of insurance contract liabilities disclosed in this note to movements in the actuarial assumptions used to calculate them. The percentage change in variable is applied to a range of existing actuarial modelling assumptions to derive the possible impact on net profit after tax. The disclosure is not intended to explain the impact of a percentage change in the insurance assets and liabilities disclosed above.

	Change in variable %	Net profit after tax impact 2005 £m
Long-term insurance contracts:		
Improving mortality (annuitants only)	10	19
Worsening of mortality (assured lives only)	10	28
Worsening of base renewal expense level	20	20
Worsening of expense inflation rate	10	5
Short-term insurance contracts:		
Worsening of claim expense assumptions	10	13

Any change in net profit after tax would result in a corresponding increase or decrease in shareholders' equity.

The above analyses are based on a change in a single assumption while holding all other assumptions constant. In practice this is unlikely to occur.

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Table of Contents**25 Insurance assets and liabilities (continued)****Capital position statement**

The Group's total capital resources available for its life insurance businesses were as follows:

	2005	2004
	£m	£m
Available capital resources for life business		
Total shareholders' equity in the life business	417	276
Unallocated divisible surplus (UDS) and other sources of capital	15	
Conversion to regulatory basis	(36)	8
Total available capital resources	396	284
Less: surplus	(207)	(154)
Capital resource requirement	189	130
Reconciliation of capital resources	2005	2004
	£m	£m
Shareholder equity available for life business (see above table)	417	276
Shareholders' equity attributed to other businesses	17,009	15,594
Total shareholders' equity excluding minority interests	17,426	15,870
Other capital resources attributable to other businesses	19,467	13,171
Total other capital resources	19,467	13,171
Total capital resources	36,893	29,041
Capital management and constraints on the transfer of capital		

Capital resource requirements are assessed at company level in accordance with local laws and regulations. However, the aim is that each life fund should be able to meet its own liabilities. In the event that this should not be the case, shareholders' equity attributed to businesses other than life insurance are available to meet its liabilities to the extent that they could not otherwise be met. Conversely, there are some constraints in moving capital out of the life funds.

The capital management objective is to ensure that sufficient capital is in place to meet liabilities as they fall due. This is supported by risk management policies designed to manage key risks to the life business' credit risk, market risk, liquidity risk, operational risk and insurance risk. Capital management policies include requirements to:

l Manage credit risk by adopting prudent parameters as constraints for investment managers and by diversifying reinsurance amongst a selection of well capitalised providers.

l Hold a suitably diversified portfolio of admissible assets of a value sufficient to cover technical provisions and of a suitable currency, term, safety, and yield to ensure that cash inflows from those assets will be sufficient to meet expected cash flows from its insurance liabilities as they fall due.

Although there are a number of factors influencing the capital position of the life business, the key factors include equity risk, inflation risk, mortality shock, and morbidity shock.

Liabilities are sensitive to a downturn in the economy and the investment market, such as increased mortgage protection claims, policy lapses and surrenders at a time when it is difficult to liquidate assets. Barclays has a policy to choose assets which match the nature and the term of the liability and this policy would continue to be applied to any changes in market conditions.

Options and guarantees

The Group's life contracts do not contain options or guarantees that could confer material risk.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****26 Investment in associates and joint ventures****Share of net assets**

	Associates		Joint ventures		Total	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
At beginning of year	399	370	30	58	429	428
Acquisitions as a result of business combinations	72		23		95	
Share of results before tax	63	66	(12)		51	66
Share of tax	(10)	(10)	4		(6)	(10)
Share of post-tax results	53	56	(8)		45	56
Dividends paid	(23)	(15)			(23)	(15)
New investments		8	81	23	81	31
Disposals	(39)	(6)	(1)	(50)	(40)	(56)
Exchange and other adjustments	(35)	(14)	(6)	(1)	(41)	(15)
At end of year	427	399	119	30	546	429
Interest in FirstCaribbean International Bank						
share of gross assets	2,400	1,966				
share of gross liabilities	(2,196)	(1,728)				
goodwill	121	121				
Other associates share of net assets	102	40				
Share of net assets	427	399				

The fair value of the investment in FirstCaribbean International Bank, which is listed on the Barbados stock exchange, is £823m (2004: £741m). The fair value does not reflect the limited liquidity and is therefore not necessarily representative of the realisable value of the Group's investments.

