Barclays PLC
Annual report 1995

Barclays PLC and Barclays Bank PLC
Annual report on Form 20-F 1995

Contents

Registered No. 48839

This document comprises the 1995 Annual report of Barclays PLC and the 1995 Annual report on Form 20-F to the Securities and Exchange Commission in the United States of America for Barclays PLC and Barclays Bank PLC. It contains the Directors' report and accounts of Barclays PLC, together with the Auditors' report thereon, as required by the UK Companies Act 1985. The 1995 Annual review and summary financial statement of Barclays PLC is published as a separate document and includes the Chairman's Statement, the Chief Executive's Review and the Review of Operations.

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 the Act and are published as a separate document.

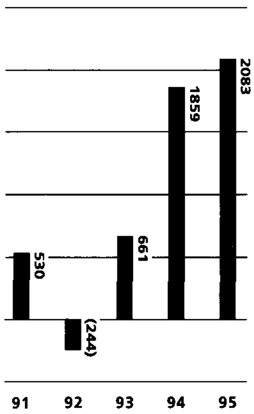
Barclays PLC and Barclays Bank PLC are public limited companies, organised under the laws of England, and all of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. The Report has therefore been prepared as a joint annual report on Form 20-F for Barclays PLC and Barclays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

The consolidated accounts of Barclays PLC and its subsidiary undertakings are set out on pages 85 to 93 along with the accounts of Barclays PLC itself on page 94. The consolidated accounts of Barclays Bank PLC and its subsidiary undertakings are set out on pages 142 to 150. The notes commencing on page 95 apply equally to both sets of accounts unless otherwise stated. The financial data contained in this document reflects changes in the Group's management structure which took place in 1995 and are explained on page 11. The relevant comparative data has been restated.

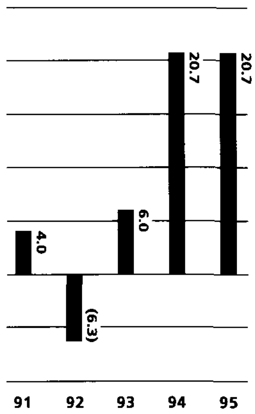
The term 'Barclays PLC Group' means Barclays PLC together with its subsidiary undertakings and the term 'Barclays Bank PLC Group' refers to Barclays Bank PLC together with its subsidiary undertakings. 'Barclays' and 'Group' are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term 'Company' refers to Barclays PLC and the term 'Bank' refers to Barclays Bank PLC. The term 'UK Bank', however, relates only to the UK branch network and related activities. The term 'BZW' means the whole of the Group's investment banking operation, managed as a single business, including various operations of the Bank as well as the corporate entities within the Barclays de Zoete Wedd Holdings Limited group of companies.

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

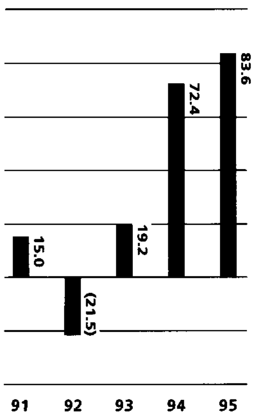
Profit/(loss) before tax
£m



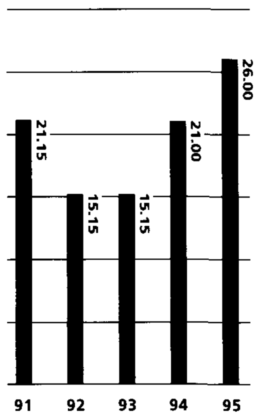
Post-tax return on average shareholders' funds %



Earning/(loss) per share
Pence



Dividends per share
Pence



Consolidated profit and loss account summary

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Interest receivable	**11,062**	9,979	11,085	12,968	14,552
Interest payable	**7,237**	6,293	7,210	9,288	10,978
Profit/(loss) on redemption of loan capital	**–**	(60)	22	–	–
Net interest income	**3,825**	3,626	3,897	3,680	3,574
Fees and commissions receivable	**2,884**	2,910	2,744	2,538	2,237
Less: fees and commissions payable	**(211)**	(211)	(223)	(171)	(168)
Dealing profits	**394**	384	657	365	346
Other operating income	**359**	221	326	300	320
Operating income	**7,251**	6,930	7,401	6,712	6,309
Administrative expenses - staff costs	**2,907**	2,680	2,728	2,472	2,379
Administrative expenses - other	**1,765**	1,655	1,772	1,616	1,663
Depreciation and amortisation	**332**	237	314	253	233
Operating expenses	**5,004**	4,572	4,814	4,341	4,275
Operating profit before provisions	**2,247**	2,358	2,587	2,371	2,034
Provisions for bad and doubtful debts	**396**	602	1,869	2,465	1,500
Provisions for contingent liabilities and commitments	**3**	–	49	8	4
Provisions	**399**	602	1,918	2,473	1,504
Operating profit/(loss)	**1,848**	1,756	669	(102)	530
Profit/(loss) on disposal of Group undertakings	**238**	107	–	(82)	–
Write-down of surplus properties	**(3)**	(4)	(8)	(60)	–
Profit/(loss) on ordinary activities before tax	**2,083**	1,859	661	(244)	530
Tax on profit/(loss) on ordinary activities	**676**	608	282	43	237
Profit/(loss) on ordinary activities after tax	**1,407**	1,251	379	(287)	293
Profit attributable to minority interests	**(43)**	(72)	(69)	(58)	(54)
Profit/(loss) for the financial year attributable to the members of Barclays PLC	**1,364**	1,179	310	(345)	239
Dividends	**(421)**	(343)	(246)	(243)	(338)
Profit/(loss) retained for the financial year	**943**	836	64	(588)	(99)

Selected financial statistics

	1995	1994	1993	1992	1991
Earnings/(loss) per ordinary share	**83.6p**	72.4p	19.2p	(21.5)p	15.0p
Dividends per ordinary share	**26.0p**	21.0p	15.2p	15.2p	21.2p
Dividend cover (times)	**3.2**	3.4	1.3	–	0.7
Attributable profit/(loss) before tax as a percentage of:					
average shareholders' funds	**30.8%**	31.2%	11.2%	(5.6)%	7.8%
Attributable profit/(loss) after tax as a percentage of:					
average shareholders' funds	**20.7%**	20.7%	6.0%	(6.3)%	4.0%
average total assets (note (b))	**0.8%**	0.7%	0.2%	(0.2)%	0.2%
Average US dollar exchange rate used in preparing the accounts	**1.58**	1.53	1.50	1.77	1.76

Consolidated balance sheet summary

Assets	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Loans and advances to banks and customers	**111,270**	112,696	117,078	114,579	108,066
Other assets	**50,553**	44,497	43,794	40,940	32,439
	161,823	157,193	160,872	155,519	140,505
Infrastructure	**2,361**	2,170	2,287	2,443	2,519
	164,184	159,363	163,159	157,962	143,024
Long-term assurance fund assets attributable to policyholders	**4,642**	3,040	2,892	1,940	1,468
Total assets	**168,826**	162,403	166,051	159,902	144,492
Liabilities					
Deposits by banks, customer accounts and debt securities in issue	**125,361**	125,165	133,288	126,393	118,965
Other liabilities	**27,802**	24,046	19,672	21,772	14,461
	153,163	149,211	152,960	148,165	133,426
Capital resources					
Undated loan capital	**1,989**	1,979	2,053	1,390	1,164
Dated loan capital	**1,571**	1,562	2,130	2,375	1,982
Other subordinated liabilities	**91**	121	131	170	225
Minority interests	**343**	329	677	683	565
Shareholders' funds	**7,027**	6,161	5,208	5,179	5,662
	11,021	10,152	10,199	9,797	9,598
	164,184	159,363	163,159	157,962	143,024
Long-term assurance fund liabilities to policyholders	**4,642**	3,040	2,892	1,940	1,468
Total liabilities and shareholders' funds	**168,826**	162,403	166,051	159,902	144,492

Weighted risk assets and capital ratios

Weighted risk assets	**93,261**	93,238	102,428	105,715	105,078
Tier 1 ratio	**7.7%**	7.0%	5.9%	5.4%	5.8%
Risk asset ratio	**10.9%**	10.4%	9.7%	9.0%	8.6%

Selected financial statistics

Average shareholders' funds as a percentage of average total assets (note (b))	**4.0%**	3.5%	3.1%	3.6%	4.1%
Net asset value per ordinary share	**433p**	377p	321p	322p	354p
Year-end US dollar exchange rates used in preparing the accounts	**1.55**	1.56	1.48	1.51	1.87

Notes

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

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

Introduction

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

For a description of changes in the Group structure that have taken place in 1995, see page 11.

UK Banking Services

UK Banking Services (UKBS) is organised into personal, business and international sectors, supported by network, operations, risk, personnel and finance functions.

Branch network

The UK branch network of 2,033 branches serves both personal and business customers, delivering a broad range of financial services products, including those of other Group businesses. Personal and business customers hold approximately seven million and one million current accounts respectively which, together with the associated loans and deposits, provide the principal source of the Group's assets and a stable source of deposits. From 1st January 1996, the branch network was reorganised into 13 regions. Each has a regional director, with other directors responsible for the personal sector, business sector, operations and risk management. Through its branch network, UKBS is able to monitor and control lendings at a local level, supported by its central risk management function.

UKBS has a major ongoing investment programme to improve and expand the range of customer services and delivery channels, including the telephone banking service, Barclaycall, and in order to reduce costs and to enhance operating efficiencies and risk management.

Personal sector

In addition to offering current and deposit accounts, consumer lending and mortgage products, branches sell travellers cheques, foreign currency and other travel related services. They also provide access to pension and insurance products, share dealing and other investment services offered by other Group businesses, such as Barclays Financial Services. The Barclays Premier Banking service is dedicated to providing financial services to high earning personal customers through a network of Premier Banking managers located in some 60 centres, attached mainly to existing branches.

Through Barclaycard, the Group conducts credit card operations in the United Kingdom and Germany, including both card issuing and transaction processing for merchants. Barclaycard is the largest bank card issuer in Europe and has over nine million credit cards in issue, of which the brand leader is the Barclaycard Visa Card. It is also the major merchant transaction processor in the United Kingdom, dealing with more than £26bn of transactions per annum.

Business sector

Barclays is one of the principal providers of financial services to the UK business community. Small businesses are served through the branch network. Large and middle market businesses are served through a network of 237 business centres, each providing an in-depth knowledge of the local business markets. Business centres give customers access to sterling current accounts, a variety of deposit, money market and lending products, foreign currency accounts, foreign exchange dealing, electronic banking facilities and international trade services, as well as more complex products, such as interest rate protection, and introductions to services offered by other areas of the Group.

The leasing and factoring group comprises three areas of operations; equipment leasing and asset-backed financing through Barclays Mercantile Business Finance, factoring and invoice discounting through Barclays Commercial Services and contract car hire businesses in the United Kingdom, France, Spain and Italy through the Dial Group.

International sector

International sector serves the global banking needs of both personal and business customers. Services provided include International Premier Banking, trade finance and foreign exchange.

BZW

BZW conducts the Group's global investment banking business. Revenues are derived from advisory, origination and primary markets activities; securities research, sales and trading; risk management and trading activities in both the cash and derivatives markets; money market and foreign exchange activities; corporate lending and asset management. BZW also has overall management responsibility for Barclays activities in Asia-Pacific and the United States and, within continental Europe, in Italy, Belgium and Holland.

BZW corporate finance advisory activities include capital raisings, secondary offerings, listings, mergers and acquisitions, disposals, privatisations and general advice on matters such as corporate refinancing and restructuring. BZW operates in the primary and secondary international securities markets and is one of the major participants in the market for sterling and other eurobonds and for British government securities. BZW is a primary dealer in US Treasury securities and also makes markets in a range of international government and corporate bonds. In equity markets, BZW is a major trading, distribution and research house in Europe and the Asia-Pacific region, with over half of the employees being dedicated to non-UK equities. The continuing expansion of its international capability in underwriting, distribution, research and trading of debt and equity securities is key to its strategy.

BZW offers a large portfolio of risk management solutions to both issuers and investors as well as trading these instruments on its own account. The products cover a wide range of instruments in the securities, currency, interest rate and commodity markets. A 24-hour execution service is provided across all time zones to enable clients to manage their financial risks. BZW provides broking and clearing services for interest rate, currency, equity index and commodity products and is a member of all the major futures and options exchanges throughout the world.

BZW also offers expertise in lead managing and advising on specialised, non-recourse and project financings, asset-backed and cash flow based finance and international export finance. It also provides advisory and lending services in support of major infrastructure and capital acquisitions. BZW's private equity operations provide capital to unquoted companies primarily through funding management buy-outs and buy-ins.

BZW's asset management business principally consists of quantitative and actively managed funds. The acquisition by Barclays of Wells Fargo Nikko Investment Advisors (WFNIA) and the associated MasterWorks business, which was completed on 31st December 1995, makes BZW Asset Management one of the largest institutional investment managers in the world, with approximately £206bn of assets under management. BZW Asset Management acts as holding company to BZW Investment Management (the active business); BZW Barclays Global Investors (the quantitative business incorporating WFNIA); and BZW Property Investment Management.

European Retail Banking Group

European Retail Banking Group manages banking operations in France, Spain, Portugal, Gibraltar, Greece and, in Germany, the private bank, Merck Finck.

The major branch networks in Spain, France and Portugal principally provide personal banking services to medium and high income customers, as well as corporate banking services to business customers.

Other International and Private Banking

Barclays has well-established retail banking operations in Africa and in the Caribbean, serving both the personal and the corporate markets. The Group has recently opened an office in South Africa, focusing on cross-border trade finance and corporate banking and serving the Group's multinational clients.

Trade finance and correspondent banking business in Latin America is conducted from Miami.

Barclays Private Banking provides a specialist service for individuals with substantial personal wealth. It has over 20 offices internationally and offers an integrated asset management service, including multi-currency banking, trust and fiduciary services and investment management.

Other International and Private Banking now includes the management of debt due from countries experiencing liquidity problems.

Barclays Financial Services

Barclays Financial Services (BFS) conducts the Group's life and pensions, general insurance, unit trust, investment management, retail stockbroking and trustee businesses, providing customers with a wide range of personal financial planning and investment management services.

Barclays Life Assurance Company, one of the major UK unit-linked assurance companies, underwrites life assurance and pensions policies. These are marketed through some 900 sales advisers who act on introductions from the UK branch network. Funds under management now total £3.9bn.

BFS has a major presence in the unit trust and personal investment market. With offshore operations also in Luxembourg, Hong Kong and the Channel Islands, funds under management world wide total approximately £5.1bn. Barclays Unicorn is the UK's fifth largest unit trust company and, together with Barclays Stockbrokers, is the UK's largest Personal Equity Plan (PEP) provider.

Barclays Stockbrokers undertakes retail stockbroking and PEP management activities offered through the retail branch network and via postal and telephone services. It is one of the leading retail stockbrokers in the United Kingdom and currently handles approximately 15% of the total volume of retail equity transactions in the UK stock market, with funds under management of £1.3bn.

Barclays Bank Trust Company provides investment management services, as well as executorship, trustee administration and personal taxation services. It has funds under discretionary management of £3.6bn.

Barclays Insurance Services negotiates and packages household and other insurance products, many of which are offered in conjunction with UK branch lending products.

From 1st January 1996, the reporting lines of BFS were split between the UKBS personal sector and the asset management business. This change will allow the Group to enhance its product offering and improve the effectiveness of its delivery channels in the area of financial services.

Corporate and Institutional Banking Services

Corporate and Institutional Banking Services (CIBS) was formed in 1994 as a portfolio of businesses serving many of the specialised needs of the Group's large corporate and financial institution clients. The business portfolio comprises both lending and operating products and services. The lending service encompasses relationships with UK and multinational clients operating in the United Kingdom, the syndication of bank debt in the United Kingdom, trade finance and large value leasing. Operating products and services include international payments and cash management, global custody and registration, as well as the Group's correspondent banking business.

During 1995, CIBS management carried out a review of its business portfolio of lending and operating products and services, many of which complement the Group's other operations. As a result of this review, the businesses comprising CIBS were transferred to other parts of the Group, primarily UKBS and BZW, on 1st January 1996. From that date, relationships with corporate clients will now be lead managed by either UKBS or BZW according to the clients' core banking needs, with access to the full range of the Group's products and services.

In January 1996, the Group announced its intention to withdraw from its share registration operation, conducted through Barclays Registrars, reported as part of CIBS. The impact on future results will not be material.

Businesses in Transition

Businesses in Transition primarily comprises lendings and other assets that are unlikely to be of long-term interest to the Group or which require significant restructuring.

France in Transition principally comprises part of the French corporate banking operations, some of the central support services and an impaired property loan portfolio.

United States Transition consists principally of non-performing and substandard loans, commercial real estate loans and certain other loans and assets within the United States. This category also includes the US mortgage servicing and origination businesses which were sold during the year.

Other Businesses in Transition embraces elements of certain activities in continental Europe and Asia which had been transferred to BZW in the reorganisation of the Group's structure during 1994 and which no longer form part of the Group's continuing strategy.

Other operations

Barclays Property Holdings is responsible for the management of Group occupied premises. Central services includes a variety of services, such as information technology, which support the operating businesses, together with a number of other central Group costs such as the Community Affairs programme.

Head office functions

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

Competition

The Group faces growing competition in all of its major markets; many large financial services groups compete in the provision of sophisticated banking and investment banking services to corporate and institutional customers in the important financial centres of the world, while local banks and other financial service companies provide keen competition within each national market. Competition is also increasingly being experienced from non-financial services groups in key markets such as credit cards.

Work on the development of a single market within the European Union continues. The Second Banking Co-ordination Directive allows banks in one member state to set up branches in any other member state under licence from its home country. The Investment Services Directive, which was implemented in the United Kingdom on 1st January 1996, establishes a similar framework for securities houses. There has not yet been any major development under these rules which has impacted on the Group. Management believes that it continues to be well placed to meet these challenges.

Changes in Group structure in 1995

From 1st January 1995, a number of changes were made to the Group's management structure.

Further assets and activities have been identified as being unlikely to be of long-term interest to the Group or as requiring significant restructuring and, together with United States Transition, now form Businesses in Transition.

The management of debt due from countries experiencing liquidity problems has been transferred from Group credit policy unit, where it was reported within Other operations, to other business functions where it is reported as part of Other International and Private Banking.

Comparative figures have been restated where appropriate.

Recent developments

On 31st December 1995, the Group completed the acquisition of Wells Fargo Nikko Investment Advisors, together with the MasterWorks division of Wells Fargo Bank, for a total cost of acquisition of £287m. Net assets acquired amounted to £58m, resulting in purchased goodwill of £229m.

On 27th February 1996, Barclays PLC repurchased 40 million of its ordinary shares, representing approximately 2.5% of the issued ordinary share capital at that date, at a cost of £306m, excluding expenses.

Profit/(loss) before tax

	1995 £m	1994 £m	1993 £m
UK Banking Services	**1,271**	1,257	597
BZW	**286**	242	506
European Retail Banking Group	**(31)**	(8)	8
Other International and Private Banking	**200**	241	251
Barclays Financial Services	**148**	123	213
Corporate and Institutional Banking Services	**169**	61	27
Businesses in Transition	**(211)**	(87)	(873)
Other operations	**71**	(24)	(7)
Head office functions	**(55)**	(49)	(53)
Operating profit	**1,848**	1,756	669
Profit on disposal of Group undertakings	**238**	107	–
Write-down of surplus properties	**(3)**	(4)	(8)
	2,083	1,859	661

Total assets

	1995 £m	1994 £m	1993 £m
UK Banking Services	**52,425**	52,043	52,525
BZW	**81,113**	73,094	71,783
European Retail Banking Group	**7,222**	7,284	6,624
Other International and Private Banking	**5,257**	6,931	6,888
Barclays Financial Services	**609**	567	547
Corporate and Institutional Banking Services	**10,158**	9,451	12,554
Businesses in Transition	**4,218**	6,907	8,903
Other operations	**3,182**	3,086	3,335
Long-term assurance fund assets attributable to policyholders	**4,642**	3,040	2,892
	168,826	162,403	166,051

Weighted risk assets

	1995 £m	1994 £m	1993 £m
UK Banking Services	**44,957**	43,718	45,630
BZW	**22,949**	19,267	22,356
European Retail Banking Group	**4,754**	4,869	4,498
Other International and Private Banking	**3,316**	5,268	5,170
Barclays Financial Services	**106**	107	58
Corporate and Institutional Banking Services	**10,156**	10,909	12,850
Businesses in Transition	**3,005**	5,149	6,762
Other operations *	**4,018**	3,951	5,104
	93,261	93,238	102,428

*including supervisory adjustments

Capital resources – Barclays PLC

	1995 £m	1994 £m	1993 £m
Shareholders' funds	**7,027**	6,161	5,208
Minority interests	**343**	329	677
	7,370	6,490	5,885
Undated loan capital	**1,989**	1,979	2,053
Dated loan capital	**1,571**	1,562	2,130
Other subordinated liabilities	**91**	121	131
	11,021	10,152	10,199
Tier 1 ratio	**7.7%**	7.0%	5.9%
Risk asset ratio	**10.9%**	10.4%	9.7%

Summary profit and loss account

	1995 £m	1994 £m	1993 £m
Operating income	**7,251**	6,930	7,401
Operating expenses	**5,004**	4,572	4,814
Operating profit before provisions	**2,247**	2,358	2,587
Credit risk provisions	**(441)**	(663)	(1,908)
Country risk provisions release	**45**	61	39
Provisions for contingent liabilities and commitments	**(3)**	–	(49)
Operating profit	**1,848**	1,756	669
Profit on disposal of Group undertakings	**238**	107	–
Write-down of surplus properties	**(3)**	(4)	(8)
Profit on ordinary activities before tax	**2,083**	1,859	661

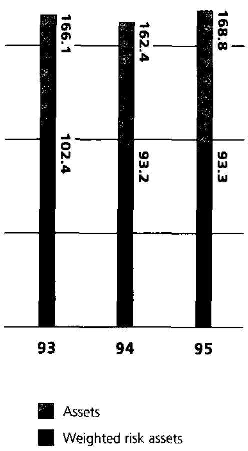
Introduction

The Barclays Group achieved a 12% increase in profit before tax in 1995 to £2,083m, including a net £238m gain on business disposals, compared with £1,859m in 1994, when the contribution from the sale of businesses had been £107m. The underlying improvement in operating profit was £92m or 5%. Earnings per share advanced by 15% from 72.4p to 83.6p. UK Banking Services maintained the high level of profit achieved in 1994 and BZW advanced by 18%. The most significant improvements, however, arose in Corporate and Institutional Banking Services, because of write-backs of provisions, and in Other operations, largely arising from earnings on a higher level of centrally-held Group capital. Against this, the costs associated with restructuring the business in France led to an appreciably higher loss in Businesses in Transition.

Group operating income rose by 5%, supported by a continuing reduction in the interest foregone on non-accrual lendings and improved volumes in BZW and in the credit card and leasing operations in UKBS. At the same time, a 30% rise in systems and marketing expenditure and a threefold increase in costs associated with staff reductions and disengagements from unprofitable activities contributed materially to a 9% growth in operating expenses. Combined with the impact of business disposals and slightly lower lending volumes, the result was a 5% decline in Group operating profit before provisions to £2,247m. Despite an expansion in private banking internationally and in Premier and telephone banking in UKBS, staff numbers fell by a further 4%, largely because of business disposals.

Reflecting the current point in the economic cycle and the results of more rigorous credit risk management procedures, bad debt provisions fell by 34% to £396m. This was accompanied by a £1,038m fall in non-performing loans. At the year end, 55% of such loans were covered by bad debt allowances, compared to 49% a year earlier.

Total assets and weighted risk assets
£bn



Shareholders' funds, after a £181m buy-back of shares in August and a 24% increase in dividends to 26.0p per share, rose by £866m to £7,027m, mainly because of a £943m contribution from retained profit. This improvement was equally reflected in a 9% rise in total capital resources to £11,021m. With risk-related assets remaining relatively flat at £93.3bn, the tier 1 ratio of the Group rose from 7.0% to 7.7% and the overall risk asset ratio from 10.4% to 10.9%.

Although competition may be expected to intensify in many of its markets, a high level of investment will continue and there still remains some restructuring work to be undertaken, the Group is well placed to overcome the challenges it expects to face in the coming year, both in terms of its financial performance and in providing a better service for its customers.

Analysis of results by business

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

UK Banking Services

	1995 £m	1994 £m	1993 £m
Net interest income	**2,794**	2,629	2,616
Net fees and commissions	**1,496**	1,502	1,523
Other operating income	**21**	17	24
Total income	**4,311**	4,148	4,163
Total costs	**(2,622)**	(2,406)	(2,379)
Provisions for bad and doubtful debts	**(418)**	(485)	(1,187)
Operating profit	**1,271**	1,257	597

Profits continued at the high level achieved in 1994, with increased net interest income and lower provisions offsetting a 9% rise in costs. After a net increase of 1,200 in the first half, staff numbers were reduced by 1,700 during the second half of the year to 54,200, with most of the reduction taking place in the branch network.

The rise in net interest income largely stemmed from a 7% improvement in the personal sector. At Barclaycard, lending volumes increased and margins were maintained, despite pressure from new competitors. Overall consumer lending volumes rose, with increased sales of more profitable centrally-managed products such as Masterloan and Barclayloan. Market share in mortgages was maintained, but with lower margins, against a background of intense competition and weak customer demand. There was an increased contribution from personal savings and deposits which benefited from the creation of innovative products by the treasury and product development teams, including a fixed-rate Tax Exempt Special Savings Account (TESSA) which contributed to a £1bn increase in deposits with longer maturities.

In the business sector, the leasing and factoring group was the main source of growth in net interest income, building on its strong franchise, particularly in Barclays Mercantile. In the business bank, pressure on lending margins in a continuing competitive environment was partly offset by widening spreads on deposit-based products. Despite broadly unchanged asset volumes, the mix continued to improve, with reductions in exposure to property and hotels.

Fees and commissions were largely similar to the previous year. Business sector income was affected by reduced lending fees and continued pricing and volume pressures in money transmission. In the personal sector, Barclaycard fee income rose as it maintained its market leadership, both in the number of cards in issue and merchant servicing.

Approximately half of the increase in costs reflected continued investment to improve both business efficiencies and customer service. In the personal sector, Customer System, which speeds up account opening and decision making in branches, was integrated with an automated credit scoring system to enhance further customer service. The business sector saw the implementation of Lending Advisor, a knowledge-based system to aid lending decisions, and the introduction of risk adjusted pricing.

The employment of temporary staff and overtime associated with the implementation of major systems programmes, particularly in the first half of the year, were the main contributors to the increase in staff costs. Advertising and marketing expenses increased by 34% to support product growth areas within the personal sector, particularly at Barclaycard. UKBS has initiated a review of overhead costs and is continuing to bear down on all aspects of costs. The overall level of costs in 1996 will, however, continue to reflect high levels of investment in new technology and product development to enhance customer service and improve business efficiency.

Net bad debt provisions were 14% lower than in 1994, with new and increased provisions falling by 18%. There was a reduction in recoveries and releases, although these remained at a relatively high level. The general provision was increased slightly to reflect business growth in certain areas, particularly Barclaycard.

The substantial improvement in operating profit in 1994 arose from sharply reduced provisions in the UK Bank and Barclaycard.

BZW

	1995 £m	1994 £m	1993 £m
Net fees and commissions	**505**	517	470
Trading income*	**388**	309	615
Net interest income	**287**	259	349
Other operating income	**47**	42	36
Total income	**1,227**	1,127	1,470
Total costs	**(941)**	(899)	(913)
Provisions for bad and doubtful debts	**–**	14	(51)
Operating profit	**286**	242	506

*In order to present the results of BZW on a basis which is consistent with common practice in investment banking, trading income as reported above now includes all profits and losses relating to dealing activities, including interest and dividends arising from long and short positions and funding costs. In this respect, it differs from 'dealing profits' as defined on page 23.

Although 1995 provided a more favourable environment than 1994, conditions did not approach those of the cyclical upswing in the early years of the decade. The improved market conditions, however, allowed trading businesses to make a strong contribution to trading and net interest income, while other businesses maintained a high level of fees and commissions, resulting in an 18% increase in operating profit.

The primary and secondary equity market businesses remained the most significant contributors to fees and commissions. In structured finance, they remained at similar levels to 1994, although BZW's merger, acquisition and underwriting activity was subdued in the early part of the year. Fees increased in the asset management operations world wide reflecting a combination of net new business and market performance. Following the acquisition of Wells Fargo Nikko Investment Advisors on 31st December 1995, BZW Asset Management's funds under management and advice have risen more than fourfold to some £206bn, with £170bn under quantitative management and £36bn under active management and advice.

Trading income increased by 26% to £388m. A strong performance in securities and money markets, together with an improved performance in foreign exchange, more than offset a reduced demand for interest rate derivatives. The equities business benefited from improved trading conditions, reflected in increased volumes and rising markets, particularly in the United Kingdom, and increased demand for equity derivative products. The money markets business took advantage of falling yields across certain core currencies, boosting its contribution to both trading and net interest income, which rose by 11% to £287m. Net interest income also benefited from a good performance by the structured products business.

Costs increased by 5%, partly because of the continuing programme of investment to sustain and enhance BZW's competitiveness. As part of the strategy to strengthen existing businesses, a number of significant new senior appointments were made during the course of 1995, reinforcing BZW's skills in certain areas. Substantial technology and other expenditure, associated with the move of BZW's business to new London headquarters at Canary Wharf, will be incurred in both 1996 and 1997.

The higher level of trading income and net interest income in 1993 reflected the favourable market conditions in that year.

European Retail Banking Group

	1995 £m	1994 £m	1993 £m
Net interest income	**199**	193	244
Net fees and commissions	**124**	127	119
Other operating income	**37**	20	29
Total income	**360**	340	392
Total costs	**(345)**	(315)	(334)
Provisions for bad and doubtful debts	**(46)**	(33)	(50)
Operating profit/(loss)	**(31)**	(8)	8

The overall operating loss largely resulted from a rise in bad and doubtful debt provisions and restructuring costs in Merck Finck, where a far-reaching modernisation programme has been initiated to improve the bank's competitive position.

Profits in Spain were lower than in 1994 as a result of restructuring costs. The operation improved its focus on its medium and high net worth customer base, selling 39 non-core branches and expanding its Premier Banking service.

France improved its performance despite a depressed investment environment which was exacerbated by the public sector strike in the normally buoyant last quarter. The business maintained its high profile in the personal sector market and launched some innovative products, including 'performance guaranteed' and index-linked savings and insurance products and enhanced home banking services.

A further improvement was seen in Portugal as savings and investment products remained competitive. In Greece, where bad debt provisions affected results, the branch network is being refocused on the Premier personal customer market, with the opening of further branches planned for 1996. Gibraltar enjoyed another good year in difficult economic conditions.

European Retail Banking Group's results in 1996 will continue to be affected by further planned restructuring costs, albeit at a lower level, as the business is refocused on serving the needs of higher net worth individuals.

The overall results in 1994 and 1993 were adversely affected by the impact of high levels of provisions and operating costs in France.

Other International and Private Banking

	1995 £m	1994 £m	1993 £m
Net interest income	**247**	288	265
Net fees and commissions	**203**	199	203
Other operating income	**29**	11	29
Total income	**479**	498	497
Total costs	**(319)**	(296)	(294)
Provisions for bad and doubtful debts	**(12)**	(29)	(32)
	148	173	171
Problem country debt management	**52**	68	80
Operating profit	**200**	241	251

The results for 1994 and 1993 included those of the US factoring and asset-backed finance businesses which were sold in February 1994 and January 1995 respectively. Excluding these disposals and a reduced contribution from the sovereign debt portfolio, operating profits were significantly ahead of those in 1994, with increased income offsetting higher costs associated primarily with investment in new systems and infrastructure.

In Africa, there were strong performances in Kenya, Zimbabwe and Ghana. Operational efficiency and customer service have been enhanced by investment in technology, including the installation of a satellite system for faster data processing. In the Caribbean, performance was at a similar level to that in the previous year despite increased competition and a rise in investment expenditure. Systems investment across the operations will continue in order to maintain and improve competitive advantage. The Latin American operation performed well despite the impact on the region of Mexico's financial difficulties.

In Barclays Private Banking, performance reflected the recruitment of additional specialist staff and expenditure on systems development. Assets under management rose by 27%.

There was a reduced contribution from the sovereign debt portfolio because of lower provision releases.

Barclays Financial Services

	1995 £m	1994 £m	1993 £m
Net fees and commissions	**250**	244	243
Increase in shareholders' interest in the long-term assurance fund	**56**	12	107
Net interest income	**17**	17	22
Other operating income	**14**	2	8
Total income	**337**	275	380
Total costs	**(189)**	(152)	(167)
Operating profit	**148**	123	213

The 20% increase in operating profit was primarily the result of a recovery in shareholders' interest in the long-term assurance fund from the position in 1994 which had been affected by provisions against pensions business and depressed stock market values. There was also some overall recovery in income from most activities as consumer confidence began to return.

During 1995, the emphasis of Barclays Life continued to be that of managing and resolving the regulatory issues that were identified in 1994. In line with trends in the rest of the industry, life and pension sales were some 25% lower year-on-year, excluding unit trust and group pension sales, although improved sales productivity helped to offset the impact of a reduction in 1994 in the number of life advisers. Recruitment of life advisers began again in June 1995, resulting in the hiring of an additional 130 staff by the end of the year.

In a competitive market, profits from general insurance were lower than in 1994, although this continued to be the largest contributor to Barclays Financial Services' profit. Across the range of insurance services, higher premiums also made a positive contribution. Lower profits at Barclays Unicorn reflected the industry-wide reduction in equity-linked unit trust sales as the traditional investor base remained wary of the market. Despite these difficult conditions, the division launched one of the UK's leading corporate bond Personal Equity Plans (PEPs), with sales of over £90m securing a market share of approximately 19%.

Barclays Stockbrokers continued to expand and, by the year end, had a 15% share of the UK retail stockbroking market, benefiting from both higher stock market volumes and improved links with the personal sector. The performance was reflected in improved profits.

Of the £37m increase in costs, £16m related to the closure of the specialised life and pensions broking operation and £16m to reorganisation and relocation costs in the Trust Company.

Corporate and Institutional Banking Services

	1995 £m	1994 £m	1993 £m
Net interest income	**146**	199	270
Net fees and commissions	**159**	145	184
Other operating income	**77**	107	63
Total income	**382**	451	517
Total costs	**(269)**	(335)	(358)
Provisions for bad and doubtful debts	**56**	(55)	(132)
Operating profit	**169**	61	27

The 1994 results included the contributions of the retail banking operation in Australia, which was sold in April 1994, and Interpayment, the Group's former travellers cheque issuance business, which was sold in November 1994. Adjusting for these disposals, operating profit rose by £104m.

This improvement essentially resulted from the turnaround in bad debt provisions. One large corporate provision had affected last year's performance, while the 1995 results benefited from two significant recoveries. The 1994 results were also adversely affected by relatively high levels of provisions in Canada.

At the pre-provisions level most individual businesses within Corporate and Institutional Banking Services performed well and some saw a marked improvement in underlying performance. In overall profit terms, the benefits of this were offset by rationalisation and closure costs and lower business volumes, the latter reflecting the Group's policy of improving the overall quality of the lending portfolio and avoiding unrealistically priced business in the large corporate lending market.

In January 1996, the Group announced its intention to withdraw from the share registration business, conducted through Barclays Registrars and reported as part of CIBS. The impact on future results will not be material.

The improvement in operating profit in 1994 arose from a fall in bad debt provisions, supported by releases in the United Kingdom and the rest of Europe. Compared with the previous year, the results for 1994 were also affected by the disposal of Interpayment, the Group's travellers cheques issuance business, and the retail banking business in Australia.

Businesses in Transition

	1995 £m	1994 £m	1993 £m
France in Transition	**(247)**	(102)	(227)
United States Transition:			
Loan portfolios	**121**	58	(346)
BarclaysAmerican/Mortgage	**(11)**	10	(236)
Infrastructure	**(13)**	(54)	(96)
Other Businesses in Transition	**(61)**	1	32
Operating loss	**(211)**	(87)	(873)

The predominant feature in 1995 was the continued restructuring of certain of the Group's businesses in France. Placed together within France in Transition, they include part of the Group's corporate banking operations, some of the central support services and an impaired property loan portfolio.

The overall loss incurred in France in Transition resulted from a combination of further bad debt provisions, restructuring costs relating both to the corporate banking business and support services, a £50m reduction in the value of the Paris head office, additional property and investment write-offs totalling £34m and on-going costs associated with rationalising the Group's non-core businesses. The sale of approximately half of the impaired property loan portfolio, with a gross book value of £114m, was completed in early 1996 and the remaining portfolio will continue to be managed down. Although much of the work to restructure the businesses within France in Transition has now been completed, further costs, albeit at a significantly lower level, are expected to be incurred in 1996.

The profitable performance of the United States Transition loan portfolios was attributable to the continuing release of provisions and the disposal of assets as the portfolios are managed down. If collateral values in the United States continue to improve, some further, albeit modest, contributions from the remainder of the portfolio may be expected in 1996. The mortgage servicing and origination businesses of BarclaysAmerican/Mortgage were sold in March and July 1995 respectively.

Other Businesses in Transition includes certain activities which had been transferred to BZW in the reorganisation of the Group's structure during 1994 and which no longer form part of the Group's continuing strategy. The loss was after charging bad debt provisions of £55m and the costs associated with the closure of certain non-investment banking operations in Korea, Taiwan and Europe.

The turn-round in 1994 in the results of United States Transition essentially arose from substantially lower provisioning levels and releases of provisions as the loan portfolios were managed down. The substantial write-down made in 1993 of the purchased mortgage servicing rights was not repeated. The operating loss in France in Transition in 1994 reflected the high level of bad debt provisions in part of the corporate banking business.

Other operations

	1995 £m	1994 £m	1993 £m
Barclays Property Holdings	**18**	30	26
Central services	**(88)**	(71)	(45)
Management of Group capital	**136**	(1)	1
UK associated undertakings	**5**	18	11
Operating profit/(loss)	**71**	(24)	(7)

Barclays Property Holdings With costs remaining flat, the fall in the profit of Barclays Property Holdings was largely attributable to a loss of rental income from properties that have since been sold or await development.

The improved profit in 1994 arose from higher service fee income, reduced interest costs and surpluses on the sale of properties.

Central services In Central services, the cost of office accommodation currently surplus to the Group's requirements, particularly in central London, largely accounted for the rise in expenses. Further, 1994 had benefited from the net release of centrally-held provisions.

The deficit increased in 1994 largely because of increased costs in respect of computer services and certain reorganisation costs.

Management of Group capital The high level of profits arising from the central management of the Group's capital reflects proceeds from business disposals and higher centrally-held capital. The 1994 result was adversely affected by the £60m cost of redeeming loan capital.

UK associated undertakings Income from UK associated undertakings in 1994 stemmed primarily from the Group's holding in 3i Group plc, which ceased to be treated as an associated undertaking after the sale of a large part of the Group's holding in July 1994.

Head office functions

	1995 £m	1994 £m	1993 £m
Operating cost	**(55)**	(49)	(53)

Results by nature of income and expense

Net interest income

	1995 £m	1994 £m	1993 £m
Interest receivable	**11,062**	9,979	11,085
Interest payable	**7,237**	6,293	7,210
Profit/(loss) on redemption of loan capital	**–**	(60)	22
Net interest income	**3,825**	3,626	3,897

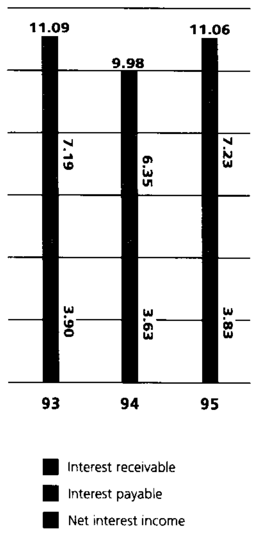
After adjusting for the impact of disposals in 1995 and the loss on redemption of loan capital in 1994, net interest income rose by 7%. Despite a contraction in the average balance sheet, both interest receivable and payable increased, with reduced volumes being more than offset by the higher level of interest rates.

Banking business net interest margins rose by 0.2% to 3.2% as a result of a modest increase in spreads, together with an increase in the contribution from interest-free funds, arising in particular from the effect of higher levels of Group capital. The central management of Group interest rate exposure contributed approximately 0.1% (1994 0.2%) to the interest margin during the period.

In UKBS, net interest income and the interest margin rose as a result of an improved contribution from savings and deposit products, while increased volumes in the credit card and leasing and factoring operations compensated for a reduction in certain lending margins in the UK Bank which resulted from competitive conditions particularly in the mortgage and business sectors.

Banking business interest margins also benefited from a reduction in the proportion of non-performing lendings in the portfolio. Interest foregone on these assets fell by £96m to £255m.

Net interest income
£bn



Prevailing average interest rates

United Kingdom:	1995 %	1994 %	1993 %
Barclays Bank PLC base rate	**6.7**	5.5	6.0
London Inter-Bank Offered Rate (LIBOR):			
three month sterling	**6.7**	5.5	5.9
three month eurodollar	**6.0**	4.7	3.2
United States prime rate	**8.8**	7.2	6.0

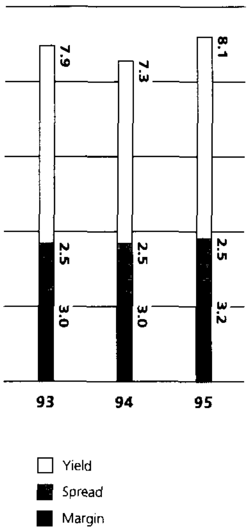
Average interest earning assets and liabilities – banking business

Average interest earning assets:	1995 £m	1994 £m	1993 £m
Group	**119,608**	121,704	127,877
Domestic	**72,680**	70,314	72,075
International	**46,928**	51,390	55,802
Average interest bearing liabilities:			
Group	**105,248**	107,551	115,584
Domestic	**61,022**	60,121	63,162
International	**44,226**	47,430	52,422

Yields, spreads and margins – banking business

	1995 %	1994 %	1993 %
Gross yield (a)			
Group	**8.1**	7.3	7.9
Domestic	**8.6**	7.8	8.2
International	**7.3**	6.6	7.4
Interest spread (b)			
Group	**2.5**	2.5	2.5
Domestic	**3.3**	3.3	3.2
International	**1.5**	1.3	1.6
Interest margin (c)			
Group	**3.2**	3.0	3.0
Domestic	**4.1**	4.0	3.8
International	**1.8**	1.7	1.9

Interest yield, spread and margin
%



The average balance sheet on pages 28 and 29 is presented on the basis of the domicile of the booking office, distinguishing between offices in and outside the United Kingdom. Offices in the United Kingdom conduct both domestic business (with customers domiciled in the United Kingdom) and international business (with customers domiciled outside the United Kingdom). Offices outside the United Kingdom are classified entirely as international business.

The yields, spreads and margins for domestic business (conducted primarily in sterling) and international business (conducted primarily in foreign currencies) shown above have been computed on this basis, which reflects the domicile of the borrower. They exclude profits and losses on the redemption of loan capital.

The net interest income and average balances of the securities trading business are shown separately on the average balance sheet on pages 28 and 29.

Notes

(a) Gross yield is the interest rate earned on average interest earning assets.
(b) Interest spread is the difference between the interest rate earned on average interest earning assets and the interest rate paid on average interest bearing liabilities.
(c) Interest margin is net interest income as a percentage of average interest earning assets.

Net fees and commissions receivable

	1995 £m	1994 £m	1993 £m
Gross fees and commissions receivable	**2,886**	2,948	3,009
Less: amortisation of purchased mortgage servicing rights (PMSRs)	**(2)**	(38)	(265)
	2,884	2,910	2,744
Less: fees and commissions payable	**(211)**	(211)	(223)
	2,673	2,699	2,521

Adjusting for the 1995 disposals of the business of Barclays Business Credit, the US asset-backed finance business, and the mortgage servicing and origination businesses of BarclaysAmerican/Mortgage, net fees and commissions remained broadly level.

Within UKBS, which contributes over half of the Group's net fees and commissions, levels were also similar to 1994. An 11% increase in Barclaycard income, reflecting greater transaction volumes, was largely offset by lower income from retail foreign currency transactions, money transmission and volume-related lending fees.

Fees and commissions within BZW were at similar levels to 1994, with the most significant contribution again coming from the primary and secondary equities businesses, supported by an improved performance in asset management and sustained levels of income within structured finance.

Net fees and commissions increased in 1994, reflecting a reduced PMSR amortisation charge.

Dealing profits*

	1995 £m	1994 £m	1993 £m
Interest rate related	**194**	170	307
Foreign exchange	**130**	89	136
Equities and other	**70**	125	214
	394	384	657

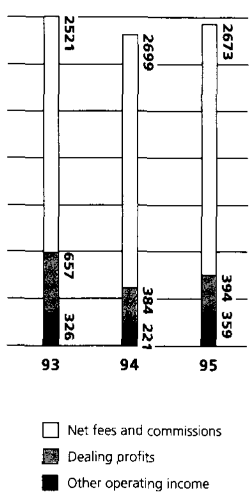
*This is a prescribed heading under Schedule 9 to the Companies Act 1985, in which 'profit' does not conform to the more usual definition followed elsewhere in this document. This disclosure reflects dealing income, excluding interest and dividends arising from long and short positions and funding costs.

Increased dealing profits from the fixed income business and a strong performance in the money markets were partially offset by reduced demand for risk management derivative products in the first half of the year. Better trading opportunities, together with higher customer volumes, led to an increase in foreign exchange dealing profits.

The dealing profits figure for Equities and other excludes dividend income (reported under Other operating income) received by the equities business as part of its trading operations. The rising and volatile prices experienced in the base metals market in 1994 were not repeated in 1995, resulting in a lower contribution from the metals business which is also reflected in a fall in funding costs for this activity.

The decrease in dealing profits in 1994 reflected the depressed level of market liquidity in that year and a more conservative market risk profile.

Non-interest income
£m



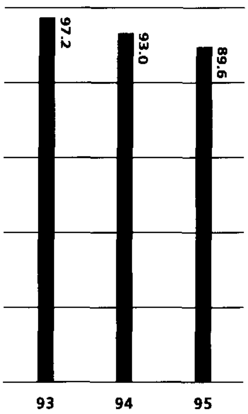
Other operating income

	1995 £m	1994 £m	1993 £m
Income from associated undertakings	**26**	35	24
Dividend income from equity shares	**139**	42	25
Profits on disposal of investment securities	**33**	18	17
Increase in shareholders' interest in the long-term assurance fund	**56**	12	107
Property rentals	**29**	29	33
Other income	**76**	85	120
	359	221	326

Other operating income increased by £138m, reflecting the £97m increase in dividend income, primarily as a result of trading strategies adopted by BZW during the year. The other major contributor was the £44m rise in the contribution from shareholders' interest in the Barclays Life long-term assurance fund, which had been depressed in 1994 because of provisions against pensions business and lower stock market values.

The fall in Income from associated undertakings arose from the disposal of part of the Group's investment in 3i Group plc in July 1994. The Group's holding is now 5.5% and the income arising from it is reported as Dividend income from equity shares.

Staff numbers
000s



Administrative expenses – staff costs

	1995 £m	1994 £m	1993 £m
Salaries and accrued incentive payments	**2,140**	2,055	2,071
Social security costs	**194**	195	195
Pension costs	**145**	117	113
Post-retirement health care	**22**	39	18
UK profit sharing	**83**	76	26
Other staff costs	**323**	198	305
	2,907	2,680	2,728
Staff reduction and relocation costs included above	**179**	73	195
Staff numbers (period end)*	**89,600**	93,000	97,200

*Excluding 1800 (1994 1800) Barclays Life advisers and administrative staff whose costs are borne within the long-term assurance fund and 800 staff of Wells Fargo Investment Advisors, acquired on 31st December 1995.

Staff costs rose by £227m over the year, primarily as a result of higher staff reduction costs of £106m, which occurred mainly in the United Kingdom and within France in Transition. Adjusting for these staff reduction costs and the impact of business disposals in 1994 and 1995, underlying staff costs rose by 7%.

The increase in salary costs included an additional £35m of expenditure which related to temporary staff employed during the year within the UK Bank to assist with the implementation of information technology systems. The overall cost of basic salaries increased by 2% and the cost of UK profit sharing rose by 9% to £83m. Pension costs include a one-off charge of £21m in France.

Staff numbers decreased throughout the Group's businesses, with the exception of Other operations, where there was an increase in systems support staff. The fall was most pronounced in United States Transition, reflecting the sale of the mortgage servicing and origination businesses and the gradual winding down of the impaired loans portfolio. Numbers also fell significantly in CIBS, primarily reflecting rationalisation, and Other International and Private Banking, as a result of business disposals. In UKBS, there was a net reduction of 500 staff, although approximately 1,000 new customer service jobs were created during the year, in areas including Premier Banking and Barclaycall, the telephone banking service.

In 1994, there was a £50m increase in profit sharing and a one-off cost of post-retirement health care in the United States.

Administrative expenses – other

Property and equipment expenses	**1995 £m**	1994 £m	1993 £m
Hire of equipment	**33**	36	42
Property rentals	**211**	204	211
Other property and equipment expenses	**589**	553	554
	833	793	807
Other administrative expenses			
Stationery, postage and telephones	**223**	225	236
Advertising and market promotion	**193**	152	115
Travel, accommodation and entertainment	**128**	132	116
Subscriptions and publications	**33**	32	33
Securities clearing and other operational expenses	**42**	45	67
Sundry losses, provisions and write-offs	**75**	78	156
Statutory and regulatory audit and accountancy fees	**9**	7	7
Consultancy fees	**88**	70	52
Legal and other professional fees	**89**	84	108
Facilities management and insurance	**31**	25	16
Other expenses	**7**	1	49
Donations, sponsorship and rewards	**14**	11	10
	1,765	1,655	1,772

The main causes of the 7% rise in total Other administrative expenses in 1995 were increased expenditure on advertising and marketing, particularly in the personal sector, and on business consultancy, primarily to support UKBS. An additional 11%, or £18m, was incurred in respect of general maintenance of the Group's property and equipment during 1995.

The reduction in 1994 arose principally from a marked improvement in fraud losses in the United Kingdom and a fall in sundry losses in a number of overseas operations and a one-off charge in 1993.

Depreciation and amortisation

	1995 £m	1994 £m	1993 £m
Property depreciation	**97**	74	58
Equipment depreciation	**181**	158	180
Loss on sale of equipment	**4**	5	6
	282	237	244
Provision for diminution in property value	**50**	–	70
	332	237	314

The increase in the level of the property and equipment depreciation charge in 1995 mainly reflects accelerated depreciation in the United Kingdom and France, resulting from a reassessment of the effective useful lives of certain assets.

The provision for diminution of £50m relates to a further permanent reduction in the value of the local head office in Paris. A provision of £70m in respect of the same property was raised in 1993.

Provisions for bad and doubtful debts

	1995 £m	1994 £m	1993 £m
Credit risk provisions charge:			
specific	**446**	589	1,803
general	**(5)**	74	105
Country risk provisions release	**(45)**	(61)	(39)
	396	602	1,869

For a further explanation of movements in provisions and allowances, see page 48.

Provisions for contingent liabilities and commitments

	1995 £m	1994 £m	1993 £m
	3	–	49

Of the charge in 1993, £35m was raised in BarclaysAmerican/Mortgage to cover potential losses associated with partially guaranteed loans.

Profit on disposal of Group undertakings

	1995 £m	1994 £m	1993 £m
	238	107	–

The net profit on disposal of Group undertakings comprised £250m of profits on disposal (1994 £139m) and losses on disposal of £12m (1994 £32m).

Profits on disposal of Group undertakings in 1995 were mainly attributable to gains on the sale of the business of Barclays Business Credit (£174m), the mortgage origination and servicing businesses of BarclaysAmerican/Mortgage (£37m) and a further part of the Group's investment in 3i Group plc (£34m). Losses on disposal were mainly attributable to the disposal of the equities business of BZW Canada.

Profits on disposal in 1994 arose on the sale of the business of Barclays Commercial Corporation, the retail banking business in Australia and part of the Group's shareholding in 3i Group plc. Losses arose through the sale of Interpayment Services Limited and Barclays McConnell Limited.

Write-down of surplus properties

	1995 £m	1994 £m	1993 £m
	(3)	(4)	(8)

Properties in the United Kingdom which are surplus to current operational requirements have been written down to their estimated market value.

Tax

The overall tax charge is explained in the following table:	1995 £m	1994 £m	1993 £m
Tax charge at average UK corporation tax rate of 33%	**687**	613	218
Deferred tax not provided	**(15)**	(34)	11
Prior year adjustments	**(30)**	(24)	–
Effect of change in non-allowable provisions	**1**	17	35
Effect of non-allowable property write-downs and depreciation	**35**	12	42
Net effect of differing tax rates overseas	**24**	3	7
Goodwill on disposals previously written off	**–**	9	–
Non-allowable losses	**16**	6	(19)
Franked investment income	**(47)**	(10)	(8)
Other non-allowable expenses	**6**	15	–
Other items	**(1)**	1	(4)
Overall tax charge	**676**	608	282

US GAAP net profit

Barclays PLC Group	1995 £m	1994 £m	1993 £m
UK GAAP net profit	**1,364**	1,179	310
Approximate US GAAP net profit (Net income)	**1,311**	1,027	199

Barclays Bank PLC Group figures under US GAAP differ from those of Barclays PLC Group because of dividends payable on preference shares.

Note 64 to the accounts and note g to the Barclays Bank PLC accounts provide a reconciliation of net profit and shareholders' funds between the amounts calculated under UK GAAP and US GAAP, together with a discussion of future developments in this respect.

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

Assets	1995 Average balance £m	1995 Interest £m	1995 Average rate %	1994 Average balance £m	1994 Interest £m	1994 Average rate %	1993 Average balance £m	1993 Interest £m	1993 Average rate %
Treasury bills and other eligible bills:									
in offices in the UK	**5,000**	**297**	**5.9**	4,502	185	4.1	4,752	232	4.9
in offices outside the UK	**1,600**	**152**	**9.5**	2,462	197	8.0	2,774	246	8.9
Loans and advances to banks:									
in offices in the UK	**12,522**	**808**	**6.5**	12,557	689	5.5	12,717	780	6.1
in offices outside the UK	**10,780**	**739**	**6.9**	10,012	581	5.8	9,568	665	7.0
Loans and advances to customers:									
in offices in the UK	**56,386**	**4,920**	**8.7**	57,150	4,589	8.0	60,230	5,094	8.5
in offices outside the UK	**15,231**	**1,330**	**8.7**	18,987	1,512	8.0	22,250	1,809	8.1
Lease receivables:									
in offices in the UK	**4,752**	**419**	**8.8**	4,573	374	8.2	4,655	414	8.9
in offices outside the UK	**519**	**61**	**11.8**	612	70	11.4	912	124	13.6
Debt securities:									
in offices in the UK	**10,062**	**781**	**7.8**	8,576	534	6.2	7,768	560	7.2
in offices outside the UK	**2,756**	**191**	**6.9**	2,273	142	6.2	2,251	162	7.2
Average assets of banking business	**119,608**	**9,698**	**8.1**	121,704	8,873	7.3	127,877	10,086	7.9
Trading assets of securities business	**19,332**	**1,364**	**7.1**	21,704	1,106	5.1	19,203	999	5.2
Total average interest earning assets	**138,940**	**11,062**	**8.0**	143,408	9,979	7.0	147,080	11,085	7.5
Allowances	**(2,971)**			(3,519)			(3,356)		
Non-interest earning assets	**28,722**			23,774			23,276		
Total average assets and interest income	**164,691**	**11,062**	**6.7**	163,663	9,979	6.1	167,000	11,085	6.6
Percentage of total average assets in offices outside the UK	**26.0**			28.7			26.4		
Average interest earning assets and net interest income:									
Banking business	**119,608**	**3,850**	**3.2**	121,704	3,678	3.0	127,877	3,847	3.0
Securities business	**19,332**	**(25)**	**(0.1)**	21,704	8	–	19,203	28	0.1
Profit/(loss) on redemption of loan capital	**–**	**–**	**–**	–	(60)	–	–	22	–
Total average interest earning assets and net interest income	**138,940**	**3,825**	**2.8**	143,408	3,626	2.5	147,080	3,897	2.6
Total average interest earning assets related to:									
Interest income		**11,062**	**8.0**		9,979	6.9		11,085	7.5
Interest expense		**(7,237)**	**(5.2)**		(6,293)	(4.4)		(7,210)	(4.9)
Profit/(loss) on redemption of loan capital		**–**	**–**		(60)	–		22	
		3,825	**2.8**		3,626	2.5		3,897	2.6

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

Liabilities and shareholders' funds	1995 Average balance £m	1995 Interest £m	1995 Average rate %	1994 Average balance £m	1994 Interest £m	1994 Average rate %	1993 Average balance £m	1993 Interest £m	1993 Average rate %
Deposits by banks:									
in offices in the UK	**13,927**	**811**	**5.8**	14,473	764	5.3	15,851	863	5.4
in offices outside the UK	**9,598**	**636**	**6.6**	11,328	616	5.4	12,493	843	6.7
Customer accounts – demand accounts:									
in offices in the UK	**7,644**	**138**	**1.8**	7,105	90	1.3	5,326	79	1.5
in offices outside the UK	**2,071**	**86**	**4.2**	1,958	86	4.4	2,323	124	5.3
Customer accounts – savings accounts:									
in offices in the UK	**21,331**	**927**	**4.3**	21,419	775	3.6	21,615	818	3.8
in offices outside the UK	**950**	**57**	**6.0**	906	59	6.5	825	62	7.5
Customer accounts – other time deposits – retail:									
in offices in the UK	**11,792**	**659**	**5.6**	11,271	524	4.6	13,168	729	5.5
in offices outside the UK	**6,422**	**434**	**6.8**	6,040	380	6.3	6,193	479	7.7
Customer accounts – other time deposits – wholesale:									
in offices in the UK	**14,011**	**956**	**6.8**	13,062	754	5.8	14,777	871	5.9
in offices outside the UK	**5,188**	**320**	**6.2**	6,288	318	5.1	6,713	333	5.0
Debt securities in issue:									
in offices in the UK	**5,667**	**322**	**5.7**	6,141	313	5.1	7,654	454	5.9
in offices outside the UK	**2,967**	**204**	**6.9**	3,474	199	5.7	4,387	265	6.0
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**3,680**	**298**	**8.1**	4,086	317	7.8	4,259	319	7.5
Average liabilities of banking business	**105,248**	**5,848**	**5.6**	107,551	5,195	4.8	115,584	6,239	5.4
Trading liabilities of securities business	**20,441**	**1,389**	**6.8**	22,343	1,098	4.9	19,420	971	5.0
Total average interest bearing liabilities	**125,689**	**7,237**	**5.8**	129,894	6,293	4.8	135,004	7,210	5.3
Interest free customer deposits:									
in offices in the UK	**7,110**			7,105			6,325		
in offices outside the UK	**1,426**			1,895			2,038		
Other non-interest bearing liabilities	**23,531**			18,427			17,759		
Minority interests and shareholders' funds	**6,935**			6,342			5,874		
Total average liabilities, shareholders' funds and interest expense	**164,691**	**7,237**	**4.4**	163,663	6,293	3.8	167,000	7,210	4.3
Percentage of total average non-capital liabilities in offices outside the UK	**26.5**			28.1			26.4		

Notes

(a) Loans and advances to banks and customers 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 weekly averages for certain areas of UK banking operations and monthly averages elsewhere, which Barclays considers are representative of the operations.

(c) The average balance sheet does not include the long-term assurance fund assets attributable to policyholders nor its related liabilities.

Changes in net interest income – volume and rate analysis

The following table allocates changes in net interest income between changes in volume and changes in interest rates for the last two years. Volume and rate variances have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Where variances have arisen from changes in both volumes and interest rates, these have been allocated proportionately between the two.

	Total change	1995/1994 Change due to increase/(decrease) in:		Total change	1994/1993 Change due to increase/(decrease) in:	
		Volume	Rate		Volume	Rate
Interest receivable	£m	£m	£m	£m	£m	£m
Treasury bills and other eligible bills:						
in offices in the UK	**112**	**22**	**90**	(47)	(12)	(35)
in offices outside the UK	**(45)**	**(77)**	**32**	(49)	(26)	(23)
	67	**(55)**	**122**	(96)	(38)	(58)
Loans and advances to banks:						
in offices in the UK	**119**	**(2)**	**121**	(91)	(10)	(81)
in offices outside the UK	**158**	**47**	**111**	(84)	30	(114)
	277	**45**	**232**	(175)	20	(195)
Loans and advances to customers:						
in offices in the UK	**331**	**(62)**	**393**	(505)	(254)	(251)
in offices outside the UK	**(182)**	**(319)**	**137**	(297)	(261)	(36)
	149	**(381)**	**530**	(802)	(515)	(287)
Lease receivables:						
in offices in the UK	**45**	**15**	**30**	(40)	(7)	(33)
in offices outside the UK	**(9)**	**(11)**	**2**	(54)	(36)	(18)
	36	**4**	**32**	(94)	(43)	(51)
Debt securities:						
in offices in the UK	**247**	**102**	**145**	(26)	55	(81)
in offices outside the UK	**49**	**32**	**17**	(20)	2	(22)
	296	**134**	**162**	(46)	57	(103)
Securities trading assets:						
in offices in the UK	**188**	**(59)**	**247**	(188)	(103)	(85)
in offices outside the UK	**70**	**(73)**	**143**	295	204	91
	258	**(132)**	**390**	107	101	6
Total interest receivable:						
in offices in the UK	**1,042**	**19**	**1,023**	(897)	(345)	(552)
in offices outside the UK	**41**	**(346)**	**387**	(209)	76	(285)
	1,083	**(327)**	**1,410**	(1,106)	(269)	(837)

Changes in net interest income – volume and rate analysis

	1995/1994 Total change	**Change due to increase/(decrease) in: Volume**	**Rate**	1994/1993 Total change	Change due to increase/(decrease) in: Volume	Rate
Interest payable	**£m**	**£m**	**£m**	£m	£m	£m
Deposits by banks:						
in offices in the UK	**47**	**(30)**	**77**	(99)	(73)	(26)
in offices outside the UK	**20**	**(103)**	**123**	(227)	(74)	(153)
	67	**(133)**	**200**	(326)	(147)	(179)
Customer accounts – demand deposits:						
in offices in the UK	**48**	**7**	**41**	11	24	(13)
in offices outside the UK	**–**	**5**	**(5)**	(38)	(18)	(20)
	48	**12**	**36**	(27)	6	(33)
Customer accounts – savings deposits:						
in offices in the UK	**152**	**(3)**	**155**	(43)	(7)	(36)
in offices outside the UK	**(2)**	**3**	**(5)**	(3)	6	(9)
	150	**0**	**150**	(46)	(1)	(45)
Customer accounts – other time deposits – retail:						
in offices in the UK	**135**	**25**	**110**	(205)	(97)	(108)
in offices outside the UK	**54**	**25**	**29**	(99)	(12)	(87)
	189	**50**	**139**	(304)	(109)	(195)
Customer accounts – other time deposits – wholesale:						
in offices in the UK	**202**	**58**	**144**	(117)	(99)	(18)
in offices outside the UK	**2**	**(61)**	**63**	(15)	(21)	6
	204	**(3)**	**207**	(132)	(120)	(12)
Debt securities in issue:						
in offices in the UK	**9**	**(25)**	**34**	(141)	(82)	(59)
in offices outside the UK	**5**	**(31)**	**36**	(66)	(53)	(13)
	14	**(56)**	**70**	(207)	(135)	(72)
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**(19)**	**(32)**	**13**	(2)	(13)	11
Securities trading liabilities:						
in offices in the UK	**123**	**(96)**	**219**	(108)	46	(154)
in offices outside the UK	**168**	**(6)**	**174**	235	80	155
	291	**(102)**	**393**	127	126	1
Total interest payable:						
in offices in the UK	**697**	**(60)**	**757**	(704)	(215)	(489)
in offices outside the UK	**247**	**(166)**	**413**	(213)	(46)	(167)
	944	**(226)**	**1,170**	(917)	(261)	(656)

Movement in net interest income

Increase/(decrease) in interest receivable	**1,083**	**(327)**	**1,410**	(1,106)	(269)	(837)
(Increase)/decrease in interest payable	**(944)**	**226**	**(1,170)**	917	261	656
	139	**(101)**	**240**	(189)	(8)	(181)
Movement in profit/(loss) on redemption of loan capital	**60**			(82)		
	199			(271)		

Capital resources

Barclays PLC Group	1995 £m	1994 £m	1993 £m
Shareholders' funds	**7,027**	6,161	5,208
Minority interests	**343**	329	677
	7,370	6,490	5,885
Undated loan capital	**1,989**	1,979	2,053
Dated loan capital	**1,571**	1,562	2,130
Other subordinated liabilities	**91**	121	131
Total capital resources	**11,021**	10,152	10,199

Barclays Bank PLC Group	1995 £m	1994 £m	1993 £m
Shareholders' funds	**7,308**	6,440	5,841
Minority interests	**62**	50	44
	7,370	6,490	5,885
Undated loan capital	**1,989**	1,979	2,053
Dated loan capital	**1,571**	1,562	2,130
Other subordinated liabilities	**91**	121	131
Total capital resources	**11,021**	10,152	10,199

Barclays PLC Group capital resources, after a £181m buy-back of shares in August 1995, increased by £869m to £11,021m, primarily because of a £943m contribution from retained profit and exchange rate gains of £66m.

The minority interests of Barclays PLC and Barclays Bank PLC differ because the non-cumulative dollar-denominated preference shares issued by Barclays Bank PLC are reported as minority interests of Barclays PLC.

On 27th February 1996, Barclays PLC made a further buy-back of shares. See Recent developments on page 11.

Capital ratios

Capital adequacy and the use of regulatory capital are monitored by the Group, employing techniques based on the guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practices (the Basle Committee) and implemented by the Bank of England for supervisory purposes.

The Bank of England regards the risk asset ratio developed by the Basle Committee as a key supervisory tool and sets individual minimum ratio requirements for banks in the United Kingdom. The ratio calculation involves the application of risk weightings to assets, which for this purpose includes both balance sheet assets and off-balance sheet items, to reflect the credit and other risks associated with broad categories of transactions and counterparties.