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The fair value of the investment in Gabetti Holding SpA, which is listed on the Milan stock exchange, is £15m (2004: £10m).

The principal associate of Barclays is:

	Country of incorporation	Nature of business	Percentage of equity share capital held	Date of last audited accounts
FirstCaribbean International Bank	Barbados	Banking	43.7%	31/10/2005
The interest in FirstCaribbean International Bank is owned by Barclays Bank PLC. The carrying value including goodwill as at 31st December 2005 was £325m (2004: £359m).				

Included within Barclays share of all associates' assets is goodwill as follows:

Goodwill

	2005 £m	2004 £m
Cost		
At beginning of year	122	120
Acquisitions and other adjustments	83	2
At end of year	205	122

Table of Contents**26 Investment in associates and joint ventures (continued)**

The table below provides summarised financial information of associates and joint ventures, in which the Group has an interest (the entities' entire financial position and results of operations are presented, not Barclays share).

	2005			2004		
	FirstCaribbean International Bank £m	Other associates £m	Joint ventures £m	FirstCaribbean International Bank £m	Other associates £m	Joint ventures £m
Property, plant and equipment	86	454	119	80	427	113
Financial investments	376	66	24	n/a	n/a	n/a
Trading portfolio assets	389			n/a	n/a	n/a
Debt and equity securities	n/a	n/a	n/a	575	114	
Loans to banks and customers	4,379	1,575	393	3,624	54	217
Other assets	267	226	16	223	160	36
Total assets	5,497	2,321	552	4,502	755	366
Deposits from banks and customers	4,519	1,527	369	3,831	239	2
Trading portfolio liabilities	115			n/a	n/a	n/a
Other liabilities	270	572	188	33	237	320
Shareholders' equity	593	222	(5)	638	279	44
Total liabilities	5,497	2,321	552	4,502	755	366
Net income	234	213	176	275	178	136
Operating expenses	(148)	(161)	(213)	(151)	(144)	(136)
Profit/(loss) before tax	86	52	(37)	124	34	
Profit/(loss) after tax	76	37	(26)	114	22	

The amounts included above are based on accounts made up to 31st December 2005 with the exception of FirstCaribbean International Bank and certain undertakings included within the Other associates category for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

The ability of FirstCaribbean International Bank to transfer funds to the Group is restricted by the Exchange Control Act Laws of Barbados which provides that except with the permission of the Exchange Control Authority, no person shall make any payment to, or for the credit of a person resident outside Barbados.

Other associates in 2005 includes £1,885m of assets, £1,741m of liabilities and £20m of profit after tax in associates within the Absa Group.

In addition to the above, the Group's share of commitments and contingencies incurred in relation to its joint ventures is £1m (2004: £nil).

The Group's share of contingent liabilities of an associate or joint venture for which it is contingently liable is £252m (2004: £190m).

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In 2004 the results of FirstCaribbean International Bank included a gain of £65m on the sale of shares held in Republic Bank Limited.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****27 Goodwill**

	2005 £m	2004 £m
Net book value		
At beginning of year	4,518	4,393
Acquisitions	1,417	135
Exchange and other adjustments	87	(10)
At end of year	6,022	4,518

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2005 (2004: £nil).

	2005 £m	2004 £m
UK Banking	2,824	2,823
Barclays Capital		
Barclays Global Investors	322	171
Wealth Management	629	629
Barclaycard	418	382
International Retail and Commercial Banking	1,814	498
Head office functions and other operations	15	15
Goodwill	6,022	4,518

Goodwill is allocated to business operations. The recoverable amount of each operation's goodwill is based on value-in-use calculations using a pre-tax cost of equity of 13.57% (2004: 12.14% Woolwich goodwill; 2004: 13.57% other goodwill). The principal goodwill relating to UK Banking and International Retail and Commercial Banking are Woolwich and Absa respectively.

Woolwich and Absa future cash flows are based on approved budgets and plans. Woolwich has applied a growth factor of 3% (proxy for inflation) to cash flows for the period 2009 to 2019. Absa has applied a growth rate of 8% to cash flows for the five years from 2009 to 2013 and a rate of 4% for the years from 2014 to 2019.

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Both businesses justify the use of longer cash flow projections due to the long-term perspective of these businesses within the Barclays Group.

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Table of Contents**28 Intangible assets**

	2005						
	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Licences and other £m	Total £m
Cost or valuation							
At 1st January 2005	138	5			36	53	232
Acquisitions as a result of business combinations		9	288	172	524	10	1,003
Additions	68	23				82	173
Exchange and other adjustments	(18)	6	18	11	22	(6)	33
At 31st December 2005	188	43	306	183	582	139	1,441
Accumulated amortisation and impairment							
At 1st January 2005	(84)	(3)			(2)	(4)	(93)
Amortisation charge for year	(20)	(3)	(7)	(9)	(27)	(13)	(79)
Impairment charge	(5)	(3)				(1)	(9)
Exchange and other adjustments	19	(9)				(1)	9
At 31st December 2005	(90)	(18)	(7)	(9)	(29)	(19)	(172)
Net book value	98	25	299	174	553	120	1,269

	2004						
	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Licences and other £m	Total £m
Cost or valuation							
At 1st January 2004	111					15	126
Acquisitions/disposals as a result of business combinations		3					3
Additions	47	2			36	38	123
Exchange and other adjustments	(20)						(20)
	138	5			36	53	232

At 31st December 2004**Accumulated amortisation and impairment**

At 1st January 2004	(61)			(1)	(62)
Amortisation charge for year	(19)			(3)	(22)
Impairment charge	(9)				(9)
Exchange and other adjustments	5	(3)		(2)	
At 31st December 2004	(84)	(3)		(2)	(93)
Net book value	54	2		34	49
					139

The Group recognised £991m of intangible assets in relation to the Absa acquisition. The Absa brand has a carrying value of £174m as at 31st December 2005 and is being amortised over a period of ten years.

The discount rate used in the intangible asset valuations for Absa was based on the cost of equity adjusted for risk and ranges from 13.7% to 16.1%. In the case of brands, the pre-tax royalty rates were estimated to be 1.5% based on similar financial services transactions, information about marketing expenditure on the brands and consideration of the unique factors relating to the brand that third parties would consider. Cash flows for customer lists were based on historic revenues and customer numbers adjusted for expected attrition and taking account of applicable costs to determine expected margins. These margins varied, depending on the nature of the customer relationships. A similar approach was applied to core deposit intangibles with cash flows being calculated by charging an appropriate cost to the identified spread, on a historical margins basis. In all the calculations, the rate of tax was estimated to be 31.6% of operating profit.

Impairment charges on internally generated and other software reflect impairment of certain capitalised IT assets following a review of the future economic benefits likely to be generated by them.

Barclays had a collaborative arrangement in South Africa with Standard Bank. Following the Group's acquisition of a majority stake in Absa, Barclaycard and Standard Bank agreed terms for Barclaycard's exit from the arrangement leading to the impairment of the unamortised portion of the licence.