The Basle Committee guidelines set a minimum risk asset ratio for all international banks of 8%. Capital adequacy requirements have also been laid down by European Community directives. These directives, as currently implemented in the United Kingdom, set similar standards to the above guidelines. A further directive (the Capital Adequacy Directive), which lays down minimum capital requirements for banks and investment firms for the market and other risks associated with their trading activities, was implemented with effect from 1st January 1996. This new measure disaggregates the various risks associated with transactions and applies capital requirements to each type of risk separately (the 'building block' approach).

In December 1995, the Basle Committee announced a future amendment to the existing guidelines to take account of market risk. The amendment, which has similarities to the Capital Adequacy Directive, is planned to take effect at the end of 1997.

The existing approach to capital adequacy emphasises the importance of 'tier 1' (core) capital, comprising mainly shareholders' funds. In determining a bank's risk asset ratio, the rules limit qualifying 'tier 2' supplementary capital to an amount equal to tier 1. Tier 2 capital includes subordinated debt, general allowances for bad and doubtful debts and fixed asset revaluation reserves. With effect from 1st January 1996, a third tier of capital, comprising short-term subordinated debt and cumulative daily net trading activity profits, can be made available to support trading activities and foreign currency risk only.

The concept of risk weighting, which will continue to be applied to banking activities, assumes that such activities generally involve some risk of loss. For risk weighting purposes, commercial lendings are taken as a bench-mark to which a risk weighting of 100% is ascribed. Other transactions, which are considered to generate lower levels of risk than commercial lending, may qualify for reduced weightings.

Off-balance sheet items are converted to credit risk equivalents by applying credit conversion factors laid down by the Basle Committee. The resultant amounts are then risk-weighted according to the nature of the counterparty.

Thus, credit substitutes, such as standby letters of credit and acceptances, are allocated the same risk weightings as similar on-balance sheet lendings, while transaction related off-balance sheet items, such as performance bonds, are allocated a lower weighting in recognition of the smaller likelihood of loss from these instruments.

In the case of interest and exchange rate related contracts, the risks involved relate to the potential loss of cash flows rather than principal amounts. These risks are represented by the replacement cost (as defined by the Bank of England) of the contracts and vary in relation to movements in market rates.

The following table analyses capital resources at 31st December 1995, as defined for regulatory purposes. In accordance with the current Bank of England approach on lead regulator arrangements, the assets, capital and liabilities of the Group's UK securities trading subsidiaries, which are regulated separately, are excluded, pending implementation of the Capital Adequacy Directive.

Capital adequacy data

Tier 1	1995 Barclays PLC Group £m	1995 Barclays Bank PLC Group £m	1994 Barclays PLC Group £m	1994 Barclays Bank PLC Group £m
Shareholders' funds (as defined for regulatory purposes)	**6,727**	**7,008**	6,110	6,389
Minority interests in tier 1	**413**	**132**	391	112
Total tier 1 capital	**7,140**	**7,140**	6,501	6,501

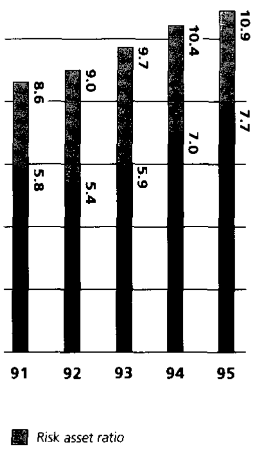
Tier 2	£m	£m
Fixed asset revaluation reserves	**52**	52
Qualifying undated and dated loan capital (a)	**3,054**	3,188
	3,106	3,240
General allowances for bad and doubtful debts	**853**	850
Total tier 2 capital	**3,959**	4,090
Gross capital resources	**11,099**	10,591
Less: supervisory deductions (b)	**(952)**	(855)
Total net capital resources	**10,147**	9,736

Notes

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

(b) Including £406m of shareholders' interest in the long-term assurance fund.

Capital ratios
%



Capital ratios	1995 Barclays PLC Group %	1995 Barclays Bank PLC Group %	1994 Barclays PLC Group %	1994 Barclays Bank PLC Group %
Tier 1 ratio	**7.7**	**7.7**	7.0	7.0
Risk asset ratio	**10.9**	**10.9**	10.4	10.4

Weighted risk assets	£m	£m
On-balance sheet	**74,115**	74,584
Off-balance sheet:		
contingent liabilities	**6,491**	7,541
commitments	**4,924**	5,131
exchange rate contracts	**2,369**	2,083
interest rate contracts	**2,994**	1,906
other	**158**	165
Associated undertakings	**2,210**	1,828
Total	**93,261**	93,238

Barclays PLC Group capital resources for supervisory purposes increased by £411m to £10,147m. Retained profit of £943m was offset by the £181m cost of repurchasing shares in August 1995 and the £229m regulatory deduction of goodwill on the acquisition of Wells Fargo Nikko Investment Advisors in December 1995.

The European Capital Adequacy Directive was implemented in the United Kingdom with effect from 1st January 1996. It is estimated that, as at that date, it had the effect of decreasing the overall risk asset ratio by some 0.2% and the tier 1 ratio by some 0.5%. The greater impact on the tier 1 ratio reflects changes in the calculation methodology.

Exchange rate fluctuations do not have a significant impact on the risk asset ratio as related movements in assets are matched, as a matter of policy, by proportionate changes in capital resources.

Deposits

Deposits by banks	1995 £m	1994 £m	1993 £m
	Average: year ended 31st December		
Offices in the United Kingdom	**13,927**	14,473	15,851
Offices outside the United Kingdom:			
Other European Union	**5,229**	5,119	5,944
United States	**1,842**	3,338	3,958
Rest of the World	**2,527**	2,871	2,591
	23,525	25,801	28,344
Customer accounts			
Offices in the United Kingdom	**61,888**	59,962	61,211
Offices outside the United Kingdom:			
Other European Union	**7,737**	7,677	7,954
United States	**2,290**	3,284	3,932
Rest of the World	**6,030**	6,126	6,206
	77,945	77,049	79,303

Customer accounts – by type

Offices in the United Kingdom	1995 £m	1994 £m	1993 £m
	Average: year ended 31st December		
Demand deposits:			
interest free	**7,110**	7,105	6,325
interest bearing	**7,644**	7,105	5,326
Savings accounts	**21,331**	21,419	21,615
Other time deposits:			
retail	**11,792**	11,271	13,168
wholesale	**14,011**	13,062	14,777
	61,888	59,962	61,211
Offices outside the United Kingdom			
Demand deposits:			
interest free	**1,426**	1,895	2,038
interest bearing	**2,071**	1,958	2,323
Savings accounts	**950**	906	825
Other time deposits:			
retail	**6,422**	6,040	6,193
wholesale	**5,188**	6,288	6,713
	16,057	17,087	18,092
	77,945	77,049	79,303

Average deposits (excluding securities balances) are based on the location of the office in which the deposits are recorded.

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

'Savings deposits' in offices in the United Kingdom are also obtained through, and administered by, the UKBS branch network. Interest rates are varied from time to time in response to competitive conditions. These deposits are not drawn against by cheque or similar instrument.

'Other time deposits – retail' in offices in the United Kingdom are interest bearing and also are not drawn against by cheque or similar instrument. They are generally distinguished from savings deposits by having fixed maturity requirements and from wholesale deposits by being collected, in the main, through the UKBS branch network.

'Other time deposits – wholesale' in offices in the United Kingdom are obtained through the London money market and are booked mainly within the Group's money market operations. These deposits are of fixed maturity and bear interest rates which reflect the London inter-bank money market rates.

'Other time deposits' includes commercial paper and inter-bank funds.

Although the types of deposit products offered through offices located outside the United Kingdom are broadly similar to those described above, they are tailored to meet the specific requirements of local markets.

Short-term borrowings

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

Deposits by banks (excluding securities business)

	Year ended 31st December		
	1995	1994	1993
	£m	£m	£m
Year-end balance	**25,652**	24,931	28,005
Average balance	**23,525**	25,801	28,344
Maximum balance	**31,967**	28,014	36,621
Average interest rate during year	**6.1%**	5.3%	6.5%
Year-end interest rate	**5.5%**	5.6%	5.4%

Commercial paper

Commercial paper is issued by the Group, mainly in the United States, generally in denominations of not less than $100,000, with maturities of up to 270 days.

	Year ended 31st December		
	1995	1994	1993
	£m	£m	£m
Year-end balance	**1,202**	887	2,050
Average balance	**1,145**	1,524	1,949
Maximum balance	**1,702**	2,709	2,909
Average interest rate during year	**6.4%**	4.6%	3.6%
Year-end interest rate	**6.1%**	5.8%	3.3%

Negotiable certificates of deposit

	Year ended 31st December		
	1995	1994	1993
	£m	£m	£m
Year-end balance	**4,592**	6,738	9,322
Average balance	**6,035**	6,985	8,879
Maximum balance	**9,387**	10,679	11,267
Average interest rate during year	**6.8%**	6.5%	6.2%
Year-end interest rate	**6.5%**	7.1%	5.2%

Securities

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

Investment securities	1995 Book value £m	1995 Valuation £m	1994 Book value £m	1994 Valuation £m	1993 Book value £m	1993 Valuation £m
Debt securities:						
UK government	**2,785**	**2,795**	2,323	2,292	2,045	2,095
other government	**3,267**	**3,440**	1,883	1,871	2,100	2,135
other public bodies	**318**	**323**	274	268	67	69
other issuers	**2,327**	**2,367**	1,032	1,045	970	1,031
Equity shares	**132**	**260**	235	399	166	181
	8,829	**9,185**	5,747	5,875	5,348	5,511
Other securities						
Debt securities:						
UK government	**1,478**	**1,478**	1,872	1,872	1,617	1,617
other government	**4,289**	**4,289**	3,794	3,794	4,711	4,711
other public bodies	**255**	**255**	65	65	318	318
bank and building society certificates of deposit	**4,126**	**4,126**	3,778	3,778	5,344	5,344
other issuers	**4,417**	**4,417**	2,872	2,872	2,426	2,426
Equity shares	**1,856**	**1,856**	2,006	2,006	2,202	2,202
	25,250	**25,606**	20,134	20,262	21,966	22,129

Investment debt securities include government securities held as part of the Group's treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group. In addition, the Group holds as investments listed and unlisted corporate securities. Investment securities are valued at cost, adjusted for the amortisation of premiums or discounts to redemption, less provision for any diminution in value.

Other securities comprise dealing securities and short-term certificates of deposit and are principally valued at market value.

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

A further analysis of the book value and valuation of securities is given in notes 24 and 25 to the accounts.

At 31st December 1995, the Group held the following securities which exceeded 10% of shareholders' funds:

	1995 Book value £m	1995 Valuation £m	1994 Book value £m	1994 Valuation £m
Italian government securities	**1,244**	**1,244**	837	837
German government securities	**970**	**970**	184	184
Spanish government securities	**764**	**764**	808	808

Maturities and weighted average yields of investment debt securities

At 31st December 1995	Maturing within one year: Amount £m	Yield %	Maturing after one but within five years: Amount £m	Yield %	Maturing after five but within ten years: Amount £m	Yield %	Maturing after ten years: Amount £m	Yield %	Total Amount £m	Yield %
Government	**1,292**	**10.7**	**4,202**	**8.0**	**283**	**8.9**	**275**	**7.9**	**6,052**	**8.6**
Other public bodies	**13**	**7.0**	**211**	**7.1**	**18**	**6.0**	**76**	**8.5**	**318**	**7.4**
Other issuers	**368**	**9.3**	**1,625**	**8.5**	**198**	**5.2**	**136**	**8.3**	**2,327**	**8.3**
Total book value	**1,673**	**10.4**	**6,038**	**8.1**	**499**	**7.3**	**487**	**8.1**	**8,697**	**8.5**
Total valuation	**1,675**		**6,213**		**521**		**516**		**8,925**	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 1995 by the book value of securities held at that date. Yields on certain US securities, which are exempt from tax, have been calculated using interest income adjusted to reflect a taxable equivalent basis.

Risk management

In the ordinary course of business, Barclays manages a variety of risks, with credit, market, liquidity and operational risks being the most significant. These risks are identified, measured and monitored through various control mechanisms across the Group which continually evolve as business activities in the operating environment change.

While credit and operational risks are discussed below, market and liquidity risks are discussed separately on pages 55 and 63 respectively of this report.

The Group Risk Policy Committee is chaired by the Executive Deputy Chairman and comprises senior management including the Group Chief Executive, the Chief Executive of BZW, the Group Credit Policy Director and the Group Treasurer. It is responsible for the strategic management of the overall risk profile of the Group and for providing guidance to the Group Credit, Treasury and BZW Risk Management Committees. It also sets Group standards for the business managers to set a common risk management framework.

Policies and procedures have been established at different levels of the organisation in order to manage effectively the risks inherent in the Group's activities and to adhere to the framework established by the Group Risk Policy Committee.

Operational risk, which is inherent across all businesses, is the potential for loss caused by failures in operational processes or the systems which support them and it impacts all the business units in the Group. The Group manages operational risk by maintaining a comprehensive system of internal controls within the business units, under an overall strategy determined by the Group Risk Policy Committee.

Credit risk management

The Group Risk Policy Committee is supported by the Group Credit Policy Unit which has day-to-day responsibility for portfolio management issues, including country exposure, sector exposure, product risk and credit grading. Country exposures are controlled by a grading structure according to the perception of risk and the Group's willingness to accept future exposure.

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

The Group Credit Committee is responsible for sanctioning large credit exposures and is supported by central risk management departments (RMDs) in all of the major business groups, each headed by a senior executive. Each RMD analyses large lending exposures, for sanction by the Group Credit Committee, business line executives or the RMD's own executives.

UKBS, ERBG and Other International and Private Banking, which have the majority of the Group's corporate credit exposures, each operate a hierarchy of credit exposure discretions, whereby regional offices, overseas country offices and specialist lending departments are allocated discretionary limits. Branch management are sub-allocated varying levels of discretionary limits, according to their skills, experience and seniority, usually including higher limits for exposures covered by approved forms of security. Proposals above branch limits are referred to regional offices. In turn, such regional offices, overseas country offices and specialist lending departments refer to their RMD if exposures above their discretionary limits are proposed. A similar hierarchy exists for monitoring and provisioning purposes. The application of this structure results in a large proportion of branch lending portfolios being sanctioned and controlled at branch and regional level within well defined discretionary levels.

BZW has a lesser number of credit exposures, but typically for larger individual amounts and with significant credit exposures arising from money market, foreign exchange, derivatives, securities dealing and other similar products. These trading activities, which include the use of both on- and off-balance sheet instruments, result in certain credit risks. The majority are referred to Group Credit Committee or are sanctioned within the RMD itself in London or in its office in New York. Smaller credit exposures, however, are sanctioned and controlled by specialist departments and individual BZW and CIBS units under a hierarchy of credit exposure discretionary limits. In 1995, CIBS credit exposures were managed by BZW.

Credit exposure or replacement cost on derivative instruments represents the cost to replace contracts with a positive value if counterparties failed completely to perform their obligations and is usually a small fraction of the notional amount of the contracts. Replacement cost varies over time as the market price of the underlying instrument varies and credit risk exposure is therefore assessed against a probable range of future price movements. Options written do not expose the Group to credit risk (apart from unremitted premiums), except to the extent of the underlying risk in the financial instrument that the Group may be obligated to acquire under certain written put options. The risk that counterparties to both derivative and cash instruments might default on their obligations is monitored on an ongoing basis. To control the level of credit risk taken, the Group assesses counterparties, using the same techniques and corporate grading structure as for lending decisions, in order to deal predominantly with counterparties of high credit quality.

The Group enters into master agreements whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, then all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Concentrations of credit risk, which arise through the Group's trading and non-trading activities, are presented in note 66 to the accounts.

Analysis of loans and advances

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

Loans and advances to banks

The majority of loans and advances to banks are placings which amounted to £25,020m at 31st December 1995 (1994 £25,180m, 1993 £19,377m). Also included are loans to banks and building societies, balances with central banks (excluding those balances which can be withdrawn on demand), inter-bank settlement accounts and federal funds sold.

Loans and advances to banks

Banking business:	**1995 £m**	1994 £m	1993 £m
United Kingdom	**12,639**	12,456	11,540
Other European Union	**4,295**	4,155	3,793
United States	**3,233**	3,323	2,824
Rest of the World	**3,661**	3,529	3,207
Total banking business	**23,828**	23,463	21,364
Total securities business	**5,068**	5,552	2,080
	28,896	29,015	23,444

Maturity analysis of loans and advances to banks

At 31st December 1995 Banking business:	**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**
United Kingdom	**1,157**	**4,948**	**6,104**	**336**	**94**	**12,639**
Other European Union	**341**	**2,183**	**1,448**	**207**	**116**	**4,295**
United States	**42**	**1,447**	**1,714**	**30**	**–**	**3,233**
Rest of the World	**264**	**1,616**	**1,651**	**90**	**40**	**3,661**
Total banking business	**1,804**	**10,194**	**10,917**	**663**	**250**	**23,828**
Total securities business	**–**	**5,068**	**–**	**–**	**–**	**5,068**
	1,804	**15,262**	**10,917**	**663**	**250**	**28,896**

At 31st December 1994	On demand	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom	4,244	6,104	1,377	484	247	12,456
Other European Union	686	2,035	1,091	224	119	4,155
United States	58	2,245	813	207	–	3,323
Rest of the World	260	2,703	396	137	33	3,529
Total banking business	5,248	13,087	3,677	1,052	399	23,463
Total securities business	–	5,552	–	–	–	5,552
	5,248	18,639	3,677	1,052	399	29,015

Interest rate sensitivity of loans and advances to banks

At 31st December 1995	Fixed rate	Variable rate	Total
Banking business:	£m	£m	£m
United Kingdom	**11,737**	**902**	**12,639**
Other European Union	**3,151**	**1,144**	**4,295**
United States	**3,187**	**46**	**3,233**
Rest of the World	**3,062**	**599**	**3,661**
Total banking business	**21,137**	**2,691**	**23,828**
Total securities business	**47**	**5,021**	**5,068**
	21,184	**7,712**	**28,896**

Barclays is an active participant in the major inter-bank markets. At 31st December 1995, placings with branches and offices of Japanese banks represented some 20% of the Group total (1994 16%).

Loans and advances to customers

The Group provides lending facilities to corporate and personal customers in the form of loans, overdrafts and finance lease receivables.

Maturity analysis of loans and advances to customers

At 31st December 1995	On demand (a)	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom:						
Property and construction	**1,508**	**408**	**465**	**1,448**	**1,467**	**5,296**
Other corporate lending	**7,845**	**3,488**	**2,114**	**6,693**	**4,011**	**24,151**
Other lending from UK offices (b)	**1,597**	**3,582**	**3,344**	**5,745**	**18,344**	**32,612**
Total United Kingdom	**10,950**	**7,478**	**5,923**	**13,886**	**23,822**	**62,059**
Other European Union	**766**	**2,305**	**1,334**	**2,335**	**1,386**	**8,126**
United States	**170**	**480**	**491**	**1,145**	**821**	**3,107**
Rest of the World	**904**	**1,081**	**517**	**853**	**678**	**4,033**
Total banking business	**12,790**	**11,344**	**8,265**	**18,219**	**26,707**	**77,325**
Total securities business	**–**	**7,807**	**–**	**53**	**87**	**7,947**
	12,790	**19,151**	**8,265**	**18,272**	**26,794**	**85,272**

See notes (a) and (b) on page 42.

At 31st December 1994

Banking business:	On demand (a) £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
United Kingdom:						
Property and construction	1,281	446	534	1,538	2,203	6,002
Other corporate lending	9,392	4,021	2,010	4,956	3,848	24,227
Other lending from UK offices (b)	1,569	3,429	3,308	6,238	17,375	31,919
Total United Kingdom	12,242	7,896	5,852	12,732	23,426	62,148
Other European Union	1,117	2,385	1,162	1,976	1,786	8,426
United States	1,230	570	816	1,682	1,041	5,339
Rest of the World	652	1,469	860	852	640	4,473
Total banking business	15,241	12,320	8,690	17,242	26,893	80,386
Total securities business	–	6,630	–	–	–	6,630
	15,241	18,950	8,690	17,242	26,893	87,016

(a) Overdrafts are included in the 'on demand' category
(b) Other lending from UK offices includes finance lease receivables.

Interest rate sensitivity of loans and advances to customers

At 31st December 1995

Banking business:	Fixed rate £m	Variable rate £m	Total £m
United Kingdom	**19,918**	**42,141**	**62,059**
Other European Union	**4,682**	**3,444**	**8,126**
United States	**658**	**2,449**	**3,107**
Rest of the World	**1,077**	**2,956**	**4,033**
Total banking business	**26,335**	**50,990**	**77,325**
Total securities business	**140**	**7,807**	**7,947**
	26,475	**58,797**	**85,272**

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

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Financial institutions	**2,801**	4,963	4,788	3,313	4,199
Agriculture, forestry and fishing	**1,587**	1,588	1,634	1,718	1,785
Manufacturing	**5,412**	5,185	5,592	6,315	6,775
Construction	**1,429**	1,545	2,084	2,702	3,124
Property	**3,867**	4,457	4,298	4,981	5,397
Energy and water	**1,107**	517	904	798	659
Wholesale and retail distribution and leisure	**5,551**	5,989	5,941	7,036	7,452
Transport	**1,179**	1,093	955	1,021	961
Postal and communication	**239**	51	153	170	203
Business and other services	**6,275**	4,841	6,160	6,529	6,480
Home loans	**14,784**	14,065	12,985	11,900	11,136
Other personal	**10,321**	9,611	9,687	9,518	9,482
Overseas customers	**2,617**	3,673	3,927	4,318	2,801
	57,169	57,578	59,108	60,319	60,454
Finance lease receivables	**4,890**	4,570	4,665	4,162	4,092
	62,059	62,148	63,773	64,481	64,546

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

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Financial institutions	**532**	559	746	1,071	1,155
Agriculture, forestry and fishing	**74**	69	84	86	81
Manufacturing	**1,296**	1,363	1,408	1,507	1,584
Construction	**310**	339	440	465	336
Property	**513**	571	316	344	259
Energy and water	**174**	195	216	202	145
Wholesale and retail distribution and leisure	**577**	653	735	807	821
Transport	**612**	856	486	538	392
Postal and communication	**205**	4	156	40	24
Business and other services	**1,173**	1,036	1,393	1,418	1,079
Home loans	**964**	872	762	733	668
Other personal	**446**	655	360	371	514
Overseas customers	**541**	847	575	871	351
	7,417	8,019	7,677	8,453	7,409
Finance lease receivables	**709**	407	482	596	596
	8,126	8,426	8,159	9,049	8,005

Loans and advances to customers in offices in United States – Banking business

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Financial institutions	**447**	524	671	1,678	1,109
Agriculture, forestry and fishing	**2**	23	25	40	31
Manufacturing	**350**	1,317	2,074	2,175	1,979
Construction	**28**	48	154	160	121
Property	**660**	1,021	1,755	1,962	1,976
Energy and water	**396**	516	504	609	617
Wholesale and retail distribution and leisure	**141**	590	711	692	581
Transport	**155**	261	270	271	227
Postal and communication	**222**	374	344	450	370
Business and other services	**573**	426	796	607	709
Home loans	**4**	146	558	209	467
Other personal	**13**	20	29	59	115
Overseas customers	**58**	12	54	18	110
	3,049	5,278	7,945	8,930	8,412
Finance lease receivables	**58**	61	159	200	194
	3,107	5,339	8,104	9,130	8,606

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

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Loans and advances	**3,948**	4,374	5,927	5,793	4,933
Finance lease receivables	**85**	99	184	210	193
	4,033	4,473	6,111	6,003	5,126

Total loans and advances to customers

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Banking business	**77,325**	80,386	86,147	88,663	86,283
Securities business	**7,947**	6,630	11,412	7,971	5,421
	85,272	87,016	97,559	96,634	91,704

Total loans and advances to customers

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

Loans and advances in offices in the United Kingdom

In 1995, UK loans and advances remained at similar levels to the previous year. Although high levels of write-offs have continued, these have been offset by growth experienced in home mortgages, Barclaycard products and lendings to businesses and other services. There has been a small increase in the level of overdrafts as a percentage of UK Banking business lendings from 9% in 1994 to 10%.

Loans and advances in offices in Other European Union countries

Loans and advances in France, Spain and Germany account for more than two-thirds of the total banking business loans and advances in Other European Union countries. The decrease of £300m in sterling terms represents an absolute reduction in the level of lendings in most of these, despite the general increase in currency values. In early 1996, impaired property loans in France with a book value of £114m were sold.

Loans and advances in offices in the United States

Loans and advances to customers within banking business activities fell by £2.2bn, or 42%, in 1995 as the Group continued its strategy of exiting certain banking businesses no longer identified to be of long-term interest. The reduction reflected the impact of the sale of the asset-backed lending operation and mortgage origination businesses in the United States.

Loans and advances in offices in the Rest of the World

The £440m decrease in the banking business loans and advances in the year reflects a reduction in the level of lendings within Canada and the closure of banking operations in Korea and Taiwan.

Provisions and allowances for bad and doubtful debts

The term 'provisions' denotes the charge to profit and loss, while 'allowances' is used to describe the year-end balance sheet position created by such provisions.

Provisioning policy

Lending managers continually review the quality of loans for which they are responsible and, after an assessment of all the relevant information about each one, take a decision on whether a specific provision should be raised.

It is Barclays policy to establish, through charges against profit, a sufficient specific allowance to cover the estimated loss as soon as the recovery of a lending is identified as doubtful. General allowances are raised to cover losses which are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such. This allowance is adjusted by an appropriate charge or release of general provision during the year, based upon an evaluation of past and current loss rates and an analysis of internal credit gradings allocated to borrowing customers, refined to reflect the current economic climate in the markets in which the Group operates. The aggregate provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against operating profit. Impaired lendings are written off in part, or in whole, when the extent of the loss incurred has been confirmed, the decision to do so being a matter of banking judgement.

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

Analysis of allowances for bad and doubtful debts

			31st December		
Credit risk allowances	**1995 £m**	1994 £m	1993 £m	1992 £m	1991 £m
Specific:					
United Kingdom	**963**	1,112	1,415	1,362	1,005
Other European Union	**502**	488	411	330	199
United States	**121**	258	479	336	244
Rest of the World	**115**	113	136	122	94
	1,701	1,971	2,441	2,150	1,542
General	**853**	850	789	690	468
	2,554	2,821	3,230	2,840	2,010
Specific allowances for country risk	**174**	371	534	605	542
	2,728	3,192	3,764	3,445	2,552
Average loans and advances for the year (excluding securities trading business)	**100,190**	103,891	110,332	107,876	108,254
(including securities trading business)	**113,773**	121,573	123,797	113,745	114,400

In addition to recognising the current level of impairment in the lending portfolio through specific and general allowances, Barclays also estimates the underlying level of annual credit losses or Risk Tendency, averaged across the economic cycle. Based upon the composition of the lending portfolio as at 31st December 1995, the Risk Tendency is estimated at approximately 0.7% of loans and advances. Over the course of the economic cycle, this implies an average bad debt charge, including the cost of funding unprovided debt, of around £750m per annum, which is similar to the estimate made at 30th June 1995.

Ratios

	31st December				
	1995	1994	1993	1992	1991
Allowances at end of year as a percentage of loans and advances at end of year (excluding securities trading business): †	**%**	%	%	%	%
Specific allowance for credit risk	**1.68**	1.90	2.27	1.97	1.47
General allowance	**0.85**	0.82	0.73	0.63	0.45
	2.53	2.72	3.00	2.60	1.92
Specific allowance for country risk	**0.17**	0.36	0.50	0.55	0.52
	2.70	3.08	3.50	3.15	2.44
Allowances at end of year as a percentage of loans and advances at end of year (including securities trading business):					
Specific allowance for credit risk	**1.49**	1.70	2.02	1.82	1.39
General allowance	**0.75**	0.73	0.65	0.59	0.42
	2.24	2.43	2.67	2.41	1.81
Specific allowance for country risk	**0.15**	0.32	0.44	0.51	0.49
	2.39	2.75	3.11	2.92	2.30

	Year ended 31st December				
	1995	1994	1993	1992	1991
Provisions as a percentage of average loans and advances for the year (excluding securities trading business):	**%**	%	%	%	%
Specific provisions for credit risk	**0.45**	0.57	1.63	2.11	1.51
General provisions	**(0.01)**	0.07	0.10	0.21	0.07
	0.44	0.64	1.73	2.32	1.58
Specific provisions for country risk	**(0.04)**	(0.06)	(0.04)	(0.03)	(0.20)
	0.40	0.58	1.69	2.29	1.38
Amounts written off (net of recoveries)	**0.88**	1.08	1.42	1.68	1.07
Provisions as a percentage of average loans and advances for the year (including securities trading business):					
Specific provisions for credit risk	**0.39**	0.49	1.46	2.00	1.43
General provisions	**–**	0.06	0.08	0.20	0.07
	0.39	0.55	1.54	2.20	1.50
Specific provisions for country risk	**(0.04)**	(0.05)	(0.03)	(0.03)	(0.19)
	0.35	0.50	1.51	2.17	1.31
Amounts written off (net of recoveries)	**0.77**	0.92	1.26	1.59	1.01

†The ratio of the credit risk allowance for customer lendings at the end of the year as a percentage of year-end loans and advances to customers, excluding securities trading business, was 3.30% (1994 3.50%).

Movements in the allowances for bad and doubtful debts

	Year ended 31st December				
	1995	1994	1993	1992	1991
Allowances for credit risk	**£m**	£m	£m	£m	£m
Allowances at beginning of year	**2,821**	3,230	2,840	2,010	1,404
Exchange and other adjustments	**17**	(68)	(16)	120	(26)
Amounts written off:					
United Kingdom	**(680)**	(821)	(1,317)	(1,627)	(932)
Other European Union	**(148)**	(87)	(77)	(39)	(49)
United States	**(69)**	(205)	(186)	(156)	(124)
Rest of the World	**(26)**	(37)	(34)	(28)	(32)
	(923)	(1,150)	(1,614)	(1,850)	(1,137)
Recoveries	**198**	146	112	60	50
Sub total	**2,113**	2,158	1,322	340	291
Provisions charged against profit					
New and increased specific provisions:					
United Kingdom	**684**	791	1,505	2,078	1,433
Other European Union	**169**	189	225	157	80
United States	**28**	97	338	210	280
Rest of the World	**51**	50	67	62	59
	932	1,127	2,135	2,507	1,852
Releases of specific provisions:					
United Kingdom	**(151)**	(253)	(148)	(111)	(112)
Other European Union	**(44)**	(44)	(35)	(16)	(20)
United States	**(71)**	(79)	(19)	(27)	(9)
Rest of the World	**(22)**	(16)	(18)	(19)	(21)
	(288)	(392)	(220)	(173)	(162)
Recoveries:					
United Kingdom	**(176)**	(108)	(71)	(47)	(39)
Other European Union	**(8)**	(3)	(5)	(1)	(1)
United States	**(7)**	(30)	(22)	(9)	(7)
Rest of the World	**(7)**	(5)	(14)	(3)	(3)
	(198)	(146)	(112)	(60)	(50)
Net specific provisions	**446**	589	1,803	2,274	1,640
New general provisions*	**(5)**	74	105	226	79
Net credit risk charge to profit	**441**	663	1,908	2,500	1,719
Allowances at end of year	**2,554**	2,821	3,230	2,840	2,010
Allowances for country risk					
Allowances at beginning of year	**371**	534	605	542	795
Exchange and other adjustments	**3**	17	31	121	37
Amounts written off (net of recoveries)	**(155)**	(119)	(63)	(23)	(71)
Net country risk credit to profit:					
Provisions charged	**13**	56	57	31	4
Releases	**(58)**	(106)	(85)	(64)	(220)
Recoveries	**–**	(11)	(11)	(2)	(3)
	(45)	(61)	(39)	(35)	(219)
Allowances at end of year	**174**	371	534	605	542
Total allowances for bad and doubtful debts	**2,728**	3,192	3,764	3,445	2,552

*An analysis of the movement in general provisions is shown in note 21 on page 103.

Review of credit risk provisions and allowances

Gross specific provisions declined by 17% to £932m, largely reflecting the continuing improvement in the economic environment in the United Kingdom and the United States, while the level of releases and recoveries fell by 10%. Following an increase at 30th June 1995, there was a release of general allowance at the year end to take account of specific provisions raised in the second half of the year. The general allowance now stands at £853m, a similar level to 1994. The resulting overall net provision charge to profit was a third lower than in 1994.

The net provision charge for the year as a percentage of average loans and advances was 0.40%, compared to 0.58% in 1994, and the coverage of non-performing loans by credit risk allowances increased from 49% to 55%.

The net charge in 1994 reflected lower levels of gross provisions, especially in the United Kingdom, helped by increases in releases and recoveries.

United Kingdom

More than 80% of the net specific provision charge was raised in the United Kingdom, with increases in the personal and transport sectors being more than offset by reductions for distribution, leisure, manufacturing and property. Two major recoveries totalling £80m were the main reason for the 17% reduction in the net UK charge.

Other European Union

With the 1994 position having been affected by one substantial provision of £65m, the net charge in Other European Union fell by 18% to £117m, but significant new provisions were raised in France, Germany and Greece.

United States

As the United States Transition loan portfolio continued to be managed down, releases and recoveries in the United States exceeded new and increased provisions by £50m.

Rest of the World

In the Rest of the World, bad debts continued at the relatively low level experienced in 1994.

Credit risk provisions and allowances

	Net specific provision for the year				Specific allowances for credit risk at 31st December			
	1995	1994	1993	1992	**1995**	1994	1993	1992
United Kingdom:	**£m**	£m	£m	£m	**£m**	£m	£m	£m
Banks and other financial institutions	**(32)**	(5)	7	54	**6**	5	7	11
Agriculture, forestry and fishing	**3**	11	17	21	**9**	16	19	22
Manufacturing	**14**	67	105	103	**63**	74	123	99
Construction	**25**	40	104	171	**39**	53	70	79
Property	**(2)**	47	168	568	**102**	147	192	267
Energy and water	**3**	–	–	18	**3**	2	1	18
Wholesale and retail distribution and leisure	**51**	121	247	332	**91**	129	226	225
Transport	**48**	(9)	26	21	**69**	37	49	32
Postal and communication	**–**	1	1	20	**–**	1	1	–
Business and other services	**17**	16	192	194	**87**	154	192	159
Home loans	**49**	34	40	53	**105**	82	61	51
Other personal	**182**	112	323	337	**375**	397	404	367
Overseas residents	**(4)**	(19)	39	12	**4**	6	41	4
Finance lease receivables	**3**	14	17	16	**10**	9	29	28
	357	430	1,286	1,920	**963**	1,112	1,415	1,362
Foreign	**89**	159	517	354	**738**	859	1,026	788
	446	589	1,803	2,274	**1,701**	1,971	2,441	2,150

Analysis of amounts written off and recovered – credit risk

	Amounts written off for the year				Recoveries of amounts previously written off	
	1995	1994	1993	1992	**1995**	1994
United Kingdom:	**£m**	£m	£m	£m	**£m**	£m
Banks and other financial institutions	**2**	4	7	36	**34**	–
Agriculture, forestry and fishing	**10**	12	20	12	**–**	2
Manufacturing	**33**	83	95	107	**8**	7
Construction	**47**	76	122	147	**9**	9
Property	**107**	110	236	381	**60**	15
Energy and water	**5**	1	21	–	**3**	–
Wholesale and retail distribution and leisure	**102**	203	254	285	**12**	23
Transport	**22**	7	12	29	**6**	(2)
Postal and communication	**1**	2	1	1	**–**	–
Business and other services	**88**	132	179	181	**8**	27
Home loans	**34**	18	33	39	**8**	5
Other personal	**226**	146	316	349	**24**	21
Overseas residents	**2**	19	3	27	**3**	–
Finance lease receivables	**1**	8	18	33	**1**	1
	680	821	1,317	1,627	**176**	108
Foreign	**243**	329	297	223	**22**	38
	923	1,150	1,614	1,850	**198**	146

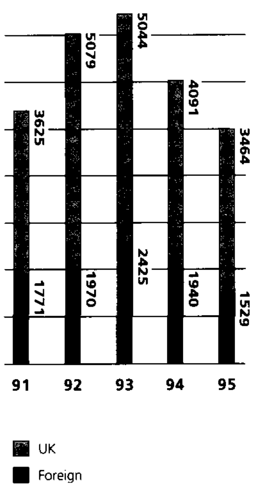
Interest in suspense

Movements in interest in suspense	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
		Year ended 31st December			
At beginning of year	**143**	161	168	134	136
Net interest suspended during year	**52**	20	36	69	47
	195	181	204	203	183
Interest written off	**(24)**	(41)	(41)	(36)	(50)
Exchange and other adjustments	**(1)**	3	(2)	1	1
Interest in suspense at end of year	**170**	143	161	168	134

Doubtful interest is charged to the loan for collection purposes, but is suspended and excluded from interest income. In the balance sheet, loans and advances are presented net of suspended interest.

All interest in suspense at 31st December 1995 and 1994 was in respect of loans and advances to customers.

Credit risk non-performing lendings
£m



Potential credit risk lendings

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

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

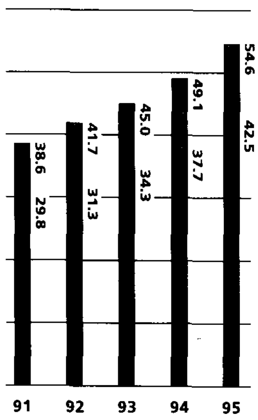
2 US banks typically stop accruing interest when loans become overdue by 90 days or more, or when recovery is doubtful. In accordance with the UK Statement of Recommended Practice on Advances, Barclays continues to charge interest to a doubtful customer's account for collection purposes, but the interest is suspended and excluded from interest income in the profit and loss account. This addition of interest continues until such time as its recovery is considered to be unlikely. While such practice does not affect net income in comparison with that followed in the United States, it again has the effect of increasing the reported level of potential credit risk lendings. The amount of this difference at 31st December 1995 was £170m (1994 £143m).

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

Non-performing lendings

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Non-accrual lendings:					
United Kingdom	**1,498**	1,990	2,906	3,300	2,128
Foreign – credit risk	**723**	896	1,185	1,374	1,298
Accruing lendings where interest is being suspended:					
United Kingdom	**396**	327	388	426	269
Foreign – credit risk	**337**	382	435	233	230
Foreign – country risk	**–**	–	194	402	362
Other accruing lendings against which allowances have been made:					
United Kingdom	**976**	1,258	1,200	721	737
Foreign – credit risk	**419**	544	729	269	134
Sub totals:					
United Kingdom	**2,870**	3,575	4,494	4,447	3,134
Foreign – credit risk	**1,479**	1,822	2,349	1,876	1,662
Foreign – country risk	**–**	–	194	402	362
Accruing lendings 90 days overdue, against which no allowances have been made:					
United Kingdom	**534**	470	497	609	430
Foreign – credit risk	**47**	110	69	63	72
Reduced rate lendings:					
United Kingdom	**60**	46	53	23	61
Foreign – credit risk	**3**	8	7	31	37
Total non-performing lendings:					
United Kingdom	**3,464**	4,091	5,044	5,079	3,625
Foreign – credit risk	**1,529**	1,940	2,425	1,970	1,771
Foreign – country risk	**–**	–	194	402	362
	4,993	6,031	7,663	7,451	5,758
Excluding country risk, total allowance coverage of:	%	%	%	%	%
credit risk non-performing lendings	**54.6**	49.1	45.0	41.7	38.6
total potential credit risk lendings	**42.5**	37.7	34.3	31.3	29.8

Allowance ratios
%



Potential problem lendings

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

	1995 £bn	1994 £bn	1993 £bn	1992 £bn	1991 £bn
United Kingdom	**1.2**	1.5	1.8	1.9	1.4
Foreign	**0.2**	0.3	0.5	0.4	0.2
	1.4	1.8	2.3	2.3	1.6

Potential credit risk lendings

Non-performing lendings fell in total by a net £1bn or 17% in 1995, primarily as a result of write-offs in the year of £0.9bn. This follows a decrease of £1.4bn in 1994 when write-offs were £1.2bn.

United Kingdom	1995 £m	1994 £m	Movement £m
Credit risk non-performing lendings	**3,464**	4,091	(627)

In the United Kingdom, non-performing lendings were £627m lower, but this was entirely the result of write-offs of £684m. Non-performing lendings over £1m were approximately £0.9bn at the year end, with some 70% of these being in the property, construction, distribution and leisure sectors.

During 1994 and 1995, the Bank made two issues of property index certificates which are regarded as a partial hedge in the event of future deterioration of property-related non-performing lendings. After repayments at the end of 1995, there are £122m of certificates in issue which mature mainly at the end of 1997.

Foreign	1995 £m	1994 £m	Movement £m
Credit risk non-performing lendings	**1,529**	1,940	(411)

Outside the United Kingdom, non-performing lendings fell by £411m, or 21%, of which £243m represented write-offs. Those in the United States fell by £254m, principally on account of repayments and asset sales of £202m, while the reduction in Other European Union of £134m arose from write-offs, mainly in Greece and France.

Non-performing lendings in France now represent approximately one-quarter of the total outside the United Kingdom.

There was a small reduction in non-performing lendings in the Rest of the World, reflecting write-offs during the year.

Interest foregone

The following table shows the interest foregone in relation to non-performing lendings, excluding accruing lendings 90 days overdue.

	1995 £m	1994 £m	1993 £m
Interest income that would have been recognised under original contractual terms	**315**	421	583
Interest income included in profit	**(60)**	(70)	(116)
Interest foregone	**255**	351	467

The main reason for the reduction in interest foregone in 1995 was write-offs of non-performing lendings.

Country risk exposure and related allowances

		Developing countries 1995 £m	Developing countries 1994 £m	Developed countries 1995 £m	Developed countries 1994 £m
Country risk exposure	(a)	**202**	449	**191**	340
Country risk allowances	(b)	**(109)**	(229)	**(59)**	(136)
Country risk exposure, net of allowances		**93**	220	**132**	204
Allowances as a percentage of exposures		**54%**	51%	**31%**	40%
Net exposure as a percentage of total assets		**0.1%**	0.1%	**0.1%**	0.1%
Net exposure as a percentage of ordinary shareholders' funds		**1.3%**	3.6%	**1.9%**	3.3%

Notes

(a) Excluding £1,199m (1994 £1,245m) of trade debts that are current and not affected by restrictions on payment.

(b) In addition, an allowance of £6m (1994 £6m) is held in respect of the Group' s share of similar lendings by other companies in which the Group has an interest.

Country risk exposure

Total locked-in country risk exposure decreased by £396m in 1995, attributable in the main to asset sales of £345m.

Total allowances against locked-in exposure stood at £168m at the end of 1995 (1994 £365m), representing 43% of the total at risk. This level of allowance compares favourably with the notional value of the portfolio measured by secondary market prices which, at 31st December 1995, was estimated at 70% of face value. Of the total locked-in exposure, £139m ($216m) representing 35%, is collateralised by US Treasury zero coupon bonds issued as part of Brady restructurings. This security is designed to offset fully the principal due on maturity and its estimated current value at the end of 1995 was £32m ($49m).

Cross-border outstandings

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

Cross-border outstandings, which exclude finance provided within the Group, are based on the country of domicile of the borrower or guarantor of ultimate risk and comprise loans and advances to customers and banks (including placings), finance lease receivables, interest bearing investments, acceptances and other monetary assets, denominated in currencies other than the borrower's local currency. At 31st December 1995 and 1994, cross-border outstandings and total assets included on-balance sheet amounts arising from off-balance sheet financial instruments. Comparative figures for 1993 have not been restated.

At 31st December 1995, the countries where Barclays cross-border outstandings exceeded 1% of assets were Japan, France, the United States and Germany and consisted substantially of placings with banks due within one year. In this context, assets comprise total assets, as presented in the consolidated balance sheet, and include acceptances. On this basis, assets amounted to £169,671m at 31st December 1995 (1994 £163,436m, 1993 £167,945m).

Cross-border outstandings exceeding 1% of assets

	As % of assets	Total	Banks and other financial institutions	Governments and official institutions	Commercial industrial and other private sector
At 31st December 1995	%	£m	£m	£m	£m
Japan	**3.6**	**6,121**	**5,778**	**21**	**322**
France	**1.9**	**3,188**	**2,952**	**45**	**191**
United States	**1.3**	**2,217**	**1,058**	**11**	**1,148**
Germany	**1.0**	**1,778**	**1,676**	**8**	**94**
At 31st December 1994					
Japan	2.6	4,237	3,979	57	201
France	1.7	2,776	2,575	41	160
United States	1.0	1,705	1,091	–	614
Switzerland	1.0	1,685	1,444	103	138
At 31st December 1993					
Japan	2.7	4,451	4,222	75	154
France	1.5	2,548	2,209	109	230

The rise in exposure to Japanese bank counterparties reflects increased lendings and other exposures across a range of Group businesses. The increase in reported exposure to French counterparties is mainly attributable to exchange rate movements.

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

At 31st December 1995, the Netherlands and Switzerland had cross-border outstandings of between 0.75% and 1% of total Group assets, with aggregate outstandings of £3,160m. At 31st December 1994, the aggregate outstandings in this category were £2,650m and related to the Netherlands and Italy. At 31st December 1993, the corresponding aggregate outstandings reported were £1,199m and related to Switzerland.

Trading activities

Most of the Group's trading activities are customer oriented. In anticipation of future customer demand, the Group maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital market and treasury instruments including a broad range of cash securities and derivatives. Positions are also taken in the interest rate, foreign exchange, debt, equity and commodity markets based on expectations of future market conditions. Trading strategies include the use of both market-making and proprietary positions, which are managed together in order to maximise trading related revenue. Trading positions and any offsetting hedges are established as appropriate to accommodate customer or Group requirements. For a description of the nature of derivative instruments, see page 56.

Dealing profits

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. On- and off-balance sheet trading positions are valued on a mark to market basis. The resulting income is included in dealing profits.

Market risk

Trading businesses are subject to a variety of risks, including market risk. Market risk is the risk of loss arising from adverse movements in the level or volatility of market prices. The market risk management policies of the Group are determined by the Group Risk Policy Committee, which also determines overall market risk appetite. The Group's policy is that exposure to market risk arising from trading activities should be concentrated in the BZW businesses, although it is also experienced, to a lesser extent, in the treasury operations which support the retail and private banking businesses. This latter risk, further referred to on page 59, is principally of a structural nature.

In BZW, market risk is the responsibility of the BZW Risk Management Committee, chaired by the BZW chief executive. The BZW policies for market risk management have been encapsulated in a 'Market Risk Management Charter', which is a code of conduct for all of those involved in market risk. A dedicated global market risk management unit, with regional risk managers and which is completely independent of the business areas, operates as a core feature of BZW's management structure.

The Group uses a 'value at risk' measure as the primary mechanism for controlling market risk. Daily Value at Risk (DVAR) is an estimate, with a confidence level of 98%, of the potential loss which might arise if the current positions were to be held unchanged for one business day. The measurement is calibrated so that daily losses exceeding the DVAR figure are likely to occur, on average, only twice every one hundred days. Actual outcomes are monitored regularly to test the validity of the assumptions made in the calculation of DVAR.

Since DVAR provides only an indication of the frequency and not the potential size of losses that could arise in extreme conditions, regular stress tests are also performed to simulate the impact on trading portfolios of extreme market movements.

Group Risk Policy Committee allocates a total DVAR limit for the Group and delegates the day-to-day control and monitoring of market risk to the Group Treasurer, who sets limits for each business area. In the case of BZW, a limit is allocated to the BZW market risk management unit, which in turn sets, subject to endorsement by the Group Treasurer and BZW Risk Management Committee, market risk limits for each trading business area and produces daily risk utilisation reports.

Special attention is paid to option portfolios, where the relationship between the value of the portfolio and the price of the underlying instruments can be highly complex and where portfolio values are also affected by changes in market volatility. For these portfolios, the DVAR measure currently only includes the delta risk of options (the sensitivity of options prices to incremental changes in the price of the underlying instrument) and is therefore supplemented by other techniques including sensitivity analysis and option stress tests based on scenario matrices.

During 1995, revised DVAR methodology was implemented across all major product groups in BZW. Estimates of volatilities and correlations of rates and prices are revised daily using a method of estimation which gives greater weight to more recent observations. The calculation of DVAR takes into account the benefits of diversification and correlation across all risk and product groups on a consistent basis. Research and development of the methodology continues, including research into the potential for extreme market movements than theoretical models allow for, the complex risk associated with option positions and the additional potential losses that may arise when illiquid positions are held.

As at 31st December 1995, the estimated DVAR for BZW was £7.4m. The daily average, maximum and minimum values of DVAR, from 1st July 1995 to 31st December 1995, were estimated as follows:

	Average £m	High £m	Low £m
Estimated total BZW DVAR	6.0	8.7	3.6

Derivatives

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

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group's net interest income, dealing profits, commissions received and other assets and liabilities.

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

Exchange traded derivatives The Group buys and sells exchange traded financial instruments, primarily financial futures and options on financial futures. Holders of exchange traded instruments provide margin daily with cash or other security at the exchange, to which the holders look for ultimate settlement.

OTC traded derivatives The Group buys and sells financial instruments that are traded 'over-the-counter', rather than on a recognised exchange. In general, the terms and conditions of these transactions are tailored to the requirements of the Group's customers, although the majority conform to normal market practice. In many cases, industry standard documentation is used, often in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement gives the Group protection in situations where a counterparty is in default, including the ability to net outstanding balances where the rules of offset are legally enforceable. For further explanation of the Group's policies on netting, see page 119.

The residual maturity analysis of the contracts or underlying principal amounts of OTC traded derivatives held either for trading purposes or for asset and liability management purposes at 31st December 1995 is set out below.

	Not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
Foreign exchange derivatives				
Forward foreign exchange	220,777	8,221	728	229,726
Currency swaps	5,372	21,320	6,940	33,632
OTC options bought and sold	25,686	680	–	26,366
Other foreign exchange contracts	2,661	91	–	2,752
Total	254,496	30,312	7,668	292,476
Interest rate derivatives				
Swaps	119,322	210,423	73,074	402,819
Forward rate agreements	56,482	13,541	29	70,052
OTC options bought and sold	30,081	53,539	10,679	94,299
Other interest rate contracts	–	13	18	31
Total	205,885	277,516	83,800	567,201
Equity and stock index derivatives				
OTC options bought and sold	5,953	3,351	8	9,312
Equity swaps and forwards	747	–	–	747
Total	6,700	3,351	8	10,059
Commodity derivatives				
OTC options bought and sold	120	54	–	174
Commodity swaps and forwards	7,027	719	–	7,746
Total	7,147	773	–	7,920

Foreign exchange derivatives The Group's principal exchange rate related contracts are forward foreign exchange contracts, currency swaps and currency options.

Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency usually on a specified future date at an agreed rate.

A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

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

Interest rate derivatives The Group's principal interest rate related contracts are interest rate swaps, forward rate agreements, caps, floors, collars, swaptions and bond options.

An interest rate swap is an agreement between two parties to exchange fixed and floating interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. A basis swap is a form of interest rate swap, in which both parties exchange interest payments based on floating rates, where the floating rates are based upon different underlying reference rates.

In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

Equity derivatives The Group's principal equity related contracts are equity and stock index swaps and options (including warrants, which are options listed on an exchange).

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

Treasury asset and liability management

Treasury asset and liability management involves liquidity/funding management and structural interest and exchange rate risk management through the use of both on- and off-balance sheet instruments. The policies for Group asset and liability management are set by the Treasury Committee, which is chaired by the Chief Executive. On a regular basis, Group Treasury reports to the Treasury Committee on the structural interest mismatch position of the Group and the maturity transformation of the Group's assets and liabilities. These are monitored within defined limits and corrective action is then taken where necessary.

Structural interest rate and exchange rate exposure

Barclays policy is to manage the earnings volatility arising from the effects of movements in interest rates and exchange rates on the structural positions inherent in the Group balance sheet.

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

Treasury operations which support the retail and private banking businesses also incur interest rate and exchange rate risk. Group Treasury allocates foreign exchange open position and interest rate gap limits or, where more appropriate, value-at-risk limits, to enable structural positions, transactions and flows emanating from the banking books to be managed in an orderly fashion, either through local money and foreign exchange markets or through BZW-managed trading outlets. Exposures are reported daily to Group Treasury in London and regular contact is maintained on risk management and control issues. The aggregate risk is managed by Group Treasury in accordance with guidelines and limits set by Treasury Committee and Group Risk Policy Committee.

Management of the funding of investments in overseas branches and subsidiary and associated undertakings is also carried out by Group Treasury, where the operation of the funding policy is regularly reviewed within the overall policy of limiting the effect of exchange rate movements on the Group's risk asset ratio. Regular reports are also made to Treasury Committee. Where appropriate, foreign currency investments are matched by borrowings in the same currency.

Interest rate sensitivity gap

The following table summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures at 31st December 1995 and reflects the structural interest rate positions referred to above.

Interest rate sensitivity	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Non interest bearing £m	Total £m
Assets:							
Treasury bills and other eligible bills	**6,643**	**133**	**312**	**121**	**4**	**–**	**7,213**
Loans & advances to banks	**26,528**	**1,194**	**705**	**118**	**73**	**247**	**28,865**
Loans & advances to customers	**57,558**	**4,494**	**3,887**	**13,197**	**2,707**	**562**	**82,405**
Debt securities & equity shares	**19,095**	**286**	**315**	**1,879**	**766**	**2,909**	**25,250**
Other assets	**577**	**36**	**2**	**3**	**–**	**19,833**	**20,451**
Total assets	**110,401**	**6,143**	**5,221**	**15,318**	**3,550**	**23,551**	**164,184**
Liabilities:							
Deposits by banks	**27,968**	**713**	**561**	**296**	**266**	**167**	**29,971**
Customer accounts	**70,907**	**1,883**	**2,001**	**1,952**	**126**	**11,385**	**88,254**
Debt securities in issue	**4,810**	**636**	**129**	**596**	**965**	**–**	**7,136**
Other liabilities	**7,437**	**–**	**–**	**3**	**–**	**20,362**	**27,802**
Loan capital & other subordinated liabilities	**1,189**	**650**	**–**	**591**	**1,221**	**–**	**3,651**
Minority interests & shareholders' funds	**–**	**–**	**–**	**–**	–	**7,370**	**7,370**
Total liabilities	**112,311**	**3,882**	**2,691**	**3,438**	**2,578**	**39,284**	**164,184**
Off-balance sheet items	**(1,223)**	**422**	**102**	**(548)**	**1,247**	–	**–**
Interest rate repricing gap	**(3,133)**	**2,683**	**2,632**	**11,332**	**2,219**	**(15,733)**	**–**

Total assets and liabilities exclude long-term assurance fund assets and liabilities attributable to policyholders. These are not relevant in considering the interest rate risk management of the Group. The 'Not more than three months' period includes the Group's trading positions, the risk of which is being managed by the DVAR measure.

The table shows the extent to which the structural position of non-interest bearing balances is being managed with the portfolio of fixed rate assets and off-balance sheet instruments (primarily the repricing gaps greater than one year). For a discussion of the management of structural exposures, see page 59.

Hedging

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

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

Activity	Risk	Type of hedge
Hedging the sterling equivalent of weighted risk assets in foreign currencies.	Reduced risk asset ratio due to strengthening of foreign currencies against sterling.	Foreign currency transactions.
Fixed rate mortgage lending.	Sensitivity to an increase in interest rates.	Buy interest rate caps and pay fixed interest rate swaps.
Fixed rate funding (eg medium-term note issuance).	Sensitivity to a fall in interest rates.	Receive fixed interest rate swaps and buy interest rate floors.
Fixed rate asset investments.	Sensitivity to increase in interest rates.	Pay fixed interest rate swaps.
Firm foreign currency commitments (eg asset purchases and sales).	Sensitivity to changes in exchange rates between arranging a transaction and completion.	Foreign currency transactions.

The transactions resulting from the above activities are managed centrally by Group Treasury and the net exposure is hedged with transactions to the market via independently managed dealing units within the Group, who treat these transactions as part of their normal trading activities, and third parties. The disclosure that follows relates to derivative components of the Group's hedging programme transferred to the market via internal or external counterparties.

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

For interest rate swaps and cross currency interest rate swaps that are used in the management of the structural exposures, the weighted average pay fixed rates and receive fixed rates by maturity date and nominal amount, at 31st December 1995, were as follows:

	Sterling denominated contracts				Non-sterling denominated contracts			
	Pay fixed		Receive fixed		Pay fixed		Receive fixed	
Maturity date:	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %
Not more than three months	**2,084**	**6.91**	**1,434**	**6.54**	**2,511**	**7.61**	**1,505**	**7.94**
Over three months but not more than six months	**1,201**	**7.70**	**1,397**	**7.21**	**285**	**8.16**	**754**	**8.73**
Over six months but not more than one year	**1,684**	**7.14**	**1,092**	**8.86**	**541**	**7.74**	**1,125**	**6.69**
Over one year but not more than five years	**5,872**	**7.95**	**5,671**	**8.26**	**3,185**	**7.70**	**3,286**	**7.39**
Over five years	**838**	**9.85**	**1,258**	**7.37**	**1,377**	**8.27**	**1,810**	**6.37**
	11,679	**7.76**	**10,852**	**7.85**	**7,899**	**7.79**	**8,480**	**7.30**

The weighted average receive variable and pay variable rates by reset maturity date and nominal amount at 31st December 1995 were as follows.

	Sterling denominated contracts				Non-sterling denominated contracts			
	Receive variable		Pay variable		Receive variable		Pay variable	
Reset maturity date:	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %
Not more than three months	**8,915**	**6.88**	**7,434**	**6.25**	**8,072**	**7.21**	**8,247**	**7.21**
Over three months but not more than six months	**2,764**	**6.72**	**3,418**	**5.71**	**1,315**	**5.63**	**1,721**	**5.85**
	11,679	**6.84**	**10,852**	**6.08**	**9,387**	**6.99**	**9,968**	**6.98**

The difference between the nominal asset and liability amounts of non-sterling denominated contracts was £1,488m in respect of pay and receive variable basis swaps.

The structural management of the Group balance sheet comprises both on-balance sheet and derivative positions. The net effect of the derivative positions, in isolation, on net interest income resulted in a credit of £6m (1994 £21m). This included credits of £2m (1994 £11m) and £4m (1994 £10m) for interest rate and exchange rate derivatives respectively.

Deferred profits and losses on hedging activities

Derivative instruments used to manage risk on transactions which are superseded, cease to be effective or are terminated early, are measured at fair value. Any profits or losses arising are deferred and amortised into interest income or expense over the remaining life of the asset, liability, position or cashflow previously being hedged.

The table below summarises the deferred profits and losses, all of which are in respect of interest rate derivatives, at 31st December 1995:

	Under one year £m	One to five years £m	Over five years £m	Total £m
Deferred profits being amortised	**23**	**1**	**–**	**24**
Deferred losses being amortised	**6**	**–**	**–**	**6**

Liquidity

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

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

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

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

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

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

From 1st January 1996, the largest UK banks were required by the Bank of England to operate a new sterling liquidity measurement and monitoring system. Since the new system complements the Group's existing liquidity management policy, no substantial change in liquidity policy has occurred.

Monetary and fiscal policies

The earnings of Barclays are affected by general domestic and overseas economic conditions and, in the United Kingdom, by the monetary and fiscal policies of the British government and regulatory authorities. The Bank of England, the government-owned central bank, influences conditions in the money and credit markets, which affect interest rates and the growth in both lendings and deposits.

Monetary and fiscal policies have had a significant effect on the operations and profitability of UK banks in the past and are expected to do so in the future. Similarly, the monetary and fiscal policies of governments in other countries where Barclays operates affect the operations and profitability of the Group in those countries. The effect such policies may have on future lending volumes and earnings cannot be accurately predicted.

Exchange Rate Mechanism and European Monetary Union

The proposed establishment of a European Monetary Union (EMU), under the provisions of the Treaty signed at Maastricht in 1992, is intended to replace the Exchange Rate Mechanism from which the United Kingdom withdrew in 1992. It involves the creation of a single currency, managed by a single European Central Bank. The Treaty came into force on 1st November 1993 and stage II of the Treaty commenced on 1st January 1994. Its principal feature was the creation of the European Monetary Institute, charged with responsibility for the technical preparations for the final stage of EMU (especially the instruments, procedures and rules needed for the Single Monetary Policy), strengthening co-operation and co-ordination among the monetary authorities of member states, monitoring the functioning of the EMU and facilitating the use of the European currency unit (Euro), including the smooth functioning of the single currency clearing system. It may also provide advice on monetary policy.

The intention of the Treaty was to establish the final stage of EMU in 1997 if a majority of member states met the stringent economic convergence criteria by that time. These criteria relate to inflation, interest rates, exchange rate stability and public sector finances. Otherwise, it may commence on 1st January 1999 for those countries which meet the criteria. It will start with locked exchange rates, with a single currency, which would replace national currencies, being introduced subsequently.

The establishment of EMU will have significant effects on foreign exchange and bond markets and will entail major changes in operations and systems within the banking industry. The likely impact of these impending changes on Barclays cannot be predicted with any accuracy at present but are being closely monitored.

It is possible that it would also involve the development of a common approach towards banking regulation and supervision among the member countries. It is not possible at the present time to say whether or when the United Kingdom would join such a Union.

Supervision and regulation

United Kingdom

In common with their counterparts in the United States and Japan, banks in the United Kingdom are supervised on a functional, as well as an institutional, basis, but do not face the statutory impediments to transacting securities business inherent in the US and Japanese regulatory systems. Thus a bank may directly undertake a wider range of business in the United Kingdom than in the United States or Japan but, as a result, will find it necessary to meet the requirements of a number of regulators.

Banking business in the United Kingdom has been supervised by the Bank of England for many years, under the authority of various statutes. The most important of these is the Banking Act 1987 (the 1987 Act), which strengthened supervision in a number of areas.

The main provisions of the 1987 Act include a requirement for deposit-taking businesses to be licensed by the Bank of England, detailed criteria for the authorisation of banking institutions and a requirement to report large exposures. The 1987 Act also defines the roles in the supervisory framework for a Board of Banking Supervision and for auditors. The latter are empowered to provide the Bank of England with independent confirmation of the adequacy of accounting and other records, systems of control and the accuracy of supervisory information. In addition, provision is made for the control of bank names, descriptions and advertisements and the establishment of a deposit protection scheme. The terms of the deposit protection scheme were amended in 1995 to give effect to a European Community (EC) directive on depositor protection. Under the scheme, which is similar in concept to the US Federal Deposit Insurance Corporation system, depositors with a failed institution will receive 90% of their protected deposits, subject to a maximum payment to any one depositor of £18,000 (or ECU 20,000 if greater). Most deposits denominated in sterling, European Economic Area currencies and ECU, made with branches of Barclays Bank PLC within the European Economic Area, are covered.

In the performance of its regulatory functions, the Bank of England has developed a number of formal codes in consultation with the banks. These relate, inter alia, to capital adequacy (see Capital resources on page 32), liquidity and foreign currency exposures, consolidated supervision, the wholesale markets, large exposures, the adequacy of accounting and other records and control systems, loan transfers and securitisation, advertising and the Bank of England's relationship with the auditors of banks. Further codes are in the course of development. The requirements of the 1987 Act are being increasingly supplemented by the implementation of EC directives.

Securities business and other investment services are supervised within a framework established under the authority of the Financial Services Act 1986 (the FSA). Responsibility for exercising the regulatory powers under the FSA is vested in HM Treasury. These powers have been largely delegated to the Securities and Investments Board (SIB). SIB has handed down certain powers to a number of self-regulating organisations (SROs) and recognised professional bodies, which authorise and supervise individual securities and investment businesses.

The securities and investment businesses of the Barclays Group in the United Kingdom are subject to the rules of the SROs of which the relevant operations are members.

The burden of multiple regulation, arising from functional supervision, has been reduced, to a degree, by the existence of a number of 'lead regulator' agreements between the Bank of England, on the one hand, and SIB and certain SROs on the other, whereby the Bank of England monitors compliance with SIB or SRO capital requirements for securities and investment business carried on within banking groups. The monitoring of compliance with the conduct of business rules for securities and investment business remains with the relevant FSA regulator.

SIB has now largely withdrawn from direct regulation, concentrating on the supervision of the SROs and other regulatory bodies in the exercise of their functions under the FSA. SIB has to approve the content of the SROs' rule books before they are brought into use. All authorised firms are required to adhere to the standards embodied in the SIB's ten Statements of Principle.

Protection of private investors against default by firms authorised by an SRO or SIB is provided up to a limit of £48,000 per investor by the Investors Compensation Scheme, which is financed by levies on SRO members and firms directly authorised by SIB.

European Union

Within the European Union (EU), the creation of a single financial market at the end of 1992 has involved continued negotiations among member states towards establishing greater freedom in the cross-border securities business and a harmonised institutionally based regulatory environment, with emphasis on the role of the home country regulator. The Second Banking Co-ordination Directive established a framework for the mutual recognition of the EU's member state supervision of banks, enabling a bank authorised in one EU member state to carry out banking and investment business on a branch or service basis in other EU member states. The equivalent measure for securities houses carrying out investment business, the Investment Services Directive, was implemented in the United Kingdom and certain other member states with effect from 1st January 1996.

Supporting the Second Banking Co-ordination Directive are the Solvency and Own Funds Directives, which establish a minimum harmonisation of regulatory capital regimes to enable banks to operate throughout the EU under their authorisation granted by the regulators of the home member state. The Capital Adequacy Directive, implemented on 1st January 1996, establishes minimum capital standards for the investment business of securities firms and banks (see Capital resources on page 32).

The EC Consolidated Supervision Directive, which widened the scope of the Bank of England's supervision to include UK securities and investment businesses within banking groups, and the EC Bank Accounts Directive, were both implemented in 1993. The Large Exposures Directive, which was implemented in 1994, requires banking supervisors to limit the risk exposures incurred by a bank or banking group to individual counterparties and groups of closely related counterparties in proportion to the capital base of the bank or banking group concerned. This Directive largely formalised the previous approach of the Bank of England.