Impairment charges detailed above have been included within other operating expenses.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****29 Property, plant and equipment**

	2005				2004			
	Property £m	Equipment £m	Operating leased assets £m	Total £m	Property £m	Equipment £m	Operating leased assets £m	Total £m
Cost								
At 1st January	2,303	2,026	361	4,690	2,184	1,827	334	4,345
Acquisitions (Business combinations)	126	159		285	5	1		6
Exchange and other adjustments	(23)	24	4	5	(16)	(13)	(3)	(32)
Additions	125	463		588	219	312	30	561
Disposals	(80)	(130)		(210)	(87)	(99)		(186)
Fully depreciated assets written off	(1)	(1)		(2)	(2)	(2)		(4)
At 31st December	2,450	2,541	365	5,356	2,303	2,026	361	4,690
Accumulated depreciation and impairment								
At 1st January	(978)	(1,429)	(1)	(2,408)	(884)	(1,338)		(2,222)
Acquisitions (Business combinations)	(1)	(1)		(2)				
Exchange and other adjustments	28	9	(2)	35	(14)	30		16
Depreciation charge for year	(92)	(268)	(2)	(362)	(86)	(210)	(1)	(297)
Disposals	20	113		133	4	87		91
Fully depreciated assets written off	1	1		2	2	2		4
At 31st December	(1,022)	(1,575)	(5)	(2,602)	(978)	(1,429)	(1)	(2,408)
Net book value	1,428	966	360	2,754	1,325	597	360	2,282

Operating leased assets represent assets such as plant and equipment leased to customers under operating leases.

Of the above total cost of £5,356m, £77m (2004: £28m) is attributable to assets under finance leases.

The accumulated depreciation attributable to these leased assets for the year ended 31st December 2005 was £18m (2004: £9m).

The depreciation charge for the year attributable to these finance leases at 31st December 2005 was £14m (2004: £5m).

	2005 £m	2004 £m
Historical cost of property		
At cost	2,257	2,081
Accumulated depreciation and impairment	(1,050)	(968)
Net book value	1,207	1,113

Table of Contents**29 Property, plant and equipment (continued)****Commitments receivable**

Where the Group acts as a lessor, with respect to operating leases, the future minimum lease payments expected to be received under non-cancellable leases at 31st December 2005 are as follows:

	2005	2004
	Plant and equipment £m	Plant and equipment £m
Not more than one year	22	24
More than one year but not more than two years	17	22
More than two years but not more than five years	14	25
More than five years	10	13
Commitments receivable	63	84

The Group acts as lessor, whereby items of plant and equipment are purchased and leased to third parties under arrangements qualifying as operating leases. The plant and equipment is generally disposed of at the end of the lease term.

30 Deposits from banks

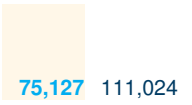
	2005 £m	2004 £m
Repayable		
on demand	13,924	9,858
no more than three months	54,620	81,214
over three months but not more than six months	2,488	5,762
over six months but not more than one year	1,168	993
over one year but not more than two years	220	1,942
over two years but not more than five years	947	1,738
over five years	1,760	9,517
Deposits from banks	75,127	111,024
By geographical area		
United Kingdom	7,307	12,121
Other European Union	23,496	41,647
United States	7,418	20,139
Africa	4,192	1,160
Rest of the World	32,714	35,957

Deposits from banks

Other time deposits in the UK and United States are mostly over £50,000.

The average interest rate during 2005 for deposits by banks was 3.1% (2004: 2.4%).

For details on the effective rate of interest please refer to Note 55.



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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****31 Customer accounts**

	2005	2004
	£m	£m
Repayable		
on demand	144,015	106,449
no more than three months	72,590	99,656
over three months but not more than six months	9,282	2,860
over six months but not more than one year	2,606	2,391
over one year but not more than two years	2,461	918
over two years but not more than five years	2,114	1,615
over five years	5,616	3,603
Customer accounts	238,684	217,492
By geographical area		
United Kingdom	153,686	137,868
Other European Union	19,038	22,190
United States	16,690	38,853
Africa	29,866	4,493
Rest of the World	19,404	14,088
Customer accounts	238,684	217,492
In offices in the United Kingdom:		
Current and Demand accounts interest free	22,980	12,509
Current and Demand accounts interest bearing	28,416	23,599
Savings accounts	57,715	51,061
Other time deposits retail	35,142	31,618
Other time deposits wholesale	42,967	54,969
Total repayable in offices in the United Kingdom	187,220	173,756

In offices outside the United Kingdom:

Current and Demand accounts	interest free	2,300	1,513
Current and Demand accounts	interest bearing	20,494	3,361
Savings accounts		3,230	864
Other time deposits		25,440	37,998

Total repayable in offices outside the United Kingdom

51,464 43,736

At 31st December 2005, there were customer amounts of £35m (2004: £53m) due to associates and joint ventures.