A proposed directive for investors' compensation schemes, which is currently under negotiation, is intended to establish a minimum level of compensation for investors, for losses suffered due to a failure of an investment firm. Other proposals for directives include: a directive specifying new responsibilities for auditors, especially when fraud is suspected; a directive to specify the legal regime to be applied when banks are wound up; a directive on cross-border credit transfers; and a directive on the prudential supervision of financial conglomerates embracing both banking and insurance.

Barclays is closely monitoring these and other developments, as European legislation is having an increasingly significant impact on the supervision and regulation of the Group's activities. It is generally supportive of the adoption of common measures and standards by European regulators.

Rest of the World

In the United States, Barclays PLC, Barclays Bank PLC and certain US subsidiary undertakings, branches and agencies of the Bank are subject to a comprehensive regulatory structure involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956, as amended, and the Foreign Bank Supervision Enhancement Act of 1991. Such laws and regulations impose limitations on the types of businesses, and the ways in which they may be conducted, in the United States and on the location and expansion of banking business there. The securities and investment management activities conducted in the United States are also subject to a comprehensive scheme of regulation under the US federal securities laws.

Barclays operates in many other countries and its overseas offices and subsidiary and associated undertakings are subject to reserve and reporting requirements and controls imposed by the relevant central banks and regulatory authorities.

Directors and officers of Barclays PLC and Barclays Bank PLC

Chairman

Andrew Robert Fowell Buxton (age 56) was appointed Chairman on 1st January 1993. He joined Barclays in 1963 and was appointed to the Board in 1984. He became Vice-Chairman in 1985, Managing Director in 1988 and Chief Executive in May 1992. He is a non-executive director of SmithKline Beecham p.l.c.

Deputy Chairman and Chairman, BZW and Corporate and Institutional Banking Services

Sir Peter Middleton GCB (age 61) joined the Board in 1991 as a Deputy Chairman and Chairman of BZW. He also became Chairman of Corporate and Institutional Banking Services upon its formation in May 1994. Prior to joining Barclays, he was Permanent Secretary to HM Treasury, a position held since 1983. He is a non-executive director of Bass PLC, General Accident plc and North West Water Group PLC.

Chief Executive

John Martin Taylor (age 43) was appointed to the Board on 1st November 1993 and became Chief Executive on 1st January 1994. Before joining Barclays, he was Chairman and Chief Executive of Courtaulds Textiles plc and he is a non-executive director of WH Smith Group plc.

Vice-Chairman and Chairman, UK Banking Services

Francis Alastair Lavie Robinson (age 58) held a number of senior positions before joining the Board in 1990. He was appointed a Vice-Chairman in May 1992, Chairman, UK Banking Services in May 1994 and is a non-executive director of London House for Overseas Graduates and RMC plc.

Chief Executive, BZW

David Band (age 53) joined the Board in 1988 on becoming Chief Executive of BZW. He was previously Head of JP Morgan's operations in the UK and Europe and a Deputy Chairman of The Securities and Futures Authority Limited.

Managing Director, UK Banking Services

William John Gordon (age 56) joined the Board on 1st July 1995. He joined Barclays Bank in 1955 and has been head of UK Banking Services since 1992, having held a number of senior positions in the Group prior to that date.

Finance Director

Oliver Henry James Stocken (age 54) joined Barclays Merchant Bank in 1979 and held a number of senior positions in BZW before joining the Board in 1993 as Finance Director. He is a non-executive director of MEPC plc and Steel Burrill Jones Group plc.

Non-executive Directors

Mary Elizabeth Baker (age 59) joined the Board in 1988, having served on the Board of Barclays Bank U.K. Limited since 1983. She is immediate Past President of Women in Management and a non-executive director of Avon Cosmetics Ltd, Camelot Group PLC and MFI Furniture Group Plc. She is a member of the Audit Committee.

Sir Denys Henderson (age 63) joined the Board in 1983, having been on the Board of Barclays Bank PLC since 1981. He is Chairman of The Rank Organisation Plc and a non-executive director of The RTZ Corporation PLC. He is Chairman of the Remuneration and Nominations Committee.

Peter Jack Jarvis CBE (age 54) joined the Board on 1st August 1995. He is Group Chief Executive of Whitbread PLC and a non-executive director of Burton Group plc. He is a member of the Remuneration and Nominations Committee.

The Lord Lawson of Blaby PC (age 63) was Chancellor of the Exchequer from 1983 to 1989 and previously Secretary of State for Energy. He joined the Board in 1990 and is Chairman of Central Europe Trust Company Ltd. He is a member of the Audit Committee.

Sir Nigel Mobbs DL (age 58) is Chairman and Chief Executive of Slough Estates plc, Chairman of Kingfisher plc and his other directorships include Aims of Industry, Charterhouse Holdings Ltd (USA) and Howard de Walden Estates. He joined the Board in 1979. He has been Chairman of the Audit Committee since 1987 and is also a member of the Remuneration and Nominations Committee.

Shijuro Ogata (age 68) joined the Board in 1991, having served as Deputy Governor of the Japan Development Bank and as Deputy Governor for International Relations of the Bank of Japan. Based in Tokyo, he is a non-executive director of Fuji Xerox Company Ltd and non-executive Chairman of Barclays Trust & Banking Co (Japan) Ltd. He retired from the Board on 31st December 1995.

Jan Peelen (age 56) joined the Board in 1991. He is a director of Unilever, a former Chairman of Van den Bergh en Jurgens in Holland and a former President of Industrias Gessy Lever in Brazil. He is a member of the Remuneration and Nominations Committee.

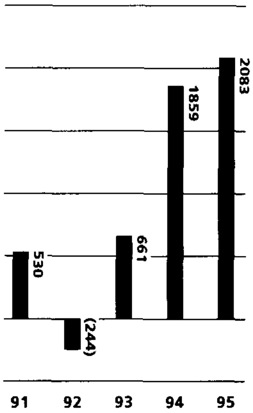
Anthony Nigel Russell Rudd (age 49) joined the Board on 1st February 1996. He is Chairman of Williams Holdings PLC and non-executive Chairman of East Midlands Electricity plc and Pilkington plc. He is a member of the Audit Committee.

The Lord Wright of Richmond GCMG (age 64) joined the Board in 1991, having retired as Head of the Diplomatic Service earlier that year. He is a non-executive director of BAA plc, The British Petroleum Company p.l.c. and De La Rue plc and an advisory director of Unilever.

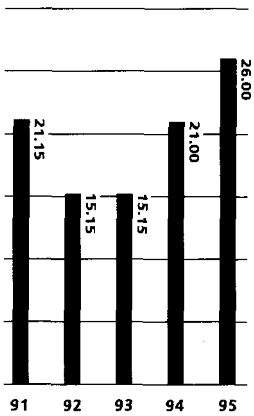
Officers – Barclays PLC and Barclays Bank PLC	**Appointed**
Howard Trust – Group General Counsel and Group Secretary	1995
Nicholas Brittain – Chief Accountant	1986

Senior Executive Officers – Barclays Bank PLC	
Donald Brydon OBE – Deputy Chief Executive, BZW	1994
Joseph De Feo – Director, Group Operations and Technology	1990
Carlos Martinez de Campos – Chief Executive, European Retail Banking Group	1992
Graham Pimlott – Chief Executive, BZW Merchant Banking Division and Chief Executive, Corporate and Institutional Banking Services.	1994

Profit/(loss) before tax
£m



Dividends per share
Pence



Profit attributable

The profit attributable to shareholders for the year amounted to £1,364m, compared with £1,179m in 1994.

Final dividends

Final dividends for the year ended 31st December 1995 of 16.5p per ordinary share and of 7p per staff share have been declared by the Directors. The final dividends will be paid on 2nd May 1996 in respect of the ordinary shares registered at the close of business on 12th March 1996 and in respect of the staff shares so registered on 31st December 1995.

With the interim dividends of 9.5p per ordinary share and of 7p per staff share that were paid on 5th October 1995, the total distribution for the year 1995 is 26.0p (1994 21.0p) per ordinary share and 14p (1994 14p) per staff share. The dividends for the year absorb a total of £421 million (1994 £343 million), leaving a retained profit of £943 million (1994 £836 million).

Share dividends

Share dividends were offered in place of the above cash dividends on the basis of one new ordinary share at 597p for approximately every 45.923 ordinary shares held in respect of the second interim dividend for 1994 paid on 16th May 1995 and one new ordinary share at 707.2p for approximately every 74.442 ordinary shares held in respect of the interim dividend for 1995 paid on 5th October 1995. More than 30,000 shareholders took advantage of these offers and 3,777,571 shares were issued in lieu of cash dividends. A share dividend in respect of the final dividend for 1995 is being offered to shareholders.

Share capital

On 9th August 1995, Barclays PLC purchased in the market for cancellation 25,000,000 of its £1 ordinary shares at a total cost of £181m. This transaction, which represented some 1.5% of the then issued ordinary share capital, follows the Group's policy of returning surplus capital to shareholders. As at 26th February, the Company still has an unexpired authority to repurchase further shares up to a maximum of 135 million shares.

Ordinary share capital was increased by 8,190,185 shares during the year as a result of the exercise of options under the SAYE and Executive Share Option Schemes.

Barclays PLC acquired 12,000,000 new £1 ordinary shares in Barclays Bank PLC during 1995 at a cost of £50 million.

Substantial shareholdings

Substantial shareholdings notified to the Company comprise the Prudential Corporation plc group's interests in 51,431,819 ordinary shares (3.17%) and Barclays Pension Funds Trustees Limited's non-beneficial interest, as trustee of the Group's main pension fund, in 778,580 staff shares (88.98%).

Board membership changes

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical.

Sir Derek Birkin TD and Mr Shijuro Ogata retired from the Board of Directors on 31st May and 31st December 1995 respectively. Mr William Gordon and Mr Peter Jarvis were appointed as Directors on 1st July and 1st August 1995 respectively and Mr Nigel Rudd was appointed as a Director on 1st February 1996. Resolutions will be proposed at the annual general meeting for the re-election of Mr Gordon, Mr Jarvis and Mr Rudd, as they have been appointed since the previous annual general meeting.

Retirement and re-election of Directors

Currently one-third (or the nearest whole number below one-third) of the Directors of Barclays PLC are required to retire by rotation at each annual general meeting, together with Directors appointed by the Board since the previous annual general meeting. The retiring Directors are eligible to stand for re-election. The Directors retiring by rotation at the 1996 annual general meeting are Mr Andrew Buxton, Sir Peter Middleton and Mr Jan Peelen and they offer themselves for re-election.

Directors' and officers' liability insurance

Directors' and officers' liability insurance cover is maintained for the benefit of the Group and the Directors and officers of the Company and its subsidiary undertakings in the United Kingdom and overseas.

Directors' interests

Directors' interests in the shares of the Group on 31st December 1995, as defined by the Companies Act 1985 and according to the register maintained thereunder, are given in the report of the Remuneration and Nominations Committee on behalf of the Board on pages 75 to 81. The register will be available for inspection at the annual general meeting. At no time during the year did any Director of the Company have an interest in a contract entered into by a Group company which was of significance in relation to the Group's business.

Directors' emoluments and options

Information on emoluments and options of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the London Stock Exchange requirements, is given in the report by the Remuneration and Nominations Committee on behalf of the Board and in notes 60 and 61 to the accounts.

For US disclosure purposes, the aggregate emoluments of all Directors and officers of Barclays PLC (1995 19 persons, 1994 18 persons) for the year ended 31st December 1995 amounted to £4,142,000 (1994 £3,620,000). In addition, the aggregate amount set aside, for the year ended 31st December 1995, to provide pension benefits for the Directors and officers amounted to £306,000 (1994 £353,000). The aggregate emoluments of all Directors and officers of Barclays Bank PLC (1995 23 persons, 1994 24 persons) for the year ended 31st December 1995 amounted to £6,707,000 (1994 £7,193,000). In addition, the aggregate amount set aside by the Bank and its subsidiary undertakings, for the year ended 31st December 1995, to provide pension benefits for the Directors and officers amounted to £423,000 (1994 £526,000).

Executive Committee

The Executive Committee meets weekly and performs Group management functions. It comprises Martin Taylor (Chairman), David Band, Donald Brydon, Joseph De Feo, Bill Gordon, Carlos Martinez de Campos, Graham Pimlott and Oliver Stocken.

Audit Committee

Sir Nigel Mobbs DL, *Chairman*
Mary Baker
The Lord Lawson of Blaby PC
Nigel Rudd (from 1st February 1996)

The Audit Committee, comprising non-executive Directors of the Company, meets regularly with the Group's senior management, the external auditors and the internal audit department to review, inter alia, the Group's published financial statements, the audit and the reporting accountants' reviews (performed under the Companies Act 1985 and the Banking Act 1987), the scope of the work of the internal audit department, compliance reports and reports on the effectiveness of the Group's systems of internal control.

Remuneration and Nominations Committee

Sir Denys Henderson, *Chairman*
Peter Jarvis CBE
Sir Nigel Mobbs DL
Jan Peelen

The Remuneration and Nominations Committee, comprising non-executive Directors of Barclays PLC, is a committee of the Board. Its role as a remuneration committee is described further in its report on behalf of the Board on pages 75 to 81. In addition, the committee may consider and make recommendations on the composition of the Board of Barclays PLC. The committee also acts as a committee of the Board of Barclays Bank PLC to approve any distribution under the Company's profit sharing schemes to eligible UK employees. When meeting to consider the nomination of prospective Directors, the Chairman of Barclays PLC and one other executive Director may attend as ex-officio members.

Activities

The activities of the Group are described on pages 6 to 10 and the development of the Group's business during the year is analysed in the Financial review on pages 12 to 63.

Community involvement

The Group continued to support the community, with world-wide contributions totalling over £9.8 million. Within this figure, UK charitable donations amounted to £2.6 million (1994 £1.8 million). UK charities and other voluntary organisations also benefited from a variety of sponsorships. The Group made no political donations in the United Kingdom during 1995.

Employee involvement

Employee involvement is encouraged through a Save-As-You-Earn Share Option Scheme and profit sharing schemes. Consultation with staff is extremely important. There are regular exchanges through staff consultative committees, culminating in the annual staff meeting at which the Chairman or Chief Executive presides. This allows staff at all levels to discuss key issues with senior management.

Equal opportunities

The Group continues to develop progressive policies and practices to demonstrate its commitment to equal opportunities for all its staff. It supports the 'Opportunity 2000' initiative which aims to improve the quantity and quality of opportunities for women in the workplace.

The Group is a member of the National Mentoring Consortium, an initiative to provide volunteer managers to act as mentors to ethnic minority students.

Barclays actively supports the Department of Employment's 'two tick' campaign, and is a core sponsor and active member of the Employers' Forum on Disability which promotes, advises and shares information across industry and commerce on the best ways of providing equality of opportunity for people with disabilities.

The auditors

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

The annual general meeting

The annual general meeting will be held at The Queen Elizabeth II Conference Centre on 2nd May 1996 and a notice convening the meeting will be included in a separate letter to shareholders dated 26th March 1996. In addition to the usual business concerning the receipt of the accounts, the re-election of directors and the re-appointment of the auditors, shareholder consent will be sought for the renewal of authority for the Company to purchase its own shares, for the renewal of the Board's authority to allot shares, to approve a new performance share plan for executive Directors and certain senior executives and to amend the SAYE Share Option Scheme.

Shareholders are invited to complete and return the form of proxy in the pre-paid envelope provided. Completion of the form of proxy will not prevent shareholders from attending and voting at the annual general meeting if subsequently they find they are able to do so.

For the hard of hearing, induction loops will be available and the meeting will be signed. The meeting location also has access for wheelchairs.

Questions at the annual general meeting

In order to improve the effectiveness of the annual general meeting, shareholders are invited to submit in advance written questions to the Secretary at the Group's head office (see page 156) by 25th April 1996. In addition, shareholders attending the meeting who intend to ask a question are requested to register their name and the subject of their question at one of the question points in the hall. Shareholders will be asked to use one of the microphones in the hall when their question is called.

By order of the Board
Howard Trust Group Secretary
26th February 1996

Members of the committee as at 31st December 1995

Sir Denys Henderson, Chairman
Peter Jarvis CBE
Sir Nigel Mobbs DL
Jan Peelen

Greenbury Study Group on Directors' Remuneration

The London Stock Exchange introduced amendments to the Listing Rules in October 1995 to implement recommendations of the report of the Greenbury Study Group on Directors' Remuneration. The Listing Rules require remuneration committees to prepare a report to shareholders giving prescribed details relating to directors' remuneration. This is the first such report, made on behalf of the Board, of the Company's Remuneration and Nominations Committee.

The Listing Rules contain best practice provisions, effective for accounting periods beginning on or after 31st December 1995, with respect to the role and constitution of remuneration committees. The terms of reference of the Remuneration and Nominations Committee (which was first established in 1984) have been revised in the light of these provisions and comply with them. A statement will be included in the committee's report in respect of 1996 on Barclays compliance throughout 1996 with these provisions.

The Listing Rules also contain best practice provisions on remuneration policy, service contracts and compensation, effective for accounting periods beginning on or after 31st December 1995. In preparing this report and in framing the executive remuneration policy it contains, the committee has given consideration to those best practice provisions which are relevant at this time.

Executive remuneration policy

Overall objective The overall objective of the Group's executive remuneration policy is to provide a competitive package which enables the Group to attract, motivate, reward and retain a management group of senior executives of high quality. The Remuneration and Nominations Committee is made up entirely of non-executive Directors of the Company and reports to the Board of the Company. It determines Group policy on executive remuneration and the remuneration of executive Directors and other senior Group employees, within terms of reference agreed by the Board, in consultation with the Chairman and the Chief Executive.

In addition to a basic salary, the remuneration package of executive Directors and senior executives includes participation in a range of short- and longer-term remuneration schemes. Together, these schemes, of which further details are set out below, are designed to meet the overall objectives of the remuneration policy. In determining the balance between individual basic pay and other elements of remuneration, account is taken of the nature of the role performed and market practice.

Executive remuneration policy (continued)

Employment contracts The Group currently has service agreements with its executive Directors and senior executives. None of those contracts relating to Directors are for a specific term, but they provide for a notice period from the Group of one year and for retirement on the sixtieth birthday of the individual involved. Non-executive Directors have no service contracts with the Group and do not participate in the Group's pension, share option or other short- and longer-term remuneration schemes. Their fees are determined by the Board. Unless otherwise agreed, non-executive Directors normally retire at the first annual general meeting following their sixty-fifth birthday.

Basic salary The salaries of all executive Directors are reviewed annually. Factors taken into account include corporate and individual performance, pay and employment conditions elsewhere in the Group and market data provided by recognised surveys of comparative groups. These include companies operating in the financial sector and those of comparable size in other markets.

Annual bonus scheme and executive share award scheme Directors on Barclays Bank PLC service contracts (Mr Buxton, Mr Gordon, Sir Peter Middleton, Mr Robinson, Mr Stocken and Mr Taylor) qualify for annual awards which are subject to an overall maximum, expressed as 50% of annual salary, with a maximum of 30% of annual salary being awarded for individual performance together with a maximum of 20% of annual salary for team performance. Directors on BZW service contracts (Mr Band in 1995) qualify for annual awards based on their individual performance, market considerations and BZW's profit before tax contribution. Normally, 60% of any award to a Director comprises a cash bonus, with the balance comprising a provisional allocation in shares which may be granted under an employee share scheme (the executive share award scheme). In judging individual performance and reaching its decision, the committee takes into account the recommendations of the Chairman and the Chief Executive, which are based on regular appraisal of the executive Director concerned. Team performance was, in 1995, linked to the Group's level of achievement over a range of measures including operating income and profit before tax.

The executive share award scheme reinforces the link between executive remuneration and the overall performance of the Barclays Group. Under the scheme, ordinary shares in Barclays PLC are purchased in the market by the independent trustee of a discretionary trust (known as the Barclays Group Employees' Benefit Trust). The trustee may make provisional allocations, which do not give rise to any entitlement, of such shares to eligible executive Directors and senior executives which may normally be released, subject to certain conditions, in equal numbers at the end of three, four and five years. At the end of the fifth year, a share bonus equal to 20% of the number of shares provisionally allocated may, in normal circumstances, also be released to an executive.

In March 1995, payments were made to the Barclays Group Employees' Benefit Trust and 6 provisional allocations in respect of 80,405 shares were made to Directors in respect of awards accrued in 1994 and reported as emoluments in that year. The amounts shown for the executive share award scheme in 1995 represent payments which are expected to be made to the trustee for the provisional allocation of shares in 1996, including the 20% share bonus.

UK profit sharing scheme A profit sharing scheme was first established in 1974. Two schemes are in force under which a total of up to 5% of consolidated net profits (before tax and extraordinary items) may be distributed to eligible employees and executive Directors on Barclays Bank PLC service contracts either in cash, after deduction of income tax, or in shares in the Company as described on page 97.

Benefits Executive Directors receive benefits in kind, which include the use of a company owned vehicle, medical health insurance and beneficial loans, on similar terms to other senior executives. These benefits are generally reported at their approximate value for tax purposes.

Executive Share Option Scheme The Executive Share Option Scheme is a long-term incentive scheme and is currently available by invitation to certain senior executives and executive Directors of the Group with grants, usually made annually, being approved by the Board on the recommendation of the Remuneration and Nominations Committee in consultation with the Chairman and the Chief Executive. The options are issued at the market price at the date of the grant, calculated in accordance with the rules of the Scheme, without any discount and are normally exercisable between three and ten years from that date. There are currently 124 executive Directors and past and present employees who hold options under the Scheme.

SAYE Share Option Scheme In common with other eligible employees in the United Kingdom, executive Directors are also able to participate in an SAYE Share Option Scheme. Under this Scheme, employees may enter into monthly savings contracts and, at the expiry of a fixed term of five or seven years, have the option to use these savings to acquire shares in the Company at a discount, currently 10% of the market price at the date the options were granted, calculated in accordance with the rules of the Scheme.

Details of executive Directors' options, including separate details of options held under the SAYE Scheme, are given below.

Resolutions will be proposed at the annual general meeting on 2nd May 1996 to make certain amendments to the SAYE Scheme and to introduce a new performance share plan in place of the Executive Share Option Scheme for executive Directors and certain senior executives.

Directors' emoluments

	Salary & fees £000	Benefits & other £000	Annual bonus £000	Profit share £000	1995 Total £000	1994 Total £000	Executive share award scheme 1995 £000	Executive share award scheme 1994 £000
Executive								
D Band	**225**	**6**	**315**	–	**546**	536	**252**	240
ARF Buxton	**350**	**12**	**92**	**28**	**482**	464	**74**	59
WJ Gordon	**100**	**3**	**53**	**16**	**172**	–	**42**	–
Sir Peter Middleton	**260**	**16**	**61**	**21**	**358**	352	**49**	50
FAL Robinson	**220**	**6**	**84**	**18**	**328**	282	–	32
OHJ Stocken	**250**	**8**	**64**	**20**	**342**	290	**52**	72
JM Taylor	**500**	**13**	**132**	**40**	**685**	680	**106**	30
Non-executive								
ME Baker	**29**	–	–	–	**29**	24	–	–
Sir Derek Birkin	**11**	–	–	–	**11**	22	–	–
Sir Denys Henderson	**31**	–	–	–	**31**	25	–	–
PJ Jarvis	**10**	–	–	–	**10**	–	–	–
The Lord Lawson	**28**	–	–	–	**28**	23	–	–
Sir Nigel Mobbs	**49**	–	–	–	**49**	49	–	–
S Ogata	**68**	–	–	–	**68**	61	–	–
J Peelen	**27**	–	–	–	**27**	21	–	–
The Lord Wright	**29**	–	–	–	**29**	24	–	–
Former Directors								
The Lord Camoys	–	–	–	–	–	45	–	–
Sir James Spooner	–	–	–	–	–	9	–	–
	2,187	**64**	**801**	**143**	**3,195**	2,907	**575**	483

Notes

(a) Emoluments include amounts payable by subsidiary undertakings and by other companies where services are undertaken in the interests of the Group.

(b) Not included in the table above are total pension contributions of £269,000 (1994 £339,000) which were made on behalf of the Directors during the year. See note 60 to the accounts.

(c) The fees of non-executive Directors are based on their responsibilities including membership of Board committees. Sir Denys Henderson's fees include an additional payment for chairing the Remuneration and Nominations Committee and Sir Nigel Mobbs' fees include an additional payment for chairing the Audit Committee. Mr Ogata and Sir Nigel Mobbs received amounts in connection with their directorships of subsidiary companies of Barclays Bank PLC.

(d) The amounts shown for the executive share award scheme in 1995 represent payments which are expected to be made to the trustee for the provisional allocation of shares in 1996, including the 20% share bonus.

(e) Mr Gordon's salary and benefits are the amounts paid since his appointment as a Director on 1st July 1995.

Pension arrangements

A consultation exercise by the Institute and Faculty of Actuaries on the most appropriate method of disclosing the value of directors' pension benefits is under way. The committee supports the accrued benefit method of disclosure, which is one of the methods included in the consultation, and such disclosure is included in this report. See also note 7 to the accounts.

Annual pension accrued assuming retirement at contractual date

	Age	**Years of service**	**At 31st December 1995 £000**	At 31st December 1994 £000
D Band	53	7	**78**	68
ARF Buxton	56	32	**217**	206
WJ Gordon	56	40	**130**	113
Sir Peter Middleton	61	4	**29**	22
FAL Robinson	58	36	**144**	136
OHJ Stocken	54	16	**123**	88
JM Taylor	43	2	**3**	1

The amounts shown in the table above represent the annual pension earned to date and payable on retirement at contractual retirement date (normally 60), based on the Directors' service to date and current pensionable salary.

Notes

(a) Messrs Band, Buxton, Gordon, Robinson and Stocken are entitled to pensions of two-thirds of their pensionable salary at retirement at age 60. For Messrs Buxton, Gordon and Robinson, the pensions are funded from the Group's main pension scheme. Mr Band's and Mr Stocken's pensions are funded from the BZW scheme.

(b) For those of the above executive Directors who joined the Group after the age of 20, additional years of service have been granted to them, to be earned over the period of their actual service in the Group.

(c) Within the Group's main pension scheme, Mr Taylor is entitled to a pension on retirement of one-sixtieth of his final pensionable salary, up to the level of the earnings cap, for each year of service. Additionally, a notional contribution (1995 £73,825, 1994 £74,143) of 17.5% of the balance of his pensionable salary in excess of the earnings cap is accrued on his behalf outside the pension scheme and is payable as a lump sum.

(d) Sir Peter Middleton is entitled to a pension on retirement of one-sixtieth of his final pensionable salary for each year of service together with a fixed sum of £12,990 per annum as included in the table above. Part of his entitlement is being funded by the Group's main scheme up to the level of the earnings cap, with the balance being accrued on his behalf outside the pension scheme.

(e) All executive Directors' arrangements include dependants' pensions and lump sums in the event of death in service. All pensions are reviewed annually, with a guaranteed increase in line with retail price inflation up to a maximum of 5%.

Directors' options to acquire ordinary shares of Barclays PLC

	Number of options					Market price at		
	At 1st January 1995	During the year Granted	Exercised	At 31st December 1995	Exercise price £	exercise date £	Date from which exercisable	Latest expiry date
D Band	104,216	–	104,216	–	2.88	7.20	n/a	23/08/98
	59,900	–	–	59,900	5.01	–	27/08/96	26/08/03
	40,000	–	–	40,000	5.50	–	31/08/97	30/08/04
	–	25,000	–	25,000	7.04	–	30/08/98	29/08/05
ARF Buxton	74,582	–	–	74,582	2.88	–	now	23/08/98
	70,100	–	–	70,100	3.71	–	now	29/08/00
	70,000	–	–	70,000	5.50	–	31/08/97	30/08/04
	3,973*	–	–	3,973	2.72-4.45	–	01/11/97	30/04/01
	–	50,000	–	50,000	7.04	–	30/08/98	29/08/05
WJ Gordon	22,600	–	–	22,600	3.71	–	now	29/08/00
	21,500	–	–	21,500	5.01	–	27/08/96	26/08/03
	30,000	–	–	30,000	5.50	–	31/08/97	30/08/04
	–	25,000	–	25,000	7.04	–	30/08/98	29/08/05
	3,651*	–	–	3,651	2.59-3.62	–	now	30/04/98
Sir Peter Middleton	234,300	–	234,300	–	3.67	6.20	n/a	23/03/02
	32,000	–	–	32,000	5.50	–	31/08/97	30/08/04
FAL Robinson	22,533	–	22,533	–	3.65	6.48	n/a	02/09/97
	50,654	–	50,654	–	2.88	6.48	n/a	23/08/98
	54,400	–	54,400	–	3.71	6.48	n/a	29/08/00
	39,900	–	–	39,900	5.01	–	27/08/96	26/08/03
	40,000	–	–	40,000	5.50	–	31/08/97	30/08/04
	3,925*	–	–	3,925	3.23-4.90	–	01/11/96	30/04/00
OHJ Stocken	39,022	–	35,500	3,522	3.16	7.20	now	22/03/97
	85,800	–	–	85,800	5.01	–	27/08/96	26/08/03
	14,700	–	–	14,700	5.44	–	31/03/97	30/03/04
	15,000	–	–	15,000	5.50	–	31/08/97	30/08/04
	3,130*	173	–	3,303	2.72-6.28	–	now	30/04/03
	–	30,000	–	30,000	5.97	–	30/03/98	29/03/05
	–	25,000	–	25,000	7.04	–	30/08/98	29/08/05
JM Taylor	196,900	–	–	196,900	5.44	–	31/03/97	30/03/04

*SAYE options. Other options were granted under the Executive Share Option Scheme.

The mid-market price of the shares at 29th December 1995 was 739p (1994 611p), the highest mid-market price during 1995 was 810p and the lowest mid-market price was 564p.

No options lapsed during the year.

Mr JM Taylor will be paid a bonus at a date between 1997 and 2004 related to the excess over 619p of the market price of 150,000 Barclays PLC ordinary shares in lieu of part of an entitlement to participate in the Executive Share Option Scheme. Mr OHJ Stocken will be paid a bonus at a date between 1996 and 2003 related to the excess over 413p of the market price of 10,000 Barclays PLC ordinary shares.

Directors' interests in ordinary shares of Barclays PLC

	At 1st January 1995† Beneficial	Non-beneficial	At 31st December 1995 Beneficial	Non-beneficial
Executive				
D Band	859	–	889	–
ARF Buxton	43,105	4,625*	44,463	2,625
WJ Gordon	13,986	–	13,986	–
Sir Peter Middleton	1,583	2,000*	2,941	–
FAL Robinson	17,723	2,000*	19,081	–
OHJ Stocken	1,787	–	1,845	–
JM Taylor	2,000	–	3,358	–
Non-executive				
ME Baker	3,120	–	3,120	–
Sir Denys Henderson	20,000	–	20,000	–
PJ Jarvis	–	–	1,000	–
The Lord Lawson	2,032	–	2,143	–
Sir Nigel Mobbs	10,391	10,281	10,391	10,281
S Ogata	569	–	587	–
J Peelen	570	–	590	–
The Lord Wright	1,221	–	1,239	–

* At 1st January 1995, these holdings included a joint interest, held ex-officio as trustees of a trust, in 2,000 Barclays PLC ordinary shares.
† Or date appointed to the Board if later.

At 31st December 1995, executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 937,877 Barclays PLC ordinary shares (1st January 1995 580,340) held by the Barclays Group Employees' Benefit Trust.

On 6th February 1996 Mr Stocken and Mr Gordon acquired 323 shares and 1,617 shares respectively through exercising options under the SAYE Share Option Scheme.

There were no other changes in any of the Directors' interests in options or shares shown above between 31st December 1995 and 26th February 1996.

On behalf of the Board
Sir Denys Henderson
Chairman, Remuneration and Nominations Committee
26th February 1996

Cadbury Code of Best Practice

The Group complies, and has complied throughout the accounting period, with the Code of Best Practice issued in 1992 by the Committee on the Financial Aspects of Corporate Governance (Cadbury Committee).

This Annual report includes all the disclosures currently required by the Code.

Going concern

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

Internal control

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

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

The Directors have established an organisational structure with defined responsibility for internal control in each of the Group's businesses and this, together with the associated responsibility for reviewing periodically the effectiveness of such internal control is formally acknowledged by each business group chief executive and country manager once a year. Responsibilities and authorities are set out in the Group controls manual. There are established procedures and information systems in place for regular budgeting and reporting of financial information and for risk management. Further details of risk management procedures are given in the Financial review on pages 38 and 55.

The system of internal financial and operational controls is also subject to regulatory supervision in the United Kingdom and overseas, as explained under Supervision and regulation on pages 65 to 67.

The effectiveness of the Group's internal control and internal financial control systems is reviewed periodically on behalf of the Directors by the Audit Committee, whose membership and main activities are set out on page 72. Separate audit committees are also established in UK Banking Services, Barclays Financial Services, BZW, Private Banking, the African and Caribbean management group and in North America, Japan, Australia and South East Asia.

Statement of Directors' responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors' reports set out on page 84, 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 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 85 to 139 and 142 to 150, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of 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.

Report by the auditors to the Directors of Barclays PLC on corporate governance

In addition to our audit of the accounts, we have reviewed your statement on page 82 concerning the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of opinion We carried out our review having regard to the Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion In our opinion, your statements on internal control and on going concern on page 82 have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and are consistent with the information of which we are aware from our audit work on the accounts.

In our opinion, based on enquiry of certain Directors and officers of the Group and examination of relevant documents, your statement on page 82 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse
Chartered Accountants
London, England, 26th February 1996

UK audit report to the members of Barclays PLC

We have audited the accounts on pages 85 to 139 which have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and the accounting policies set out on pages 85 to 87 and the additional information contained on pages 78 and 80.

Respective responsibilities of Directors and auditors As described on page 83, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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

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

Opinion In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1995 and of the profit of the Company and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditors
London, England, 26th February 1996

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

We have audited the consolidated financial statements of Barclays PLC and its subsidiary undertakings on pages 85 to 139 and Barclays Bank PLC and its subsidiary undertakings on pages 85 to 139 and 142 to 150 inclusive. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall accounts presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Barclays PLC and its subsidiary undertakings and Barclays Bank PLC and its subsidiary undertakings at 31st December 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 1995, in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income for each of the three years in the period ended 31st December 1995 and the determination of the consolidated shareholders' equity at 31st December 1995 and 1994 to the extent summarised in note 64 and note g to the consolidated financial statements.

Price Waterhouse
Chartered Accountants and Registered Auditors
London, England, 26th February 1996

Summary of significant accounting policies

a Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments. They are prepared in accordance with applicable accounting standards of the Accounting Standards Board (ASB) and pronouncements of its Urgent Issues Task Force and with the Statements of Recommended Accounting Practice issued by the British Bankers' Association. The requirements of Financial Reporting Standard (FRS) 6 'Acquisitions and Mergers' and FRS 7 'Fair Values in Acquisition Accounting' have been implemented in these accounts.

The one significant change in accounting policy that has been made in 1995 is outlined on page 86.

b Consolidation and format

The consolidated accounts have been prepared in compliance with Sections 230, 255, 255A and 255B of, and Schedule 9 to, the Companies Act 1985 (the Act). The profit and loss account and balance sheet of Barclays PLC have been prepared in compliance with Section 226 of, and Schedule 4 to, the Act.

The consolidated accounts include the accounts of Barclays PLC and its subsidiary undertakings made up to 31st December, except in the case of Barclays Bank of Canada, whose accounts are made up to 31st October. Details of the principal subsidiary undertakings are given in note 50.

c Goodwill

Goodwill may arise on the acquisition of subsidiary and associated undertakings. It represents the excess of cost over fair value of the Group share of net tangible assets acquired. In accordance with Statement of Standard Accounting Practice (SSAP) 22, such goodwill is either capitalised as an intangible asset and amortised against profit over its expected life or charged directly against reserves in the year of acquisition. (See Change in accounting policy). Capitalised goodwill is written off when judged to be irrecoverable. In the event of a subsequent disposal, any goodwill previously charged directly against reserves is written back and is reflected in the profit or loss on disposal.

d Interests in associated undertakings

An associated undertaking is generally one in which the Group's interest is more than 20% and less than 50%. Consolidated profit includes income from interests in associated undertakings based on accounts made up to dates not earlier than 6 months before the balance sheet date. Interests in associated undertakings are included in the consolidated balance sheet at the Group share of the book value of the net tangible assets of the undertakings concerned.

e Shareholders' interest in the long-term assurance fund

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

f Bad and doubtful debts

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

g Purchased mortgage servicing rights (PMSRs)

PMSRs are stated at cost less provision for amortisation. The rate of amortisation is determined by the expected life of the mortgages and is reassessed periodically to reflect actual and anticipated prepayment experience. The amount of the amortisation is deducted from fees and commissions receivable in the profit and loss account.

h Debt securities and equity shares

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

i Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis at the following annual rates:

Freehold buildings and long-leasehold property (more than 50 years to run)	2%
Leasehold property (less than 50 years to run)	over the remaining life of the lease
Costs of adaptation of freehold and leasehold property*	10%
Equipment installed in freehold and leasehold property*	10%
Computers and similar equipment	20%-33%
Fixtures and fittings and other equipment	20%

*Where a leasehold has a remaining useful life of less than 10 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

Prior to 1994, no depreciation was provided on freehold and long-leasehold property.

j Off-balance sheet instruments including derivatives

Transactions in off-balance sheet instruments are measured at fair value and the resultant profits and losses are included in dealing profits, except those in respect of specifically designated hedging transactions which are taken to profit in accordance with the accounting treatment of the underlying transaction. Profits and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and are recognised in operating income or as adjustments to carrying amounts when the hedged transaction occurs. Profits and losses on early termination of contracts that modify the characteristics of designated assets or liabilities are deferred and amortised over their remaining lives. Notional amounts of the contracts are not recorded on the balance sheet.

k Pensions and other post-retirement benefits

The Group's main pension scheme covers some 70% of the Group's employees and is a funded defined benefit scheme. Staff do not make contributions for basic pensions. The pension cost relating to this scheme is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Variations from the regular cost are allocated over the expected average remaining service lives of current employees.

Since 1st January 1993, the cost of providing post-retirement health care has been accrued in the accounts on a similar basis. The previously unprovided liability identified on implementation is being allocated over the expected average remaining service lives of the relevant current employees.

l Finance lease receivables

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

m Deferred tax

Deferred tax is provided at the estimated rates at which future tax will become payable on all timing differences between the accounting and tax treatment of income and expense where, in the opinion of the Directors, it is probable that a liability to tax will crystallise.

n Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling on the balance sheet date. Overseas profits and losses are expressed in sterling at average rates of exchange for the year. Profits arising in areas experiencing hyper-inflation are adjusted to recognise its effect on the worth of the working capital employed.

Translation differences arising from the application of closing rates of exchange to the opening net assets held overseas and to related foreign currency borrowings are taken directly to reserves. All other exchange profits and losses, which arise from normal trading activities, are included in operating profit.

o Loan fees

Fee income relating to loans and advances is recognised in the profit and loss account to match the cost of providing a continuing service, together with a reasonable profit margin, except where the fee is charged in lieu of interest when it is recognised on a level yield basis over the life of the advance.

Change in accounting policy

Up to 31st December 1994, all goodwill arising on the acquisition of subsidiary or associated undertakings was charged directly against reserves in the year of acquisition. Since that date, goodwill arising on acquisition may either be charged directly against reserves or capitalised and amortised against profit over its expected life. The revised policy reflects the view that, for certain strategic acquisitions, it may be more appropriate to capitalise goodwill. Goodwill of £229m arising on the acquisition of Wells Fargo Nikko Investment Advisors, together with the MasterWorks division of Wells Fargo Bank, has been capitalised and will be amortised over 20 years from 1st January 1996. No goodwill has been amortised against profit in 1995. There have been no other significant changes to the accounting policies as described in the 1994 Annual report.

Future UK accounting developments

In December 1995, the ASB issued FRS 8, 'Accounting for Related Party Disclosures' which will require the disclosure of transactions between the reporting entity and its related parties. Implementation of the Standard in 1996 will not have any effect on the results of the Group or its balance sheet position.

US GAAP

Significant differences exist between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States, and their approximate effect on attributable profit and shareholders' funds of Barclays PLC is set out in note 64 on page 130.

Accounting presentation

Change in accounting presentation

Following the sale of a large part of the Group's holding in July 1994, 3i Group plc is no longer being treated as an associated undertaking. Income from associated undertakings, which amounted to £35m and £24m in 1994 and 1993 respectively, is now reported in Other operating income.

Nature of business

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

Analyses by geographical segments and classes of business

The analyses by geographical segment are generally based on the location of the office recording the transaction.

In note 63, the global swaps business is included within the United Kingdom segment. Foreign UK-based comprises activities in the United Kingdom with overseas customers, including sovereign lendings, and the main foreign exchange trading business arising in the United Kingdom. Of the £11bn of assets reported under this heading in 1995, it is estimated that £5bn relates to customers domiciled in Other European Union countries and £1bn relates to customers domiciled in the United States.

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

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

Note 63 to the accounts also presents an analysis of the results by classes of business representing the main groups of products and services supplied by the Group.

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

In 1995, only the United Kingdom accounted for more than 10% of the total profit before tax, total assets or total revenues. Losses before tax in France in 1995 were £227m. At 31st December 1994 and 1993 no single country, apart from the United Kingdom and the United States, accounted for more than 10% of total assets or total revenues.

Disposals

The Group made the following significant disposals of interests in subsidiary and associated undertakings in 1995:

	Date
Asset-based US lending operation of Barclays Business Credit	31st January 1995
US mortgage origination and servicing businesses of BarclaysAmerican/Mortgage	31st March 1995
Equities business of BZW Canada	15th December 1995

In addition, a further part disposal of the Group's investment in 3i Group plc was made in June 1995.

The effect of these disposals on the profit for the year is shown in note 11 to the accounts.

Consolidated profit and loss account Barclays PLC
For the year ended 31st December 1995

	Note	1995 £m	1994 £m	1993 £m
Interest receivable:	1			
Interest receivable and similar income arising from debt securities		**972**	676	722
Other interest receivable and similar income		**10,090**	9,303	10,363
		11,062	9,979	11,085
Interest payable	2	**7,237**	6,293	7,210
Profit/(loss) on redemption of loan capital	3	**–**	(60)	22
Net interest income		**3,825**	3,626	3,897
Fees and commissions receivable		**2,884**	2,910	2,744
Less: fees and commissions payable		**(211)**	(211)	(223)
Dealing profits	4	**394**	384	657
Other operating income	5	**359**	221	326
Operating income		**7,251**	6,930	7,401
Administrative expenses – staff costs	6	**2,907**	2,680	2,728
Administrative expenses – other	8	**1,765**	1,655	1,772
Depreciation and amortisation	9	**332**	237	314
Operating expenses		**5,004**	4,572	4,814
Operating profit before provisions		**2,247**	2,358	2,587
Provisions for bad and doubtful debts	10	**396**	602	1,869
Provisions for contingent liabilities and commitments	39	**3**	–	49
Provisions		**399**	602	1,918
Operating profit		**1,848**	1,756	669
Profit on disposal of Group undertakings	11	**238**	107	–
Write-down of surplus properties	12	**(3)**	(4)	(8)
Profit on ordinary activities before tax		**2,083**	1,859	661
Tax on profit on ordinary activities	13	**676**	608	282
Profit on ordinary activities after tax		**1,407**	1,251	379
Minority interests – equity		**(18)**	(16)	(14)
Minority interests – non-equity	14	**(25)**	(56)	(55)
Profit for the financial year attributable to the members of Barclays PLC (Net income)		**1,364**	1,179	310
Dividends	15	**(421)**	(343)	(246)
Profit retained for the financial year		**943**	836	64

	Note	1995	1994	1993
Earnings per £1 ordinary share	16	**83.6p**	72.4p	19.2p

The Board of Directors approved the accounts set out on pages 85 to 139 on 26th February 1996.

Statement of total recognised gains and losses Barclays PLC
For the year ended 31st December 1995

	1995 £m	1994 £m	1993 £m
Profit for the financial year attributable to the members of Barclays PLC	**1,364**	1,179	310
Exchange rate translation differences	**52**	38	(77)
Write-down of properties against revaluation surplus	**–**	–	(7)
Revaluation of interest in associated undertakings	**–**	25	–
Loss on redemption of preference shares	**–**	(18)	–
Other items	**(1)**	1	5
Total recognised gains relating to the year	**1,415**	1,225	231
Prior year adjustment	**–**	(104)	–
	1,415	1,121	231

Historical cost profits and losses Barclays PLC
For the year ended 31st December 1995

	1995 £m	1994 £m	1993 £m
Reported profit on ordinary activities before tax	**2,083**	1,859	661
Write-down of surplus properties	**3**	4	8
Realisation of property revaluation gains of previous years	**9**	12	14
Difference between historical cost and actual depreciation charges	**(2)**	(3)	(2)
Historical cost profit on ordinary activities before tax	**2,093**	1,872	681
Historical cost profit retained after tax, minority interests and dividends	**953**	849	84

Consolidated balance sheet Barclays PLC
As at 31st December 1995

	Note	1995 £m	1995 £m	1994 £m	1994 £m
Assets					
Cash and balances at central banks			**767**		800
Items in course of collection from other banks			**2,666**		2,651
Treasury bills and other eligible bills	17		**7,213**		6,845
Loans and advances to banks	18		**28,865**		28,922
Loans and advances to customers	19		**82,405**		83,774
Loans subject to non-recourse finance arrangements	23	**514**		659	
Less: non-returnable finance		**(504)**		(650)	
			10		9
Debt securities	24		**23,262**		17,893
Equity shares	25		**1,988**		2,241
Interests in associated undertakings	26		**69**		43
Intangible fixed assets	27		**229**		–
Tangible fixed assets	28		**2,063**		2,127
Other assets	30		**12,832**		12,549
Prepayments and accrued income	32		**1,815**		1,509
			164,184		159,363
Long-term assurance fund assets attributable to policyholders	31		**4,642**		3,040
Total assets			**168,826**		162,403

Andrew Buxton Chairman

Martin Taylor Chief Executive

Oliver Stocken Finance Director

Consolidated balance sheet Barclays PLC
As at 31st December 1995

	Note	1995 £m	1995 £m	1994 £m	1994 £m
Liabilities					
Deposits by banks	33		**29,971**		27,007
Customer accounts	34		**88,254**		89,310
Debt securities in issue	35		**7,136**		8,848
Items in course of collection due to other banks			**1,899**		1,459
Other liabilities	36		**22,784**		19,835
Accruals and deferred income	37		**2,097**		1,933
Provisions for liabilities and charges – deferred tax	38		**617**		460
Provisions for liabilities and charges – other	39		**137**		146
Dividend	15		**268**		213
Subordinated liabilities:					
Undated loan capital – convertible to preference shares	40		**322**		320
Undated loan capital – non-convertible	40		**1,667**		1,659
Dated loan capital – non-convertible	41		**1,571**		1,562
Other subordinated liabilities – non-convertible	42		**91**		121
			156,814		152,873
Minority interests and shareholders' funds					
Minority interests – equity		**62**		50	
Minority interests – non-equity	14	**281**		279	
Total minority interests			**343**		329
Called up share capital	43	**1,623**		1,636	
Share premium account		**1,136**		1,098	
Capital redemption reserve		**25**		–	
Other capital reserve		**320**		320	
Revaluation reserve		**57**		62	
Profit and loss account		**3,866**		3,045	
Shareholders' funds – equity	44		**7,027**		6,161
			7,370		6,490
			164,184		159,363
Long-term assurance fund liabilities to policyholders	31		**4,642**		3,040
Total liabilities and shareholders' funds			**168,826**		162,403

	Note	1995 £m	1994 £m
Memorandum items	51		
Contingent liabilities:			
Acceptances and endorsements		**1,036**	1,493
Guarantees and assets pledged as collateral security		**5,645**	6,289
Other contingent liabilities		**4,947**	4,744
		11,628	12,526
Commitments – sale and option to resell transactions		**150**	229
Commitments – standby facilities, credit lines and other		**43,534**	42,838
		43,684	43,067

Consolidated statement of changes in reserves Barclays PLC

For the year ended 31st December 1995

	1995 £m	1994 £m	1993 £m
Share premium account			
At beginning of year	**1,098**	1,063	1,033
Premium arising on shares issued	**38**	35	30
At end of year	**1,136**	1,098	1,063
Capital redemption reserve			
At beginning of year	**–**	–	–
Repurchase of ordinary shares	**25**	–	–
At end of year	**25**	–	–
Other capital reserve			
At beginning of year	**320**	–	–
Redemption of preference shares of subsidiary undertaking	**–**	320	–
At end of year	**320**	320	–
Revaluation reserve			
At beginning of year	**62**	51	65
Exchange rate translation differences	**–**	1	(8)
Write-down of property against revaluation surplus	**–**	–	(7)
Revaluation of interest in associated undertakings	**–**	25	–
Realisation of revaluation surplus	**(7)**	(16)	(7)
Other items	**2**	1	8
At end of year	**57**	62	51
Profit and loss account			
At beginning of year	**3,045**	2,470	2,471
Profit retained	**943**	836	64
Exchange rate translation differences	**52**	37	(69)
Repurchase of ordinary shares	**(156)**	–	–
Transfer to capital redemption reserve	**(25)**	–	–
Redemption of preference shares of subsidiary undertaking	**–**	(320)	–
Loss on redemption of preference shares	**–**	(18)	–
Goodwill arising on acquisitions	**(2)**	(3)	(3)
Goodwill written back on disposals	**5**	27	3
Realisation of revaluation surplus	**7**	16	7
Other items	**(3)**	–	(3)
At end of year	**3,866**	3,045	2,470
Total reserves	**5,404**	4,525	3,584

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the consolidated profit retained and other reserves of overseas subsidiary and associated undertakings at 31st December 1995 totalled £328m (1994 £119m, 1993 deficit £64m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Goodwill amounting to £486m (1994 £489m, 1993 £513m) has been charged directly against reserves in the current and prior years in respect of acquisitions. This amount is net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

Consolidated cash flow statement
For the year ended 31st December 1995

	Note	1995 £m	1995 £m	1994 £m	1994 £m	1993 £m	1993 £m
Net cash (outflow)/inflow from operating activities	53		**(3,517)**		10,200		6,745
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(296)**		(321)		(309)	
Dividends received from associated undertakings		**10**		63		9	
Ordinary dividends paid		**(366)**		(271)		(201)	
Preference dividends paid by subsidiary undertaking		**(25)**		(56)		(55)	
Dividends paid to minority shareholders		**(10)**		(9)		(7)	
Net cash outflows from returns on investment and servicing of finance			**(687)**		(594)		(563)
Tax paid			**(633)**		(311)		(92)
Investing activities:							
Capital expenditure		**(325)**		(367)		(261)	
Acquisition of subsidiary undertakings	58	**(251)**		–		–	
Acquisition of minority interests		–		(6)		(23)	
Sale of property and equipment		**74**		78		68	
Purchase of investment securities		**(6,900)**		(4,902)		(4,406)	
Redemption of investment securities		**1,625**		2,419		1,469	
Sale of investment securities		**2,173**		2,051		534	
Purchase of associated undertakings		–		(1)		(1)	
Sale of subsidiary and associated undertakings	54	**1,812**		404		14	
Net cash outflow from investing activities			**(1,792)**		(324)		(2,606)
Net cash (outflow)/inflow before financing			**(6,629)**		8,971		3,484
Financing:	55						
Issue of loan capital and other subordinated liabilities		–		–		819	
Redemption of loan capital and other subordinated liabilities		**(31)**		(611)		(515)	
Redemption of preference shares in subsidiary undertaking		–		(338)		–	
Repurchase of ordinary shares		**(181)**		–		–	
Issue of ordinary shares		**50**		47		44	
Net cash (outflow)/inflow from financing			**(162)**		(902)		348
(Decrease)/increase in cash and cash equivalents	56		**(6,791)**		8,069		3,832

Profit and loss account and changes in reserves	1995 £m	1994 £m	1993 £m
Interest income	**2**	2	2
Operating expenses:			
Management charge from subsidiary undertaking	**2**	2	2
Operating profit	**–**	–	–
Dividends from subsidiary undertaking	**602**	343	162
Profit on ordinary activities before tax	**602**	343	162
Tax on profit on ordinary activities	**–**	–	–
Profit on ordinary activities after tax	**602**	343	162
Dividends	**(421)**	(343)	(246)
Profit/(loss) retained by Barclays PLC	**181**	–	(84)
Profit retained by subsidiary undertakings	**755**	882	133
Profit/(loss) retained by associated undertakings	**7**	(46)	15
Profit retained for the financial year	**943**	836	64
Premium arising on shares issued	**38**	35	30
Reduction in reserves arising from repurchase of shares	**(156)**	–	–
Other movements in investment in Barclays Bank PLC	**54**	70	(79)
Profit and loss account and other reserves brought forward	**4,525**	3,584	3,569
Profit and loss account and other reserves carried forward	**5,404**	4,525	3,584

Balance Sheet	Note	1995 £m	1994 £m
Fixed assets			
Investment in Barclays Bank PLC	45	**7,027**	6,161
Current assets			
Amounts falling due within one year:			
Due from subsidiary undertaking		**25**	18
Cash at bank and in hand – balance with subsidiary undertaking		**243**	195
		268	213
Current liabilities			
Amounts falling due within one year – dividend		**(268)**	(213)
Net current assets		**–**	–
Assets less current liabilities		**7,027**	6,161
Capital and reserves			
Called up share capital	43	**1,623**	1,636
Share premium account		**1,136**	1,098
Capital redemption reserve		**25**	–
Revaluation reserve		**3,362**	2,546
Profit and loss account		**881**	881
Shareholders' funds – equity	44	**7,027**	6,161

Andrew Buxton Chairman
Martin Taylor Chief Executive
Oliver Stocken Finance Director

1 Interest receivable

	1995 £m	1994 £m	1993 £m
Treasury bills and other eligible bills	**449**	382	478
Loans and advances to banks	**1,547**	1,270	1,445
Loans and advances to customers	**6,250**	6,101	6,903
Lease receivables	**480**	444	538
Interest receivable and similar income arising from debt securities:			
listed	**566**	415	596
unlisted	**406**	261	126
	9,698	8,873	10,086
Securities trading assets	**1,364**	1,106	999
	11,062	9,979	11,085

2 Interest payable

	1995 £m	1994 £m	1993 £m
Deposits by banks	**1,447**	1,380	1,706
Customer accounts:			
current and demand accounts	**224**	176	203
savings accounts	**984**	834	880
other time deposits – retail	**1,093**	904	1,208
other time deposits – wholesale	**1,276**	1,072	1,204
Debt securities in issue	**526**	512	719
Loan capital and other subordinated liabilities	**298**	317	319
	5,848	5,195	6,239
Securities trading liabilities	**1,389**	1,098	971
	7,237	6,293	7,210

3 Profit /(loss) on redemption of loan capital

In 1994, the early redemption of $700m and DM250m of dated loan capital resulted in a loss of £60m. In 1993, the repurchase of $299m of undated loan capital resulted in a profit of £22m.

4 Dealing profits*

	1995 £m	1994 £m	1993 £m
Interest rate related	**194**	170	307
Foreign exchange	**130**	89	136
Equities and other	**70**	125	214
	394	384	657

* This is a prescribed heading under Schedule 9 to the Companies Act 1985, in which 'profit' does not conform to the more usual definition followed elsewhere in this document. This disclosure reflects dealing income, excluding interest and dividends arising from long and short positions and funding costs.

Of the total dealing profits £136m was earned from securities (1994 £78m, 1993 £249m).

5 Other operating income

	1995 £m	1994 £m	1993 £m
Income from associated undertakings	**26**	35	24
Dividend income from equity shares – listed	**126**	35	18
– unlisted	**13**	7	7
Profits on disposal of investment securities	**33**	18	17
Increase in shareholders' interest in the long-term assurance fund	**56**	12	107
Property rentals	**29**	29	33
Other income	**76**	85	120
	359	221	326

6 Administrative expenses – staff costs

	1995 £m	1994 £m	1993 £m
Salaries and accrued incentive payments	**2,140**	2,055	2,071
Social security costs	**194**	195	195
Pension costs	**145**	117	113
Post-retirement health care	**22**	39	18
UK profit sharing	**83**	76	26
Other staff costs	**323**	198	305
	2,907	2,680	2,728

Staff costs include £179m (1994 £73m, 1993 £195m) relating to staff reductions and relocations.

Average number of employees

The average number of persons employed by the Group world wide during the year, excluding temporary staff, was made up as follows:

	1995	1994	1993
Managers	**17,400**	18,300	17,700
Clerical staff	**70,400**	71,900	75,200
Others	**4,600**	4,800	5,500
	92,400	95,000	98,400
In addition, the average number of advisers and administration staff of Barclays Life Assurance Company, whose remuneration is reflected in the valuation of the long-term assurance fund, was:	**1,800**	1,900	2,100

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

Pensions

The majority of UK employees are members of the Barclays Bank (1964) Pension Fund (the 1964 Fund). The payments made every year to the trust fund are determined on an actuarial basis designed to provide sufficient resources during the working life of full-time employees to pay pensions to them after their retirement and, after their death, to surviving spouses or dependants. Such pensions are based on pensionable salaries (excluding allowances, bonuses and overtime) at or near retirement age, normally 60, and are related to the length of service with the Bank before retirement. Pensions are limited to a maximum of two-thirds of salary for 40 years' service or more. Pensions to surviving spouses of former staff are paid at the rate of 50% of the staff member's pension, or potential pension in the case of death before retirement. Staff do not make contributions for basic pensions, but may make voluntary contributions on a regular basis to purchase additional service qualification, where less than 40 years' service will have been completed by normal retirement age, or to secure pensions based on fringe benefits which are not normally included in the calculation of pensionable salary. The pension funds of certain other subsidiary undertakings are similarly constituted.

The total pension cost for the Group was £145m (1994 £117m, 1993 £113m), of which £75m (1994 £72m, 1993 £76m) related to the 1964 Fund, £25m (1994 £22m, 1993 £20m) to other UK schemes and £45m (1994 £23m, 1993 £17m) to overseas schemes. In 1995, the pension cost for overseas schemes includes a one-off charge of £21m in France.

Formal actuarial valuations of the 1964 Fund are carried out triennially, the latest completed being as at 30th September 1995. The principal actuarial assumptions adopted at that valuation were that, over the long term, the annual rate of return on new investments would be 2½% higher than the annual increase in total pensionable remuneration, 4½% higher than the annual increase in present and future pensions in payment and 4½% higher than the annual increase in dividends receivable. The market value of the 1964 Fund at the date of the valuation was £7,703m and the actuarial value of the assets was sufficient to cover 125% of the benefits that had accrued to members, after allowing for expected future increases in earnings. In 1996, contributions to the fund will be at a rate of 2½% of the total pensionable payroll (1995 7½%). Without a surplus, the contribution rate would be about 19%.

Note 64 provides additional disclosures required by US Statement of Financial Accounting Standards No. 87.

Post-retirement benefits

Certain pensioners, mainly in the United Kingdom and the United States, are covered against the cost of private health care on similar terms to staff. In addition, certain members of staff may also become eligible for this benefit on retirement. Members of staff in the United Kingdom who had not satisfied the relevant criteria before 1st January 1991 are not eligible to receive this benefit upon retirement.

There are some 8,100 pensioners currently covered under the scheme. In addition, there are some 11,200 members of staff who may become eligible if they remain with the Group until retirement.

In 1994, there was a one-off charge of £18m in relation to the United States.

Profit sharing scheme

Barclays has operated a profit sharing scheme since 1974. Participants in the 1991 schemes (which consolidated the 1974 and 1979 schemes) are employees of the Bank, including executive Directors and employees of most of its UK subsidiary undertakings, but excluding staff and Directors employed in BZW. Participants can elect to take their entitlement either in cash after deduction of income tax or in ordinary shares of Barclays PLC of the equivalent current market value. Up to a certain annual value (currently £3,000 or 10% of salary, if greater, with a maximum of £8,000), entitlements in the form of shares can be held by trustees for between two and five years in order to obtain a tax advantage for the participant.

Other staff costs

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

8 Administrative expenses – other

	1995 £m	1994 £m	1993 £m
Property and equipment expenses			
Hire of equipment	**33**	36	42
Property rentals	**211**	204	211
Other property and equipment expenses	**589**	553	554
	833	793	807
Other administrative expenses			
Stationery, postage and telephones	**223**	225	236
Advertising and market promotion	**193**	152	115
Travel, accommodation and entertainment	**128**	132	116
Subscriptions and publications	**33**	32	33
Securities clearing and other operational expenses	**42**	45	67
Sundry losses, provisions and write-offs	**75**	78	156
Statutory and regulatory audit and accountancy fees	**9**	7	7
Consultancy fees	**88**	70	52
Legal and other professional fees	**89**	84	108
Facilities management and insurance	**31**	25	16
Other expenses	**7**	1	49
Donations, sponsorship and rewards	**14**	11	10
	1,765	1,655	1,772

The statutory and regulatory audit and accountancy fees paid to the Group's main auditors comprised £4.6m (1994 £4.5m, 1993 £4.7m) in respect of the Group's audit and £4.2m (1994 £2.0m, 1993 £2.1m) relating to other accounting and regulatory work required of them. Of the consultancy fees of £88m (1994 £70m, 1993 £52m), the Group's main auditors received £4.6m (1994 £4.3m, 1993 £5.1m).

Of the fees for regulatory and other non-audit work paid to the Group's main auditors, £5.6m (1994 £4.1m, 1993 £5.3m) related to the United Kingdom.

9 Depreciation and amortisation

	1995 £m	1994 £m	1993 £m
Property depreciation	**97**	74	58
Equipment depreciation	**181**	158	180
Loss on sale of equipment	**4**	5	6
	282	237	244
Provision for diminution in the value of the local head office in Paris	**50**	–	70
	332	237	314

10 Provisions for bad and doubtful debts

	1995 £m	1994 £m	1993 £m
Specific provisions – credit risk:			
United Kingdom	**357**	430	1,286
Other European Union	**117**	142	185
United States	**(50)**	(12)	297
Rest of the World	**22**	29	35
	446	589	1,803
General provisions – credit risk	**(5)**	74	105
Specific provisions – country risk	**(45)**	(61)	(39)
	396	602	1,869

Further information is given in the provisions and allowances for bad and doubtful debts section on page 45 of the Financial review and in note 21.

11 Profit on disposal of Group undertakings

	1995 £m	1994 £m	1993 £m
Net profit on disposal of Group undertakings	**238**	107	–

The net profit on disposal of Group undertakings comprised £250m of profits on disposal (1994 £139m) and losses on disposal of £12m (1994 £32m).

Profits on disposal of Group undertakings in 1995 were mainly attributable to gains on the sale of the business of Barclays Business Credit (£174m), the mortgage origination and servicing businesses of BarclaysAmerican/Mortgage (£37m) and a further part of the Group's investment in 3i Group plc (£34m). Losses on disposal were mainly attributable to the disposal of the equities business of BZW Canada.

The net profit on disposal was arrived at after charging £5m of goodwill arising on acquisition (1994 £27m), previously written off directly to reserves. The tax payable on the gains amounted to £84m (1994 £26m).

Up to the date of sale, these businesses contributed £7m to Group profit before tax in 1995.

In 1994, the Group sold the business of Barclays Commercial Corporation, the retail banking business in Australia, part of the Group's shareholding in 3i Group plc, Interpayment Services Limited and Barclays McConnell Limited in Canada.

12 Write-down of surplus properties

Properties in the United Kingdom which are surplus to current operational requirements have been written down to their current estimated market value.

The net charge comprises £7m in relation to write-downs in 1995 and a £4m recovery on the disposal of a property previously written down.

13 Tax

The charge for tax assumes a United Kingdom corporate tax rate of 33% and comprises:	1995 £m	1994 £m	1993 £m
Current tax:			
United Kingdom	**376**	481	254
Overseas	**192**	84	116
Total current tax	**568**	565	370
Deferred tax charge/(credit):			
United Kingdom	**70**	66	(42)
Overseas	**29**	(41)	(47)
Total deferred tax	**99**	25	(89)
Associated undertakings, including overseas tax of £7m (1994 £4m, 1993 £4m)	**9**	18	1
Total charge	**676**	608	282

13 Tax (continued)

Analysis of deferred tax charge/(credit):	**1995 £m**	1994 £m	1993 £m
Leasing transactions	**2**	(27)	26
Short-term and other timing differences	**97**	52	(115)
	99	25	(89)

Current tax included £41m (1994 £13m, 1993 £13m) in respect of advance corporation tax on franked investment income, together with notional tax, based on a United Kingdom corporate tax rate of 33%, of £56m (1994 £19m, 1993 £1m) on certain structured product and leasing transactions and £19m (1994 £4m, 1993 £35m) on the shareholders' interest in the long-term assurance fund.

Available overseas tax credits of £63m (1994 £37m, 1993 £47m) have been applied to reduce UK tax in accordance with UK legislation.

Further information is provided in the tax section on page 27 of the Financial review.

14 Minority interests (non-equity)

Non-equity minority interests in the balance sheet and the profit and loss account comprise, respectively, non-cumulative dollar-denominated preference shares issued by Barclays Bank PLC of $437m (1994 $437m, 1993 $937m) and the dividend payments made in respect of them. Further details of the rights of holders of preference shares are given in note (a) to the accounts of Barclays Bank PLC on page 148.

15 Dividends

On ordinary shares	**1995 £m**	1994 £m	1993 £m
First interim dividend	**153**	130	105
Final (1994 and 1993 second interim) dividend	**268**	213	141
	421	343	246

		(pence per share)	
First interim dividend	**9.50**	8.00	6.50
Final (1994 and 1993 second interim) dividend	**16.50**	13.00	8.65
	26.00	21.00	15.15

Following revisions to the articles of association in 1995, the Directors are now able to declare a final dividend in advance of the annual general meeting.

Dividends amounting to £0.1m are payable on the staff shares, which carry a fixed dividend of 14% per annum unless no dividend is paid for the year on the ordinary shares.

16 Earnings per £1 ordinary share – Barclays PLC

Earnings per £1 ordinary share is based upon the results after deducting tax, profit attributable to minority interests and dividends on staff shares. Earnings amounted to £1,364m (1994 £1,179m, 1993 £310m) and are related to the weighted average of ordinary shares in issue during the year of 1,632 million (1994 1,629 million, 1993 1,616 million). The exercise of existing options granted under the Executive and SAYE Share Option Schemes would not have a material effect on earnings per ordinary share.