Deposits in offices in the United Kingdom received from non-residents amounted to £33,309m (2004: £34,183m).

Other time deposits in the United Kingdom and the United States are mostly over £50,000.

For details on the effective rate of interest please refer to Note 55.

32 Financial liabilities designated at fair value

	2005	2004
	Fair value £m	Contractual amount due on maturity £m
Financial liabilities designated at fair value	33,385	33,697

Financial liabilities designated at fair value include certain financial instruments that pay out the higher of a guaranteed amount or a notional plus a performance related amount. For these financial instruments the contractual amount due on maturity has been calculated using the guaranteed amount.

There were no significant gains or losses attributable to changes in own credit risk for financial liabilities designated at fair value in 2005 (2004: n/a).

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Table of Contents**33 Debt securities in issue**

	2005 £m	2004 £m
Bonds and medium-term notes repayable:		
within one year	6,255	4,888
over one year but not more than two years	2,297	4,797
over two years but not more than five years	5,054	3,723
over five years	7,555	2,309
Other debt securities in issue repayable:		
not more than three months	54,950	48,145
over three months but not more than one year	16,563	7,525
over one year but not more than two years	2,988	2,692
over two years but not more than five years	1,332	7,086
over five years	6,334	2,677
Debt securities in issue	103,328	83,842

Debt securities in issue at 31st December 2005 included certificates of deposit of £43,109m (2004: £37,213m) and commercial paper of £28,275m (2004: £20,948m).

Debt securities in issue at 31st December 2005 included £6,798m (2004: £2,863m) raised from the securitisation of credit and charge card receivables, £6,862m (2004: £996m) raised from the securitisation of mortgages, and £4,760m (2004: £nil) raised from the securitisation of commercial loans.

The average interest rate during 2005 for commercial paper was 3.4% (2004: 1.8%) and for negotiable certificates of deposits was 3.5% (2004: 2.2%).

34 Other liabilities

	2005 £m	2004 £m
Obligation under finance leases payable:		
not more than one year	99	117
over one year but not more than two years	71	100
over two years but not more than five years	109	159
more than five years	97	30
Less: Future finance charges	(87)	(53)
Net obligation under finance leases payable:	289	353
Balances arising from off-balance sheet financial instruments	n/a	18,009
Sundry creditors	6,131	3,851

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Accruals and deferred income	4,711	6,820
Short positions in securities	n/a	53,903
Other liabilities	11,131	82,936
Short positions in securities comprise:		
Treasury bills and other eligible bills	n/a	1,782
Debt securities government	n/a	38,547
Debt securities other public sector	n/a	3,186
Debt securities other	n/a	5,392
Equity shares	n/a	4,996
Short positions in securities	n/a	53,903

Included in the above are balances of £8,998m (2004: £23,301m) expected to be settled within no more than 12 months after the balance sheet date; and balances of £2,133m (2004: £59,635m) expected to be settled more than 12 months after the balance sheet date.

Other accruals and deferred income included £113m (2004: n/a) in relation to deferred income from investment contracts and £nil (2004: n/a) in relation to deferred income from insurance contracts.

Sundry creditors in 2005 includes an amount of £903m in relation to the Absa business.