See note 64 for approximate earnings per £1 ordinary share calculated in accordance with the accounting principles generally accepted in the United States.

17 Treasury bills and other eligible bills

	1995 £m	1994 £m
Treasury bills	**5,464**	4,034
Other eligible bills	**1,749**	2,811
	7,213	6,845
Treasury bills and other eligible bills comprise:		
Banking business	**6,684**	6,845
Securities business	**529**	–
	7,213	6,845

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 £143m at 31st December 1995 (1994 £247m).

18 Loans and advances to banks

Repayable	1995 £m	1994 £m
on demand	**1,804**	5,248
not more than three months	**15,262**	18,639
over three months but not more than one year	**10,917**	3,677
over one year but not more than five years	**663**	1,052
over five years	**250**	399
	28,896	29,015
Less:		
Allowances (mainly country risk)	**(31)**	(93)
	28,865	28,922
By geographical area		
Banking business:		
United Kingdom	**12,639**	12,456
Other European Union	**4,295**	4,155
United States	**3,233**	3,323
Rest of the World	**3,661**	3,529
Total banking business	**23,828**	23,463
Total securities business	**5,068**	5,552
	28,896	29,015

At 31st December 1995, there were no loans and advances to banks outstanding from associated undertakings (1994 £2m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £649m at 31st December 1995 (1994 £705m).

Additional analyses are provided within the loans and advances, provisions and allowances for bad and doubtful debts and potential credit risk lendings sections on pages 40 to 52 of the Financial review.

The geographic analysis of the banking business is based on the location of the office from which the lendings are made. The securities business, which is international in nature, primarily constitutes settlement balances and has not been analysed geographically. This business is largely carried out in the United Kingdom and the United States.

19 Loans and advances to customers

Repayable	1995 £m	1995 £m	1994 £m	1994 £m
on demand		**12,790**		15,241
not more than three months		**19,151**		18,950
over three months but not more than one year		**8,265**		8,690
over one year but not more than five years		**18,272**		17,242
over five years		**26,794**		26,893
		85,272		87,016
Less:				
Allowances	**(2,697)**		(3,099)	
Interest in suspense	**(170)**		(143)	
		(2,867)		(3,242)
		82,405		83,774
By geographical area				
Banking business:				
United Kingdom		**62,059**		62,148
Other European Union		**8,126**		8,426
United States		**3,107**		5,339
Rest of the World		**4,033**		4,473
Total banking business		**77,325**		80,386
Total securities business		**7,947**		6,630
		85,272		87,016

At 31st December 1995 and 31st December 1994, there were no loans and advances to customers outstanding from associated undertakings.

Banking business loans and advances to customers include finance lease receivables of £5,742m (1994 £5,137m) which are stated in the balance sheet after deducting £4,182m (1994 £2,614m) of unearned charges and interest.

Assets acquired in the year for letting under finance leases amounted to £1,459m (1994 £795m).

Additional analyses are provided within the loans and advances, provisions and allowances for bad and doubtful debts and potential credit risk lendings sections on pages 40 to 52 of the Financial review.

The geographic analysis of the banking business is based on the location of the office from which the lendings are made. The securities business, which is international in nature, primarily constitutes settlement balances and has not been analysed geographically. The business is largely carried out in the United Kingdom and the United States.

20 Exposures to countries experiencing liquidity problems

	Developing countries		Developed countries	
	1995 £m	1994 £m	1995 £m	1994 £m
Country risk exposure (a)	**202**	449	**191**	340
Country risk allowances (b)	**(109)**	(229)	**(59)**	(136)
Country risk exposure, net of allowances	**93**	220	**132**	204

(a) Excluding £1,199m (1994 £1,245m) of trade debts that were current and not affected by restrictions on payment.

(b) In addition, an allowance of £6m (1994 £6m) was held in respect of the Group's share of similar lendings by other companies in which the Group has an interest.

21 Allowances for bad and doubtful debts

Movements in allowances for bad and doubtful debts	1995 Specific £m	1995 General £m	1995 Total £m	1994 Specific £m	1994 General £m	1994 Total £m
Allowances at beginning of year	**2,342**	**850**	**3,192**	2,975	789	3,764
Acquisitions and disposals	**(28)**	**–**	**(28)**	(42)	(8)	(50)
Exchange and other adjustments	**40**	**8**	**48**	4	(5)	(1)
	2,354	**858**	**3,212**	2,937	776	3,713
Provision for the year, net of recoveries of £198m (1994 £157m)	**401**	**(5)**	**396**	528	74	602
Amounts written off, net of recoveries	**(880)**	**–**	**(880)**	(1,123)	–	(1,123)
Allowances at end of year	**1,875**	**853**	**2,728**	2,342	850	3,192

Allowances at 31st December	1995 £m	1994 £m
Specific allowances – credit risk:		
United Kingdom	**963**	1,112
Other European Union	**502**	488
United States	**121**	258
Rest of the World	**115**	113
	1,701	1,971
General allowances – credit risk	**853**	850
	2,554	2,821
Specific allowances – country risk	**174**	371
	2,728	3,192

'Allowances' is used to describe the accumulated balance sheet amount created by bad debt provisions and held against the value of the loan portfolio.

22 Interest in suspense

Movement in interest in suspense	1995 £m	1994 £m
At beginning of year	**143**	161
Net interest suspended during year	**52**	20
	195	181
Interest written off	**(24)**	(41)
Exchange and other adjustments	**(1)**	3
At end of year	**170**	143

All interest in suspense is in respect of loans and advances to customers.

Loans and advances where interest is being suspended at end of year		
Before allowances	**733**	709
After allowances	**448**	407

23 Loans subject to non-recourse finance arrangements

Loans subject to non-recourse finance arrangements comprise portfolios of mortgage and personal consumer loans, the principal benefits of which were acquired from the Bank by special purpose securitisation companies which were funded primarily through the issue of floating rate notes. No gain or loss was recognised on the transfer.

Barclays PLC and its subsidiary undertakings are not obliged to support any losses that may be suffered by the floating rate noteholders and do not intend to provide such support. Additionally, the floating rate notes were issued on the basis that noteholders are only entitled to obtain payment, as to both principal and interest, to the extent that the securitisation companies' respective available resources, including funds due from customers in respect of the securitised loans, are sufficient and that noteholders have no recourse whatsoever to the Group.

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

The Bank has no right to repurchase the benefit of any of the securitised loans and no obligation to do so, other than in certain circumstances where the Bank is in breach of warranty.

The securitisations involved were as follows:

Securitisation company	Types of loans	Date of securitisation	**Outstanding at 31st December 1995** Customer loans £m	Non-returnable finance £m	Subordinated loans made by the Bank £m	Outstanding at 31st December 1994 Customer loans £m	Non-returnable finance £m	Subordinated loans made by the Bank £m
Gracechurch Personal Loan Finance (No.1) PLC	Consumer loans	2/11/93	**44**	**41**	**3**	107	104	3
Gracechurch Mortgage Finance (No.2) PLC	Personal mortgages	28/4/94	**217**	**213**	**4**	257	253	4
Gracechurch Mortgage Finance (No.3) PLC	Personal mortgages	14/7/94	**253**	**250**	**3**	295	293	2
			514	**504**	**10**	659	650	9

All the issued shares in Gracechurch Personal Loan Finance (No.1) PLC are held beneficially by Gracechurch Receivable (Holdings) Limited. All the shares in the other securitisation companies listed above are held beneficially by Gracechurch Mortgage (Holdings) Limited. All the shares in both Gracechurch Receivable (Holdings) Limited and Gracechurch Mortgage (Holdings) Limited are held by Royal Exchange Trust Company Limited. The Group does not own, directly or indirectly, any of the share capital of the securitisation companies or their parent companies.

In addition, loans and advances to customers at 31st December 1995 includes £81m (1994 £94m) of mortgage loans transferred to Gracechurch Mortgage Finance PLC where the linked presentation has not been used.

24 Debt securities

	1995 Balance sheet £m	**Gross unrealised gains £m**	**Gross unrealised losses £m**	**1995 Valuation £m**	1994 Balance sheet £m	Gross unrealised gains £m	Gross unrealised losses £m	1994 Valuation £m
Investment securities:								
UK government	**2,785**	**10**	**–**	**2,795**	2,323	–	(31)	2,292
other government	**3,267**	**174**	**(1)**	**3,440**	1,883	2	(14)	1,871
other public bodies	**318**	**6**	**(1)**	**323**	274	1	(7)	268
other issuers	**2,327**	**40**	**–**	**2,367**	1,032	18	(5)	1,045
	8,697	**230**	**(2)**	**8,925**	5,512	21	(57)	5,476
Other securities:								
UK government	**1,478**	**–**	**–**	**1,478**	1,872	–	–	1,872
other government	**4,289**	**–**	**–**	**4,289**	3,794	–	–	3,794
other public bodies	**255**	**–**	**–**	**255**	65	–	–	65
bank and building society certificates of deposit	**4,126**	**–**	**–**	**4,126**	3,778	–	–	3,778
other issuers	**4,417**	**–**	**–**	**4,417**	2,872	–	–	2,872
	23,262	**230**	**(2)**	**23,490**	17,893	21	(57)	17,857

24 Debt securities (continued)

Debt securities comprise:	1995 Balance sheet £m	1995 Valuation £m	1994 Balance sheet £m	1994 Valuation £m
Banking business	**14,705**	**14,933**	11,526	11,490
Securities business	**8,557**	**8,557**	6,367	6,367
	23,262	**23,490**	17,893	17,857
Listed on a recognised UK stock exchange	**4,946**	**4,978**	4,643	4,624
Listed elsewhere	**9,009**	**9,090**	6,925	6,918
Unlisted:				
certificates of deposit	**4,126**	**4,126**	3,778	3,778
other	**5,181**	**5,296**	2,547	2,537
	23,262	**23,490**	17,893	17,857

Movements in investment securities	1995 Cost £m	1995 Provisions £m	1995 Balance sheet £m
At beginning of year	**5,534**	**(22)**	**5,512**
Exchange adjustments	**150**	**3**	**153**
Acquisitions	**6,889**	**–**	**6,889**
Redemption of investment securities	**(1,625)**	**–**	**(1,625)**
Sale of investment securities	**(2,035)**	**–**	**(2,035)**
Provisions raised	**–**	**(4)**	**(4)**
Transfers	**(136)**	**–**	**(136)**
Provisions written off	**(10)**	**10**	**–**
Amortisation of discounts and premiums	**(57)**	**–**	**(57)**
At end of year	**8,710**	**(13)**	**8,697**

The valuation of listed securities is at mid-market prices and that of unlisted securities is based on the Directors' estimate.

Other securities comprise dealing securities and short-term certificates of deposit and are principally valued at market value.

The total value of debt securities at 31st December 1995 includes securities which are subject to sale and repurchase agreements of £8,126m (1994 £4,225m), subordinated debt securities of £2m (1994 £12m) and unamortised net premium on available for sale securities of £119m (1994 £425m). The value of securities due within one year at 31st December 1995 was £6,216m (1994 £5,548m). The Group had no holdings of securities issued by associated undertakings at 31st December 1995 or 31st December 1994.

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m (1994 £0.1m). As part of its normal market making activities, BZW holds positions in Barclays Bank PLC's loan capital and Barclays PLC's ordinary shares.

Gross gains of £8m (1994 £3m) and gross losses of £2m (1994 £3m) were realised on the sale and redemption of investment securities. Other debt securities are marked to market and all profits and losses are deemed realised.

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

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

See pages 37 and 38 of the Financial review for the valuation and maturity analysis of investment securities.

25 Equity shares

	1995 Balance sheet £m	1995 Valuation £m	1994 Balance sheet £m	1994 Valuation £m
Investment securities	**132**	**260**	235	399
Other securities	**1,856**	**1,856**	2,006	2,006
	1,988	**2,116**	2,241	2,405
Equity shares comprise:				
Banking business	**172**	**300**	256	420
Securities business	**1,816**	**1,816**	1,985	1,985
	1,988	**2,116**	2,241	2,405
Listed on a recognised UK stock exchange	**1,337**	**1,434**	1,214	1,306
Listed elsewhere	**554**	**558**	548	577
Unlisted	**97**	**124**	479	522
	1,988	**2,116**	2,241	2,405

Under US GAAP, listed Investment securities are classified as being 'available-for-sale' and Other securities are classified as trading securities.

Movements in investment securities	1995 Cost £m	1995 Provisions £m	1995 Balance sheet £m
At beginning of year	**257**	**(22)**	**235**
Exchange adjustments	**6**	**–**	**6**
Acquisitions	**11**	**–**	**11**
Sale of investment securities	**(79)**	**8**	**(71)**
Transfers	**(50)**	**–**	**(50)**
Provisions released	**–**	**1**	**1**
Provisions written off	**(6)**	**6**	**–**
At end of year	**139**	**(7)**	**132**

The total value of equity shares included above, which are subject to sale and repurchase agreements, was £912m at 31st December 1995 (1994 £nil).

Gross unrealised gains on equity shares amounted to £129m (1994 £164m). There were no unrealised losses in either year.

Gross gains of £61m (1994 £18m) were realised on the sale of investment securities. Other equity securities are marked to market and all profits and losses are deemed realised.

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

26 Interests in associated undertakings

Share of net assets	1995 £m	1994 £m
At beginning of year	**43**	207
Exchange and other adjustments	**–**	25
Acquisitions	**–**	1
Disposals	**–**	(55)
Transfers	**19**	(89)
Profit retained	**7**	(46)
At end of year	**69**	43

Associated undertakings, of which £25m were listed in 1995 (1994 £nil), included £50m in respect of banks (1994 £25m).

Dividend income from associated undertakings amounted to £10m (1994 £63m).

On a historical cost basis, the Group's interests in associated undertakings at 31st December 1995 amounted to £35m (1994 £31m).

The reduction in the value of interests in associated undertakings in 1994 is mainly attributable to the sale of part of the Group's shareholdings in 3i Group plc.

27 Intangible fixed assets

Goodwill	1995 £m	1994 £m
At beginning of year	–	–
Additions	**229**	–
Amortisation charge for year	**–**	–
At end of year	**229**	–

Following a change in accounting policy, goodwill arising on the acquisition of Wells Fargo Nikko Investment Advisors, together with the MasterWorks division of Wells Fargo Bank, on 31st December 1995 has been capitalised and will be amortised over 20 years with effect from 1st January 1996.

28 Tangible fixed assets

	Property 1995 £m	Equipment 1995 £m	Property 1994 £m	Equipment 1994 £m
Cost or valuation				
At beginning of year	**2,102**	**1,403**	2,030	1,400
Acquisitions and disposals of Group undertakings	**2**	**13**	(1)	(5)
Exchange and other adjustments	**36**	**10**	12	(7)
Additions at cost	**145**	**185**	126	238
Sale of assets	**(54)**	**(121)**	(60)	(146)
Fully depreciated assets written off	**(6)**	**(21)**	(1)	(77)
Write-down of surplus properties	**(7)**	**–**	(4)	–
At end of year	**2,218**	**1,469**	2,102	1,403
Accumulated depreciation and diminution in value				
At beginning of year	**497**	**881**	434	916
Acquisitions and disposals of Group undertakings	**–**	**6**	–	(3)
Exchange and other adjustments	**15**	**25**	3	(3)
Charge for year	**147**	**181**	74	158
Sale of assets	**(13)**	**(88)**	(13)	(110)
Fully depreciated assets written off	**(6)**	**(21)**	(1)	(77)
At end of year	**640**	**984**	497	881
Cost or valuation				
At valuation				
1979 to 1993	**1,069**	**–**	1,100	–
At cost	**1,149**	**1,469**	1,002	1,403
	2,218	**1,469**	2,102	1,403
Accumulated depreciation	**(640)**	**(984)**	(497)	(881)
Net book value	**1,578**	**485**	1,605	522

Balance sheet value of property	1995 £m	1994 £m
Freehold	**1,065**	1,100
Leasehold over 50 years unexpired	**89**	106
Leasehold up to 50 years unexpired	**326**	237
Assets in the course of construction	**98**	162
	1,578	1,605
Historical cost of property		
At cost	**1,949**	1,822
Accumulated depreciation and diminution in value	**(670)**	(474)
Net book value	**1,279**	1,348

All equipment is valued at depreciated cost. The net book value of property occupied by the Group for its own use was £1,451m at 31st December 1995 (1994 £1,479m). The net book value included £37m (1994 £39m) in respect of property held under finance leases, on which the depreciation charge was £2m (1994 £2m, 1993 £3m). The net book value included £1m (1994 £4m) in respect of equipment held under finance leases, on which the depreciation charge was £nil (1994 £3m, 1993 £2m). The book value of property at 31st December 1995 included £360m (1994 £375m) in respect of land.

The depreciation charge for 1995 included £50m (1994 £nil, 1993 £70m) in respect of permanent diminution in the value of the local head office in Paris.

29 Commitments for capital expenditure not provided in these accounts

At 31st December 1995, commitments for capital expenditure under contract amounted to £99m (1994 £48m). Capital expenditure authorised, but not yet contracted, totalled £299m (1994 £87m).

30 Other assets

	1995 £m	1994 £m
Balances arising from off-balance sheet financial instruments	**9,855**	8,862
Items in transit	**685**	462
Purchased mortgage servicing rights	**–**	128
Shareholders' interest in the long-term assurance fund	**406**	369
London Metal Exchange warrants and other metals trading positions	**677**	1,489
Sundry debtors	**1,209**	1,239
	12,832	12,549

31 Long-term assurance fund

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

	1995 £m	1994 £m
Value of the shareholders' interest at beginning of year	**369**	361
Value of the shareholders' interest at end of year	**406**	369
Increase for the year after tax	**37**	8
Increase before tax	**56**	12

The principal economic assumptions used in calculating the value of the shareholders' interest were as follows:

	%	%
Risk discount rate (net of tax)	**12.5**	12.5
Gross equities returns for unit linked business	**9.5**	9.5
Gross fixed interest returns for unit linked business	**7**	7
Renewal expense inflation	**6**	5

The long-term assurance fund assets attributable to policyholders comprise:	**£m**	£m
Assets:		
Investments	**4,555**	3,013
Group undertakings	**64**	24
Other debtors	**50**	31
	4,669	3,068
Current liabilities	**27**	28
	4,642	3,040

32 Prepayments and accrued income

	1995 £m	1994 £m
Accrued interest and commission	**1,739**	1,357
Prepayments	**76**	152
	1,815	1,509

33 Deposits by banks

Repayable	1995 £m	1994 £m
on demand	**1,928**	1,305
not more than three months	**24,067**	21,410
over three months but not more than six months	**1,840**	2,411
over six months but not more than one year	**945**	1,364
over one year but not more than five years	**697**	387
over five years	**494**	130
	29,971	27,007
By geographical area		
Banking business:		
United Kingdom	**14,688**	14,883
Other European Union	**6,933**	5,384
United States	**1,906**	2,061
Rest of the World	**2,125**	2,603
Total banking business	**25,652**	24,931
Total securities business	**4,319**	2,076
	29,971	27,007

Deposits by banks at 31st December 1995 included £2m due to associated undertakings (1994 £1m). Deposits by banks are mostly over £25,000.

A further analysis of deposits by banks is given within the Deposits section on page 35 of the Financial review.

34 Customer accounts

Repayable	1995 £m	1994 £m
on demand	**34,943**	31,101
not more than three months	**45,948**	52,194
over three months but not more than six months	**2,291**	2,781
over six months but not more than one year	**1,617**	1,589
over one year but not more than five years	**2,384**	933
over five years	**1,071**	712
	88,254	89,310
By geographical area		
Banking business:		
United Kingdom	**65,497**	63,657
Other European Union	**7,547**	7,643
United States	**1,913**	3,537
Rest of the World	**6,593**	6,067
Total banking business	**81,550**	80,904
Total securities business	**6,704**	8,406
	88,254	89,310

34 Customer accounts (continued)

By type	1995 £m	1994 £m
In offices in the United Kingdom:		
current and demand accounts – interest free	**10,031**	10,340
current and demand accounts – interest bearing	**9,737**	9,936
savings accounts	**21,533**	22,110
other time deposits – retail	**13,553**	10,598
other time deposits – wholesale	**15,720**	15,668
In offices outside the United Kingdom:		
current and demand accounts – interest free	**1,354**	2,244
current and demand accounts – interest bearing	**2,680**	5,105
savings accounts	**993**	977
other time deposits	**12,653**	12,332
	88,254	89,310

There were no balances due to associated undertakings at 31st December 1995 or 31st December 1994.

Deposits in offices in the United Kingdom received from non-residents amounted to £17,289m (1994 £17,533m).

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

A further analysis of customer accounts is provided within the Deposits section on page 35 of the Financial review.

35 Debt securities in issue

	1995 £m	1994 £m
Bonds and medium term notes repayable:		
within one year	**248**	75
one year and over	**724**	836
	972	911
Other debt securities in issue repayable:		
not more than three months	**4,182**	4,485
over three months but not more than one year	**533**	1,955
over one year but not more than five years	**525**	624
over five years	**924**	873
	7,136	8,848

Debt securities at 31st December 1995 included certificates of deposit of £4,592m (1994 £6,738m) and commercial paper of £1,202m (1994 £887m). There were no balances due to associated undertakings at 31st December 1995 or 31st December 1994.

36 Other liabilities

	1995 £m	1994 £m
Obligations under finance leases payable:		
not more than one year	**63**	70
over one year but not more than five years	**93**	125
over five years	**242**	255
	398	450
Less: future finance charges	**178**	198
	220	252
Balances arising from off-balance sheet financial instruments	**10,717**	8,092
Short positions in securities	**7,440**	6,765
Current tax	**430**	660
Sundry creditors	**3,467**	3,721
Items in transit	**510**	345
	22,784	19,835

	1995 £m	1994 £m
Short positions in securities comprise:		
Treasury bills and other eligible bills	**1,417**	1,022
Debt securities – government	**5,244**	4,766
Debt securities – other public sector	**108**	39
Debt securities – other	**172**	345
Equity shares	**499**	593
	7,440	6,765

37 Accruals and deferred income

	1995 £m	1994 £m
Accrued interest and commission	**1,066**	809
Other accruals and deferred income	**1,031**	1,124
	2,097	1,933

38 Deferred tax

Account is taken of timing differences between the accounting and tax treatment of certain items where, in the opinion of the Directors, it is probable that a liability to tax will crystallise. Deferred tax liabilities provided in the accounts are computed at the estimated rates at which future tax will become payable. The movements on deferred tax during the year were:

	1995 £m	1994 £m
At beginning of year	**460**	415
Exchange and other adjustments	**58**	20
Charge to profit and loss account	**99**	25
At end of year	**617**	460
Deferred tax at 31st December:		
Leasing transactions	**700**	689
Other timing differences	**(83)**	(229)
	617	460

Potential tax liabilities not provided in the accounts in respect of leasing transactions are computed at estimated future tax rates and amounted to £209m (1994 £195m). No tax is provided on capital gains which might arise on the disposal of Group subsidiary or associated undertakings at their balance sheet amounts. Furthermore, no provision is made for tax on capital gains which might arise on the disposal of properties at their balance sheet amounts, as the Directors are of the opinion that, in view of the substantial number of properties involved and the law relating to rollover relief, the likelihood of any such material tax liability arising is remote and no useful purpose would be served by attempting to quantify it.

39 Other provisions for liabilities and charges

	Contingent liabilities and commitments £m	*Other* £m	*Total* £m
At beginning of year	**54**	**92**	**146**
Exchange and other adjustments	**(19)**	**–**	**(19)**
Charge to profit and loss account	**3**	**35**	**38**
Amounts utilised or written off	**(15)**	**(13)**	**(28)**
At end of year	**23**	**114**	**137**

Provisions for contingent liabilities and commitments include provisions against losses on direct credit substitutes such as guarantees, letters of credit and acceptances.

Other provisions include post-retirement health care liabilities accrued of £68m (1994 £45m).

See also Provisions for contingent liabilities and commitments on page 26 of the Financial review.

40 Undated loan capital

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

	1995 £m	1994 £m
Non-convertible		
Junior Undated Floating Rate Notes ($247m)	**159**	158
Undated Floating Rate Primary Capital Notes Series 1 ($511m)	**329**	326
Undated Floating Rate Primary Capital Notes Series 2 ($743m)	**479**	475
Undated Floating Rate Primary Capital Notes Series 3	**200**	200
9.875% Undated Subordinated Notes	**300**	300
9% Permanent Interest Bearing Capital Bonds	**100**	100
7.875% Undated Subordinated Notes	**100**	100
	1,667	1,659
Convertible to preference shares		
8% Convertible Capital Notes, Series E ($500m)	**322**	320

Security and subordination

None of the Bank's undated loan capital is secured.

The Junior Undated Floating Rate Notes (the Junior Notes) rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital. All other issues of undated loan capital rank pari passu with each other and behind the claims of the holders of the Junior Notes.

Interest

The Junior Notes, the Undated Floating Rate Primary Capital Notes Series 1 (the Series 1 Notes) and the Undated Floating Rate Primary Capital Notes Series 2 (the Series 2 Notes), bear interest fixed in advance for periods of six months. At 31st December 1995, the rates were $6^1/_{16}$% (1994 $6^3/_8$%) on the Junior Notes, $5^{15}/_{16}$% (1994 $5^7/_{16}$%) on the Series 1 Notes and $6^1/_8$% (1994 $5^7/_{16}$%) on the Series 2 Notes. The Undated Floating Rate Primary Capital Notes Series 3 (the Series 3 Notes) bear interest at rates fixed in advance for periods of three months and, at 31st December 1995, the rate was $7^5/_{16}$% (1994 $6^1/_2$%). In each case, interest is fixed at $^1/_4$% or $^1/_2$% above rates determined by reference to the London inter-bank market for each interest period. In the case of the Series 3 Notes, the rate will rise to 0.7% above LIBOR in October 1999 and 1% above LIBOR in October 2009.

The interest rates on the 9.875% Undated Subordinated Notes (the 9.875% Notes) and the 7.875% Undated Subordinated Notes (the 7.875% Notes) are fixed until May 2008 and October 2003 respectively. The interest rates on the 9% Permanent Interest Bearing Capital Bonds (the 9% Bonds) and the 8% Convertible Capital Notes, Series E (the Series E Notes) are fixed for the life of those issues.

The Bank is not obliged to make a payment of interest on its undated loan capital (other than the Junior Notes) if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. Interest not so paid becomes payable if such a dividend is subsequently paid or in certain other circumstances. No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

Interest payable on undated loan capital amounted to £148m (1994 £130m, 1993 £97m).

Repayment and conversion

The Junior Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date. The Series 1 Notes, the Series 2 Notes and the Series 3 Notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The 9.875% Notes are repayable, at the option of the Bank, in whole in May 2008, or on any fifth anniversary thereafter. The 9% Bonds are repayable, at the option of the Bank, in whole at any time and the 7.875% Notes are so repayable at any time up to and including October 2003, or on any tenth anniversary thereafter.

The Series E Notes are repayable at par, at the option of the Bank, in whole on any interest payment date falling in or after April 2003 and are convertible, at the option of the Bank, into 40,000,000 non-cumulative dollar-denominated preference shares of the Bank. The Series E Notes have been registered under the US Securities Act of 1933. The other issues of undated loan capital, which were made in the eurocurrency market, have not been so registered.

In addition, each issue of undated loan capital is repayable, at the Bank's option, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest.

41 Dated loan capital – non-convertible

Dated loan capital, which is raised by the Bank and its finance subsidiaries for the development and expansion of the Group's business and to strengthen its capital base, comprised:

	Repayment terms	1995 £m	1994 £m
The Bank			
$10^1/_4$% Senior Subordinated Bonds 1997		**250**	250
$12^3/_4$% Senior Subordinated Bonds 1997		**200**	200
8.8% Subordinated Redeemable Bonds 1998 (FFr 600m)		**79**	72
9.5% Subordinated Redeemable Bonds 2001 (FFr 350m)		**46**	42
Floating Rate Senior Subordinated Bonds 2001	(a)	**50**	50
Floating Rate Unsecured Capital Loan Stock 2006	(a, b)	**4**	5
16% Unsecured Capital Loan Stock 2002/07	(a)	**100**	100
12% Unsecured Capital Loan Stock 2010		**25**	25
Floating Rate Unsecured Capital Loan Stock 2010	(a, c)	**1**	1
Barclays Overseas Investment Company B.V. (BOIC)			
6% Guaranteed Bonds 1996 (Yen 40,000m)		**249**	256
Guaranteed Floating Rate Notes 2001 (ECU 105m)	(a)	**87**	81
Guaranteed Notes 2007 (Yen 15,000m)	(a)	**94**	96
Barclays North American Capital Corporation (BNACC)			
$11^5/_8$% Guaranteed Capital Notes 2003 ($165m)	(a)	**107**	106
$10^1/_2$% Guaranteed Capital Notes 2017 ($123m)	(a)	**79**	79
$9^3/_4$% Guaranteed Capital Notes 2021 ($312m)	(a)	**200**	199
		1,571	1,562

Repayable		
not more than one year	**249**	–
over one year but not more than two years	**450**	256
over two years but not more than five years	**79**	522
over five years	**793**	784
	1,571	1,562

None of the Group's dated loan capital is secured. The debt obligations of the Bank, BOIC and BNACC rank ahead of the interests of holders of their equity. Dated loan capital of the Bank has been issued on the basis that the claims thereunder are subordinated to the claims of depositors and other unsecured unsubordinated creditors. Loan capital issued by BOIC and BNACC carries the guarantee of the Bank, which is subordinated on a similar basis. All loan capital issued by BNACC and £181m (1994 £340m) issued by BOIC has been on-lent to the Bank on a subordinated basis.

Floating rate loan capital issues (other than the Guaranteed Notes 2007 and the Floating Rate Unsecured Capital Loan Stock 2010) bear interest at rates fixed in advance for periods of six months. At 31st December 1995, the rates were 6.93281% (1994 7.58125%) on the Floating Rate Senior Subordinated Bonds 2001, $6^1/_4$% (1994 $6^{15}/_{16}$%) on the Floating Rate Unsecured Capital Loan Stock 2006 and 6.02781% (1994 6.77%) on the Guaranteed Floating Rate Notes 2001. The coupons of the Guaranteed Notes 2007 have been swapped until March 2002, resulting in an interest rate payable until then of LIBOR plus 40 basis points (0.85313% at 31st December 1995, 2.775% at 31st December 1994). After that date, the coupon will be LIBOR plus 115 basis points. Both rates are fixed in advance for periods of three months. The Floating Rate Unsecured Capital Loan Stock 2010 bears interest at rates fixed in advance for periods of three months and, at 31st December 1995, the rate was $6^3/_8$% (1994 $6^3/_8$%).

Interest payable on loan capital with a final maturity within five years amounted to £67m (1994 £71m, 1993 £75m).

The notes issued by BNACC have been registered under the US Securities Act of 1933. The issues of dated loan capital by the Bank and BOIC, which were made in non-US markets, have not been so registered.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 1995 is redeemable only on maturity subject, in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law.

(a) Repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole.

(b) Holders of the Floating Rate Unsecured Capital Loan Stock 2006 have certain cumulative rights to call for redemption of their holdings.

(c) Holders of the Floating Rate Unsecured Capital Loan Stock 2010 have certain rights to call for the redemption of their holdings.

(d) There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

42 Other subordinated liabilities – non-convertible

Repayable	1995 £m	1994 £m
not more than one year	–	32
over two years but not more than five years	62	62
over five years	29	27
	91	121

Other subordinated liabilities comprise long-term borrowings of subsidiary undertakings, which are subordinated to the claims of depositors and others against those subsidiaries.

43 Called up share capital

The authorised share capital of Barclays PLC is £2,000m (1994 £2,000m), comprising 1,999 million (1994 1,999 million) ordinary shares of £1 each and 1 million (1994 1 million) staff shares of £1 each.

Called up share capital, allotted and fully paid	1995 £m	1994 £m	1993 £m
Ordinary shares:			
At beginning of year	1,635	1,623	1,609
Issued to staff under profit sharing schemes	–	1	–
Issued to staff under the SAYE Share Option Scheme (see below)	7	8	11
Issued under Share Dividend Scheme	4	2	2
Issued under Executive Share Option Scheme	1	1	1
Repurchase of shares	(25)	–	–
At end of year	1,622	1,635	1,623
Staff shares	1	1	1
	1,623	1,636	1,624

It is not yet possible to quantify the amount which will be issued in 1996 under the Share Dividend Scheme in respect of the final dividend for the 1995 financial year. Profit sharing allocations will be met by purchases of ordinary shares in the open market.

58.6 million (1994 58.6 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.6 million (1994 3.6 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for ordinary shares between 1996 and 2005, at prices ranging from 259p to 704p per share.

In August 1995, the Company repurchased ordinary shares with a nominal value of £25m at a total cost of £181m.

44 Shareholders' funds

	Consolidated £m	Barclays PLC £m	Associated undertakings £m
At beginning of year	6,161	6,161	12
Proceeds of shares issued (net of expenses)	50	50	–
Exchange rate translation differences	52	–	1
Repurchase of ordinary shares	(181)	(181)	–
Goodwill arising on acquisitions	(2)	–	–
Goodwill written back on disposals	5	–	–
Revaluation of investment in subsidiary undertaking	–	816	–
Other items	(1)	–	14
Profit retained	943	181	7
At end of year	7,027	7,027	34

The revaluation reserve of Barclays PLC arises from the revaluation of the investment in Barclays Bank PLC.