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Table of Contents**Notes to the accounts****For the year ended 31st December 2005****35 Undated loan capital**

	Notes	2005 £m	2004 £m
Non-convertible			
The Bank			
6% Callable Perpetual Core Tier One Notes	(a,l)	432	400
6.86% Callable Perpetual Core Tier One Notes (\$1,000m)	(a,l)	623	520
8.55% Step-up Callable Perpetual Reserve Capital Instruments (2004: \$1,250m)		n/a	646
7.375% Step-up Callable Perpetual Reserve Capital Instruments (2004: \$750m)		n/a	386
7.50% Step-up Callable Perpetual Reserve Capital Instruments (2004: 850m)		n/a	595
Junior Undated Floating Rate Notes (\$121m)	(b,m)	71	63
Undated Floating Rate Primary Capital Notes Series 1 (2004: \$358m)		n/a	186
Undated Floating Rate Primary Capital Notes Series 2 (2004: \$442m)		n/a	230
Undated Floating Rate Primary Capital Notes Series 3	(b,n)	147	145
9.875% Undated Subordinated Notes	(c,o)	319	300
9.25% Perpetual Subordinated Bonds (ex-Woolwich plc)	(d,p)	186	180
9% Permanent Interest Bearing Capital Bonds	(e,q)	102	100
7.125% Undated Subordinated Notes	(f,r)	573	525
6.875% Undated Subordinated Notes	(g,s)	670	650
6.375% Undated Subordinated Notes	(h,t)	498	465
6.125% Undated Subordinated Notes	(i,u)	611	550
6.5% Undated Subordinated Notes (FFr 1,000m)	(j,v)	107	108
5.03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m)	(k,w)	23	40
5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m)	(k,w)	35	60
		4,397	6,149
Undated loan capital non convertible			
Security and subordination			

None of the undated loan capital of the Bank is secured.

The Junior Undated Floating Rate Notes (the Junior Notes) rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.

All other issues of the Bank's undated loan capital rank pari passu with each other and behind the claims of the holders of the Junior Notes, except for the 6% and 6.86% Callable Perpetual Core Tier One Notes (the TONs) (such issues, excluding the TONs, being the Undated Notes and Loans).

The TONs rank behind the claims of the holders of the Undated Notes and Loans.

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35 Undated loan capital (continued)

Interest

Notes

- (a) These TONs bear a fixed rate of interest until 2032. After that date, in the event that the TONs are not redeemed, the TONs will bear interest at rates fixed periodically in advance, based on London interbank rates.
- (b) These Notes bear interest at rates fixed periodically in advance, based on London interbank rates.
- (c) These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
- (d) These Notes bear a fixed rate of interest until 2021. After that date, in the event that the Notes are not redeemed, the Notes will be reset to a fixed margin over a reference gilt rate for a further period of five years.
- (e) The interest rate on these Notes is fixed for the life of this issue.
- (f) These Notes bear a fixed rate of interest until 2020. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
- (g) These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
- (h) These Notes bear a fixed rate of interest until 2017. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
- (i) These Notes bear a fixed rate of interest until 2027. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
- (j) These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.
- (k) These Loans bear a fixed rate of interest until 2028 based on a US Dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable, which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Loans are not redeemed, the Loans will bear Yen interest rates fixed periodically in advance, based on London interbank rates.

The Bank is not obliged to make a payment of interest on its Undated Notes and Loans excluding the 9.25% Perpetual Subordinated Bonds 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. The Bank is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 months interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case 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.

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The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the Financial Services Authority. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (a) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or preference shares, or make payments of interest in respect of the Bank's Reserve Capital Instruments and (b) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Interest payable on undated loan capital amounted to £284m (2004: £419m).

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For the year ended 31st December 2005

35 Undated loan capital (continued)

Repayment and conversion

Notes

(l) These TONs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2032.

(m) These Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date.

(n) These Notes are repayable, at the option of the Bank, in whole on any interest payment date.

(o) These Notes are repayable, at the option of the Bank, in whole in 2008, or on any fifth anniversary thereafter.

(p) These Bonds are repayable, at the option of the Bank, in whole in 2021, or on any fifth anniversary thereafter.

(q) These Bonds are repayable, at the option of the Bank, in whole at any time.

(r) These Notes are repayable, at the option of the Bank, in whole in 2020, or on any fifth anniversary thereafter.

(s) These Notes are repayable, at the option of the Bank, in whole in 2015, or on any fifth anniversary thereafter.

(t) These Notes are repayable, at the option of the Bank, in whole in 2017, or on any fifth anniversary thereafter.

(u) These Notes are repayable at the option of the Bank, in whole in 2027, or on any fifth anniversary thereafter.

(v) These Notes are repayable, at the option of the Bank, in whole in 2009, or on any fifth anniversary thereafter.

(w) These Loans are repayable, at the option of the Bank, in whole in 2028, or on any fifth anniversary thereafter. In addition, each issue of undated loan capital is repayable, at the option of the Bank, 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.

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Any repayments require the prior approval of the Financial Services Authority.

All issues of undated loan capital have been made in the eurocurrency market and/or under Rule 144A, and no issues have been registered under the US Securities Act of 1933.

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Table of Contents**36 Dated loan capital**

Dated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen its capital base, by Barclays Bank Spain SA (Barclays Spain), Barclays Bank of Botswana Ltd (BBB) and Barclays Bank Zambia PLC (Barclays Zambia) to enhance their respective capital bases and by Absa for general corporate purposes, comprise:

	Notes	2005 £m	2004 £m
Non-convertible			
The Bank			
Floating Rate Subordinated Notes 2005 (2004: 115m)			81
Floating Rate Subordinated Notes 2005 (2004: 300m)			212
Floating Rate Unsecured Capital Loan Stock 2006	(b,n,o)	2	3
7.4% Subordinated Notes 2009 (\$400m)	(a)	233	208
Subordinated Fixed to CMS-Linked Notes 2009 (31m)	(b)	21	22
12% Unsecured Capital Loan Stock 2010	(a)	26	25
Floating Rate Subordinated Step-up Callable Notes 2011 (\$100m)	(b,n)	58	52
Floating Rate Subordinated Step-up Callable Notes 2011 (\$125m)	(b,n)	73	65
Floating Rate Subordinated Notes 2011 (\$400m)	(b,n)	235	208
5.75% Subordinated Notes 2011 (1,000m)	(a)	783	708
5.25% Subordinated Notes 2011 (250m) (ex-Woolwich plc)	(a)	200	169
Fixed/Floating Rate Subordinated Notes 2011 (Yen 5,000m)	(d,n)	25	25
Floating Rate Subordinated Notes 2012	(b,n)	298	300
Callable Subordinated Floating Rate Notes 2012	(b,n)	44	44
Step-up Callable Floating Rate Subordinated Bonds 2012 (ex-Woolwich plc)	(b,n)	150	148
Callable Subordinated Floating Rate Notes 2012 (\$150m)	(b,n)	88	78
Floating Rate Subordinated Notes 2012 (\$100m)	(b,n)	58	52
Capped Floating Rate Subordinated Notes 2012 (\$100m)	(b,n)	58	52
Floating Rate Subordinated Notes 2013 (\$1,000m)	(b,n)	585	551
5.015% Subordinated Notes 2013 (\$150m)	(a)	88	78
4.875% Subordinated Notes 2013 (750m)	(a)	565	531
5.5% Subordinated Notes 2013 (DM 500m)	(e,n)	183	181
Floating Rate Subordinated Step-up Callable Notes 2013 (Yen 5,500m)	(b,n)	27	30
Floating Rate Subordinated Notes 2013 (AU\$150m)	(c,n)	65	61
5.93% Subordinated Notes 2013 (AU\$100m)	(f,n)	43	40
Callable Floating Rate Subordinated Notes 2015 (\$1,500m)	(b,n)	877	
4.38% Fixed Rate Subordinated Notes 2015 (\$75m)	(a)	42	
4.75% Fixed Rate Subordinated Notes 2015 (\$150m)	(a)	86	
Callable Floating Rate Subordinated Notes 2017 (\$500m)	(b,n)	292	
10.125% Subordinated Notes 2017 (ex-Woolwich plc)	(k,n)	115	117
Floating Rate Subordinated Notes 2018 (