45 Investment in Barclays Bank PLC

The investment in Barclays Bank PLC is stated in the balance sheet at Barclays PLC's share of the book value of the net assets of Barclays Bank PLC. The net increase of £866m during the year comprised the cost of additional shares of £50m and an increase of £816m in other net assets of Barclays Bank PLC. The cost of the investment was £3,216m (1994 £3,166m).

Details of principal subsidiary undertakings, held through Barclays Bank PLC, are shown in note 50.

46 Leasing activities

Aggregate amounts received and receivable during the year under finance leases were £1,289m (1994 £1,164m, 1993 £1,386m), including interest income of £480m (1994 £444m, 1993 £538m).

47 Assets and liabilities denominated in sterling and foreign currencies

	1995 £m	1994 £m
Denominated in sterling	**90,786**	90,923
Denominated in currencies other than sterling	**78,040**	71,480
Total assets	**168,826**	162,403
Denominated in sterling	**92,743**	95,182
Denominated in currencies other than sterling	**76,083**	67,221
Total liabilities	**168,826**	162,403

48 Assets pledged to secure liabilities

The amount of assets pledged to secure liabilities, primarily in respect of settlement and payment systems, was £1,078m. At 31st December 1995, the secured liabilities outstanding amounted to £1,413m.

49 Future rental commitments under operating leases

At 31st December 1995, the Group held various leases on land and buildings, many for extended periods, and other leases for equipment.

Annual commitments under non-cancellable operating leases expiring:	**1995 Property £m**	**1995 Equipment £m**	1994 Property £m	1994 Equipment £m
not more than one year	**8**	–	8	6
over one year but not more than five years	**24**	**2**	24	11
over five years	**147**	–	133	–
	179	**2**	165	17

The following aggregate rental payments outstanding at 31st December 1995 fall due as follows:

	Year ended 31st December					Total
	1996 £m	1997 £m	1998 £m	1999 £m	2000 £m	thereafter £m
Aggregate rental payments	181	166	160	155	154	1,769

The rentals for leasehold land, buildings and equipment, included in operating expenses for the year ended 31st December 1995, amounted to £244m (1994 £240m, 1993 £253m).

50 Principal subsidiary undertakings

Country of registration or incorporation		Percentage of equity capital held
England	Barclays Bank PLC - ordinary shares	100*
England	Barclays de Zoete Wedd Holdings Limited	100
England	Barclays Financial Services Limited	100
England	Barclays Mercantile Business Finance Limited	100
Guernsey	Barclays Finance Company (Guernsey) Limited	100
Jersey	Barclays Bank Finance Company (Jersey) Limited	100
Jersey	Barclays Private Bank and Trust Limited	100*
Italy	Barclays Financial Services Italia SpA	100
France	Barclays de Zoete Wedd Société de Bourse SA	97.9
Spain	Barclays Bank SA	99.7
Botswana	Barclays Bank of Botswana Limited	74.9
Kenya	Barclays Bank of Kenya Limited	68.5
Zimbabwe	Barclays Bank of Zimbabwe Limited	65.5*
USA	Barclays de Zoete Wedd Securities Inc.	100*
Canada	Barclays Bank of Canada (year end: 31st October)	100
Switzerland	Barclays Bank (Suisse) SA	100*
Japan	Barclays Trust and Banking Company (Japan) Limited	100

The country of registration or incorporation is also the principal area of operation for each of the above undertakings. Investments in these undertakings are held directly by Barclays Bank PLC except where marked *.

Barclays Bank PLC also has in issue 34,920,000 (1994 34,920,000) non-cumulative dollar-denominated preference shares of $0.01 each, none of which are held by Barclays PLC.

In 1992, the Group acquired a 100% interest in Imry Holdings Limited (Imry), a company registered in England, as a result of enforcing security against a loan to Chester Holdings (UK) Limited, the parent company of Imry. The interest is held exclusively with a view to subsequent resale and therefore has not been consolidated. Had Imry been consolidated, there would have been no material effect on total assets, shareholders' funds or profit before tax of the Group in either 1995 or 1994.

The Group holds all the issued shares of Imry and all of the £100m preference shares in its subsidiary, Imry Jersey Limited. The shareholdings were valued at £56m at 31st December 1995 (1994 £56m). Imry's accounts are made up to 31st March. At 31st December 1995, the unaudited consolidated capital and reserves of Imry (including the Imry Jersey Limited preference shares held by the Group) amounted to £89m (1994 £91m) and its total assets amounted to £354m (1994 £333m). The unaudited profit before taxation of Imry for the 12 months ended 31st December 1995 was £8m (1994 £12m, 1993 £8m). There were outstandings of £82m (1994 £83m) due to the Group, secured by a fixed and floating charge on the assets of Imry. Interest payments by Imry to the Bank in the year amounted to £6m (1994 £5m). There were no other material transactions between Imry and the Group during the year.

51 Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments, including swaps, futures, forwards and option contracts or combinations thereof (all commonly known as derivatives) the nominal amounts for which are not reflected in the consolidated balance sheet.

Following internationally accepted banking supervisory practice for the calculation of the credit risk associated with such off-balance sheet items, the contract or underlying principal amounts are initially converted to credit risk equivalents by applying specified conversion factors.

The following table summarises the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk as at 31st December 1995.

	1995 Contract or underlying principal amount £m	**1995 Risk weighted amount £m**	1994 Contract or underlying principal amount £m	1994 Risk weighted amount £m
Contingent liabilities				
Acceptances and endorsements	**1,036**		1,493	
Guarantees and assets pledged as collateral security	**5,645**		6,289	
Other contingent liabilities	**4,947**		4,744	
Off-balance sheet credit risk	**11,628**	**6,491**	12,526	7,541
Commitments				
Commitments arising out of sale and option to resell transactions	**150**		229	
Other commitments:				
documentary credits and other short-term trade-related transactions	**511**		696	
forward asset purchases and forward forward deposits placed	**421**		403	
undrawn note issuance and revolving underwriting facilities	**134**		234	
undrawn formal standby facilities, credit lines and other commitments to lend:				
over one year	**10,366**		10,369	
in one year or less	**32,102**		31,136	
Off-balance sheet credit risk	**43,684**	**4,924**	43,067	5,131

As an active participant in international banking markets, the Group has a significant concentration of off-balance sheet items with financial institutions, as shown in note 66.

Nature of instruments

For a description of the nature of derivative financial instruments, see page 56 of the Financial review.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange which have been paid and subsequently rediscounted.

Guarantees and assets pledged as collateral security are generally written by a bank to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' creditworthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements. In particular, the Group may withdraw from its contractual obligations for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer. Most commitments expire without being fully drawn upon and hence the cash requirements of such commitments are considerably less than the commitment limits that are reported.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

51 Off-balance sheet financial instruments, contingent liabilities and commitments (continued)

Accounting for derivatives

Derivatives entered into as trading transactions, together with any associated hedging thereof, are measured at fair value and the resultant profits and losses are included in dealing profits. Fair value accounting recognises, where appropriate, provisions for credit, market and operating risk. Associated costs of dealing are recognised when incurred. Where the market price may not be achievable, as a result of significant positions held or operating in illiquid markets, adjustments to the market value are made.

Derivatives entered into for specifically designated hedging purposes against assets, liabilities, other positions and cash flows measured on an accrual accounting basis are taken to profit in accordance with the accounting treatment of the underlying transaction.

Profits and losses related to qualifying hedges of firm commitments and probable anticipated transactions are deferred and recognised in income or as adjustments to carrying amounts when the hedged transactions occur.

The criteria required for a derivative instrument to be classified as a designated hedge is that:

i) the transaction must match or eliminate a proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged and which results from potential movements in interest rates, exchange rates and market values
ii) adequate evidence of the intention to hedge must be established at the outset of the transaction.

Where these criteria are not met, transactions are measured using the fair value accounting basis.

Hedging transactions which are superseded, cease to be effective or are terminated early are measured at fair value. Any profit or loss arising is deferred and amortised over the remaining life of the asset, liability, position or cash flow previously being hedged.

When the underlying asset, liability or position is terminated, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured on a fair value accounting basis and the profit or loss arising is recognised in full.

Accounting treatment of credit related instruments

The Group treats credit related instruments as contingent liabilities and these are not shown on the balance sheet unless and until the Group is called upon to make a payment under the instrument. Assets arising from payments to a third party where the Group is awaiting reimbursement from the customer are shown on the balance sheet, together with any necessary provision. Beginning in 1993, fees received for providing these instruments are taken to profit over the life of the instrument and reflected in fees and commissions receivable, whereas in prior years, fees were taken to profit as received.

Risks

Credit exposure or replacement cost on derivative instruments represents the cost to replace contracts with a positive value and is usually a small fraction of the notional amount of the contracts. Credit risk exposures, however, relate to accounting losses that would be recognised if counterparties failed completely to perform their obligations. Options written do not expose the Group to credit risk (apart from unremitted premiums), except to the extent of the underlying risk in the financial instrument that the Group may be obligated to acquire under certain written put options. The risk that counterparties to both derivative and cash instruments might default on their obligations is monitored on an ongoing basis. To control the level of credit risk taken, the Group assesses counterparties using the same techniques and corporate grading structure as for lending decisions, in order to deal predominantly with counterparties of high credit quality.

Cash requirements

The Group holds collateral in respect of credit related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities.

The cash requirement of a credit related instrument has the same features as the risk, set out above.

For a further description of the nature and management of credit risks and market risks, see Risk management and Treasury asset and liability management on pages 38 and 59 in the Financial review.

Netting

The Group enters into master agreements whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis.

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

51 Off-balance sheet financial instruments, contingent liabilities and commitments (continued)

As required by Statement of Financial Accounting Standards No. 119, the tables set out below analyse the contract or underlying principal amounts and positive and negative balance sheet fair values of derivative financial instruments held or issued for trading purposes.

	1995 Contract or underlying principal amount £m	1995 Year end Positive fair value £m	1995 Year end Negative fair value £m	1995 Average Positive fair value £m	1995 Average Negative fair value £m	1994 Contract or underlying principal amount £m	1994 Year end Positive fair value £m	1994 Year end Negative fair value £m
Foreign exchange derivatives								
Forward foreign exchange	**229,421**	**2,823**	**3,077**	**3,762**	**3,530**	207,256	2,459	2,081
Currency swaps	**31,441**	**1,401**	**1,449**	**1,632**	**2,072**	26,152	1,000	1,128
OTC options bought and sold	**26,366**	**265**	**297**	**347**	**367**	28,512	312	321
Other foreign exchange	**2,752**	**8**	**8**	**5**	**5**	4,468	3	3
OTC derivatives	**289,980**	**4,497**	**4,831**	**5,746**	**5,974**	266,388	3,774	3,533
Exchange traded futures - bought and sold	**395**	**–**	**–**	**1**	**–**	232	–	–
Exchange traded options - bought and sold	**–**	**–**	**–**	**–**	**–**	12	–	–
Total	**290,375**	**4,497**	**4,831**	**5,747**	**5,974**	266,632	3,774	3,533
Interest rate derivatives								
Swaps	**364,066**	**11,211**	**11,664**	**9,605**	**10,118**	305,180	6,214	5,879
Forward rate agreements	**65,711**	**122**	**152**	**108**	**119**	111,806	179	158
OTC options bought and sold	**93,560**	**661**	**639**	**526**	**543**	67,998	437	456
Other interest rate contracts	**31**	**–**	**–**	**–**	**–**	329	–	–
OTC derivatives	**523,368**	**11,994**	**12,455**	**10,239**	**10,780**	485,313	6,830	6,493
Exchange traded futures – bought and sold	**127,036**	**7**	**2**	**35**	**25**	104,675	68	69
Exchange traded options – bought and sold	**21,562**	**–**	**–**	**1**	**1**	9,516	8	9
Total	**671,966**	**12,001**	**12,457**	**10,275**	**10,806**	599,504	6,906	6,571
Equity and stock index derivatives								
OTC options bought and sold	**9,312**	**384**	**483**	**336**	**406**	8,118	238	310
Equity swaps and forwards	**747**	**22**	**19**	**23**	**32**	375	1	–
OTC derivatives	**10,059**	**406**	**502**	**359**	**438**	8,493	239	310
Exchange traded futures – bought and sold	**3,165**	**–**	**–**	**1**	**–**	2,359	21	35
Exchange traded options – bought and sold	**8,283**	**271**	**253**	**168**	**145**	8,112	84	49
Total	**21,507**	**677**	**755**	**528**	**583**	18,964	344	394
Commodity derivatives								
OTC options bought and sold	**174**	**11**	**10**	**31**	**27**	1,441	92	48
Commodity swaps and forwards	**7,746**	**101**	**84**	**171**	**221**	3,151	360	23
OTC derivatives	**7,920**	**112**	**94**	**202**	**248**	4,592	452	71
Exchange traded futures – bought and sold	**12,762**	**211**	**229**	**411**	**462**	22,457	6	198
Exchange traded options – bought and sold	**585**	**12**	**6**	**37**	**20**	1,276	67	12
Total	**21,267**	**335**	**329**	**650**	**730**	28,325	525	281
Total trading derivatives		**17,510**	**18,372**				11,549	10,779
Effect of set off		**(7,655)**	**(7,655)**				(2,687)	(2,687)
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 30 and 36)		**9,855**	**10,717**				8,862	8,092

During the year ended 31st December 1994, the average positive fair value of derivative financial instruments held or issued for trading purposes was £10,445m and the average negative fair value was £9,728m, excluding legal right of set off.

The risk weighted amount of exchange rate contracts was £2,369m (1994 £2,083m) and of interest rate contracts was £2,994m (1994 £1,906m).

51 Off-balance sheet financial instruments, contingent liabilities and commitments (continued)

Derivative financial instruments held for the purpose of managing the structural exposures (non-trading)

The following table, which includes only the derivative components of the Group's hedging programme, summarises the nominal values, fair values and book values of derivatives held for the purpose of managing the structural exposures (non-trading).

	1995 Contract or underlying principal amount £m	1995 Positive fair value £m	1995 Negative fair value £m	1995 Positive book value £m	1995 Negative book value £m	1994 Contract or underlying principal amount £m	1994 Positive fair value £m	1994 Negative fair value £m
Foreign exchange derivatives								
Forward foreign exchange	305	4	4	–	–	354	–	–
Currency swaps	2,191	25	53	12	4	809	11	12
OTC options bought and sold	–	–	–	–	–	100	–	–
OTC derivatives	2,496	29	57	12	4	1,263	11	12
Exchange traded futures - bought and sold	–	–	–	–	–	30	–	–
Total	2,496	29	57	12	4	1,293	11	12
Interest rate derivatives								
Swaps	38,753	458	340	504	558	29,310	200	474
Forward rate agreements	4,341	2	2	–	–	5,822	7	22
OTC options bought and sold	739	–	–	–	–	720	18	–
OTC derivatives	43,833	460	342	504	558	35,852	225	496
Exchange traded futures – bought and sold	1,768	3	1	–	–	3,280	2	–
Total	45,601	463	343	504	558	39,132	227	496

Included in the above amounts were £1,956m (1994 £759m) contract amount of foreign exchange derivatives and £38,458m (1994 £30,546m) of interest rate derivatives which were made for asset and liability management purposes with independently managed dealing units of the Group.

The nominal amounts of OTC foreign exchange derivatives held to manage the structural exposure of the Group analysed by currency and final maturity are as follows:

	One year or less £m	Over one year but not more than five years £m	Over five years £m	Total £m
£/US Dollar	–	286	102	388
US Dollar/Japanese Yen	276	–	–	276
£/Japanese Yen	–	21	175	196
Deutsche Mark/Japanese Yen	–	101	24	125
£/Australian Dollar	–	564	–	564
US Dollar/Australian Dollar	–	242	–	242
Other	351	178	176	705
	627	1,392	477	2,496

52 Legal proceedings

On 29th April 1994, the Administrators of British & Commonwealth Holdings PLC (B&C), appointed under the Insolvency Act 1986, issued proceedings against a Group subsidiary undertaking, Barclays de Zoete Wedd Limited, for alleged breaches of duty in connection with B&C's acquisition of Atlantic Computers Plc in 1988. B&C is claiming damages, which it calculates at up to some £500m, plus interest. These proceedings are continuing and are being vigorously defended.

Barclays is party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the Group or the results of its operations.

53 Reconciliation of operating profit to net cash flow from operating activities

	1995 £m	1994 £m	1993 £m
Operating profit	**1,848**	1,756	669
Provisions for bad and doubtful debts	**396**	602	1,869
(Increase)/decrease in net interest and commission receivable	**(109)**	25	138
Depreciation and amortisation	**328**	232	308
Net profit on disposal of fixed assets and investments	**(36)**	(10)	(14)
Loss/(profit) on redemption of loan capital	**–**	60	(22)
Interest on dated and undated loan capital and other subordinated liabilities	**298**	317	319
Income from associated undertakings	**(26)**	(35)	(24)
Increase in value of the long-term assurance fund	**(56)**	(12)	(107)
Other non-cash items	**(112)**	(32)	(14)
Net cash flow from trading activities	**2,531**	2,903	3,122
Net (decrease)/increase in deposits and debt securities in issue	**(1,775)**	(7,153)	7,647
Net increase/(decrease) in accrued expenses and other credit balances	**2,779**	4,478	(2,155)
Net (increase)/decrease in loans and advances	**(4,573)**	8,548	(217)
Net decrease/(increase) in other assets and prepayments	**91**	(1,972)	1,947
Net (increase)/decrease in other debt securities and equity shares	**(2,181)**	2,682	(5,753)
Net change in items in transit	**364**	27	(5)
Net (increase)/decrease in treasury and other eligible bills	**(796)**	680	2,032
Other non-cash movements	**43**	7	127
Net cash (outflow)/inflow from operating activities of Barclays PLC	**(3,517)**	10,200	6,745

54 Sale of subsidiary and associated undertakings during the year

	1995 £m	1994 £m	1993 £m
Goodwill written back	**5**	27	3
Advances and other accounts	**1,637**	1,225	101
Deposits and other borrowings	**(42)**	(951)	(91)
Net assets disposed of	**1,600**	301	13
Net profit on disposal	**212**	103	1
Settled by net cash received	**1,812**	404	14

Intra-group liabilities of £1,314m were repaid from part of the proceeds of the sale of the business of Barclays Business Credit.

55 Changes in financing during the year

Barclays PLC	Undated loan capital £m	Dated loan capital £m	Other sub-ordinated liabilities £m	Ordinary shares £m	Barclays Bank PLC preference shares £m	Share premium £m
At beginning of year	**1,979**	**1,562**	**121**	**1,636**	**279**	**1,098**
Exchange rate and other movements	**10**	**9**	**1**	**–**	**2**	**–**
Net cash (outflow)/inflow from financing	**–**	**–**	**(31)**	**(13)**	**–**	**38**
At end of year	**1,989**	**1,571**	**91**	**1,623**	**281**	**1,136**

The above table excludes a further £156m arising from the repurchase of the 25 million ordinary shares.

56 Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents are short-term highly liquid investments, which are readily convertible into known amounts of cash without notice, and which were within three months of maturity when acquired.

	1995 £m	1994 £m	Change £m
Cash and balances at central bank	**767**	800	(33)
Treasury bills and other eligible bills	**2,994**	3,471	(477)
Loans and advances to banks	**12,254**	16,566	(4,312)
Loans and advances to customers	**1,968**	3,253	(1,285)
Certificates of deposit	**865**	1,203	(338)
	18,848	25,293	(6,445)

	1995 £m	1995 £m	1994 £m	1994 £m	1993 £m	1993 £m
Balance at beginning of year		**25,293**		17,196		13,343
Net (decrease)/increase in cash and cash equivalents *before the effect of exchange rate movements*	**(6,791)**		8,069		3,832	
Effect of exchange rate movements	**346**		28		21	
		(6,445)		8,097		3,853
Balance at end of year		**18,848**		25,293		17,196

57 Purchase of subsidiary undertakings during the year

	1995 £m
Net assets acquired:	
Cash and balances at central banks	**12**
Treasury bills and other eligible bills	**35**
Loans and advances to banks	**350**
Loans and advances to customers	**319**
Debt securities and equity shares	**39**
Other assets	**64**
Deposits by banks and customers	**(656)**
Other liabilities	**(91)**
Minority shareholders' interests	**(5)**
	67
Goodwill	**231**
Satisfied by cash, including associated acquisition costs	**298**

Subsidiary undertakings acquired during the year had no significant effect on the Group's net operating cash flows, returns on investments, servicing of finance, taxation or investing activities.

58 Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings

	1995 £m	1994 £m	Change £m
Cash consideration	**298**	–	298
Cash at bank and in hand acquired	**(12)**	–	(12)
Treasury bills and other eligible bills	**(35)**	–	(35)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings	**251**	–	251

59 Acquisitions

The Group made the following acquisitions of subsidiary undertakings or net assets and operations in 1995 which are accounted for on an acquisition basis.

Company	% Acquired	Consideration £m	Date
Barclays Cater Allen Ltd	20*	9	1st May 1995
P.T. BZW Niaga Securities	60	2	31st December 1995
Wells Fargo Nikko Investment Advisors and the MasterWorks division of Wells Fargo Bank	100	287	31st December 1995

* This represents an increased holding from 50% to 70%, as a result of subscribing to a rights issue.

Consideration was paid in cash for all acquisitions during the year. There was no deferred or contingent consideration. The subsidiary undertakings acquired are not material to the Group and would not have made a significant contribution to the Group results had they been consolidated for the whole of 1995.

		Fair value adjustments			
	Book value £m	Revaluations £m	Accounting policy adjustments £m	Other £m	Fair value £m
Cash and balances at central banks	**12**	–	–	–	**12**
Treasury bills and other eligible bills	**35**	–	–	–	**35**
Loans and advances to banks	**344**	–	–	**6**	**350**
Loans and advances to customers	**319**	–	–	–	**319**
Debt securities and equity shares	**39**	–	–	–	**39**
Intangible fixed assets	**31**	–	**(31)**	–	–
Other assets	**69**	**2**	**(7)**	–	**64**
Total assets of acquired entities	**849**	**2**	**(38)**	**6**	**819**
Deposits by banks and customers	**656**	–	–	–	**656**
Other liabilities	**94**	–	–	**(3)**	**91**
Minority shareholders' interests	**1**	–	–	**4**	**5**
Total liabilities and minority interests of acquired entities	**751**	–	–	**1**	**752**

For each major class of asset and liability, the reconciliation above presents the book value immediately prior to the acquisition and the fair value at the date of acquisition.

Intangible fixed assets represent client relationships and intellectual property rights that have been written off at the date of acquisition in accordance with Group accounting policies.

There were no assets written down in the twelve months preceding the relevant acquisition dates, nor provisions for reorganisation and restructuring costs included within the liabilities of the acquired entities.

There were no costs incurred during the year reorganising, restructuring and integrating the acquired businesses within the Group and no provisions have been raised for costs relating to these acquisitions.

60 Directors' emoluments

The aggregate emoluments of the Directors of Barclays PLC set out below are disclosed in accordance with Part I of Schedule 6 to the Companies Act 1985.

	1995 £000	1994 £000
Salaries	**1,905**	1,787
Fees	**282**	258
Benefits and other	**64**	65
Annual bonus and profit share	**944**	797
Executive share award scheme	**575**	483
Pension contributions	**269**	339
	4,039	3,729

In addition, pensions in respect of management services of former Directors amount to £132,095 (1994 £128,461).

For Directors who are members of the Group's main UK pension scheme, the pension contributions shown above have been calculated using the current contribution rate of 7.5% of pensionable salary. This rate reflects the benefit of the surplus in the scheme without which it would have been approximately 19%. For Directors who are members of the BZW pension scheme, the corresponding rates were 10% and 15.2%.

The emoluments of the Chairman (Mr Buxton) and the highest paid Director (Mr Band) amount to:

	Chairman		**Highest paid Director**	
	1995 £000	1994 £000	**1995 £000**	1994 £000
Salary	**350**	350	**225**	225
Benefits and other	**12**	14	**6**	11
Annual bonus and profit share	**120**	100	**315**	300
Executive share award scheme	**74**	59	**252**	240
Pension contributions	**26**	26	**23**	23
	582	549	**821**	799

The number of Directors whose emoluments, excluding pension contributions, fall within the undermentioned limits are:

	1995	1994
£5,001 - £10,000	**–**	1
£10,001 - £15,000	**2**	–
£20 001 - £25,000	**–**	6
£25,001 - £30,000	**4**	–
£30,001 - £35,000	**1**	–
£40,001 - £45,000	**–**	1
£45,001 - £50,000	**1**	1
£60,001 - £65,000	**–**	1
£65,001 - £70,000	**1**	–
£210,001 - £215,000	**1**	–
£310,001 - £315,000	**–**	1
£325,001 - £330,000	**1**	–
£360,001 - £365,000	**–**	1
£390,001 - £395,000	**1**	–
£400,001 - £405,000	**–**	1
£405,001 - £410,000	**1**	–
£520,001 - £525,000	**–**	1
£555,001 - £560,000	**1**	–
£705,001 - £710,000	**–**	1
£775,001 - £780,000	**–**	1
£790,001 - £795,000	**1**	–
£795,001 - £800,000	**1**	–

Further information on Directors' emoluments, shareholdings and options is given in the Report of the Remuneration and Nominations Committee on behalf of the Board on pages 75 to 81.

61 Directors' and officers' options and shareholdings

Directors and officers of Barclays PLC as a group (involving 9 persons) held, at 31st December 1995, options to purchase 1,053,131 Barclays PLC £1 ordinary shares at prices ranging from 259p to 628p under the SAYE Share Option Scheme and ranging from 288p to 704p under the Executive Share Option Scheme, exercisable in the period from 1996 to 2005.

The beneficial and non-beneficial ownership of the ordinary share capital of Barclays PLC by all Directors and senior executive officers of Barclays PLC and Barclays Bank PLC as a group (involving 21 persons) at 31st December 1995 amounted to 159,689 £1 ordinary shares (0.01% of ordinary share capital outstanding). In addition, at 31st December 1995 executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 937,877 Barclays PLC ordinary shares (31st December 1994 580,340) held by the Barclays Group Employees' Benefit Trust.

62 Contracts with Directors and connected persons and with senior executives

The aggregate amounts outstanding at 31st December 1995 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were during the year, Directors of Barclays PLC and persons connected with them and for senior executives, within the meaning of the Banking Act 1987, of Barclays Bank PLC were:

	Number of Directors or senior executives	Number of connected persons	Amount £000
Directors			
Loans	**9**	**1**	**306**
Quasi-loans and credit card accounts	**12**	**8**	**350**
Senior executives			
Loans	**24**	**–**	**1,447**
Quasi-loans and credit card accounts	**25**	**–**	**119**

There are no transactions, arrangements or agreements with Barclays PLC or its subsidiary undertakings in which Directors, or persons connected with them, or senior executives of Barclays Bank PLC had a material interest and which are disclosable under the relevant provisions of the Companies Act 1985, other than options to subscribe for ordinary shares under the Barclays PLC Executive and SAYE Share Option Schemes.

63 Segmental analysis

By geographical segments (a, b)	1995 £m	1995 %	1994 £m	1994 %	1993 £m	1993 %
Interest receivable						
United Kingdom	**7,175**	**65**	5,989	60	6,818	62
Foreign UK-based	**588**	**5**	601	6	710	6
Other European Union	**1,335**	**12**	1,215	12	1,604	14
United States	**1,254**	**11**	1,455	15	1,117	10
Rest of the World	**710**	**7**	719	7	836	8
	11,062	**100**	9,979	100	11,085	100
Fees and commissions receivable						
United Kingdom	**1,980**	**69**	1,991	68	2,067	76
Foreign UK-based	**175**	**6**	81	3	89	3
Other European Union	**257**	**9**	262	9	223	8
United States	**115**	**4**	161	6	(25)	(1)
Rest of the World	**357**	**12**	415	14	390	14
	2,884	**100**	2,910	100	2,744	100
Dealing profits (c)						
United Kingdom	**238**	**60**	325	85	403	61
Foreign UK-based	**93**	**24**	44	11	146	22
Other European Union	**18**	**5**	10	3	51	8
United States	**26**	**6**	1	–	2	–
Rest of the World	**19**	**5**	4	1	55	9
	394	**100**	384	100	657	100
Other operating income						
United Kingdom	**273**	**76**	139	63	227	70
Foreign UK-based	**–**	**–**	–	–	–	–
Other European Union	**31**	**9**	25	11	25	7
United States	**26**	**7**	46	21	55	17
Rest of the World	**29**	**8**	11	5	19	6
	359	**100**	221	100	326	100
Gross income						
United Kingdom	**9,666**	**66**	8,444	63	9,515	64
Foreign UK-based	**856**	**6**	726	5	945	6
Other European Union	**1,641**	**11**	1,512	11	1,903	13
United States	**1,421**	**10**	1,663	12	1,149	8
Rest of the World	**1,115**	**7**	1,149	9	1,300	9
	14,699	**100**	13,494	100	14,812	100
Profit/(loss) on ordinary activities before tax						
United Kingdom	**1,523**	**73**	1,292	69	1,001	151
Foreign UK-based	**203**	**10**	369	20	228	35
Other European Union	**(266)**	**(13)**	(191)	(10)	(212)	(32)
United States	**440**	**21**	237	13	(510)	(77)
Rest of the World	**183**	**9**	152	8	154	23
	2,083	**100**	1,859	100	661	100
Attributable profit						
United Kingdom	**1,057**	**77**	793	67	652	210
Foreign UK-based	**136**	**10**	261	22	153	49
Other European Union	**(195)**	**(14)**	(154)	(13)	(173)	(56)
United States	**280**	**21**	196	17	(413)	(133)
Rest of the World	**86**	**6**	83	7	91	30
	1,364	**100**	1,179	100	310	100

63 Segmental analysis (continued)

	1995 £m	1995 %	1994 £m	1994 %	1993 £m	1993 %
Total assets						
United Kingdom	**112,000**	**66**	106,127	66	103,018	62
Foreign UK-based	**10,978**	**7**	11,732	7	13,344	8
Other European Union	**19,484**	**12**	17,364	11	17,005	10
United States	**15,697**	**9**	16,902	10	19,160	12
Rest of the World	**10,667**	**6**	10,278	6	13,524	8
	168,826	**100**	162,403	100	166,051	100
Net assets (d)						
United Kingdom	**5,377**	**73**	4,363	67	3,883	66
Foreign UK-based	**173**	**2**	322	5	257	5
Other European Union	**684**	**9**	612	10	536	9
United States	**650**	**9**	726	11	785	13
Rest of the World	**486**	**7**	467	7	424	7
	7,370	**100**	6,490	100	5,885	100
By classes of business (a, e)						
Gross income						
Commercial banking activities	**10,563**	**72**	9,222	68	10,411	70
Investment banking activities	**3,922**	**27**	4,145	31	4,207	28
Group central functions	**214**	**1**	127	1	194	2
	14,699	**100**	13,494	100	14,812	100
Profit/(loss) on ordinary activities before tax						
Commercial banking activities	**2,042**	**98**	1,768	95	285	43
Investment banking activities	**169**	**8**	172	9	456	69
Group central functions	**(128)**	**(6)**	(81)	(4)	(80)	(12)
	2,083	**100**	1,859	100	661	100
Total assets						
Commercial banking activities	**88,004**	**52**	87,717	54	97,080	58
Investment banking activities	**79,257**	**47**	71,602	44	65,796	40
Group central functions	**1,565**	**1**	3,084	2	3,175	2
	168,826	**100**	162,403	100	166,051	100
Net assets						
Commercial banking activities	**5,012**	**68**	4,622	71	4,743	81
Investment banking activities	**1,621**	**22**	1,160	18	920	15
Group central functions (f)	**737**	**10**	708	11	222	4
	7,370	**100**	6,490	100	5,885	100

Notes

(a) The analyses above are for Barclays PLC. Figures for attributable profit differ for Barclays Bank PLC and are shown on page 149.

(b) Basis of geographical and business analysis – see Analyses by geographical segments and classes of business on page 87.

(c) This is a prescribed heading under Schedule 9 to the Companies Act 1985, in which 'profit' does not conform to the more usual definition followed elsewhere in this document. The disclosure reflects dealing income, excluding interest and dividends arising from long and short positions and funding costs.

(d) This analysis has been developed to reflect better the geographical spread of net assets employed in the investment banking business, which was previously mainly allocated to the United Kingdom where it is controlled. The 1994 and 1993 comparatives have been restated.

(e) Classes of business are the main groups of products and services supplied by the Group. Commercial banking activities include any banking related business conducted by the businesses, including Problem country debt management and UK associated undertakings.

(f) The increase in net assets of Group central functions in 1994 arose from the transfer of the operational property interests of Barclays Bank PLC to a wholly owned subsidiary on 1st January 1994.

64 Differences between UK GAAP (UK) and US GAAP (US) accounting principles

The accounts presented in this report have been prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP). Such principles vary in significant respects from those generally accepted in the United States (US GAAP). Preparing the financial statements requires the use of management's estimates. The significant differences applicable to the Group's accounts are summarised below (see also notes 65, 66 and 67).

UK GAAP	US GAAP
Goodwill Goodwill arising on acquisitions of subsidiary and associated undertakings is either capitalised and amortised through income over its expected life (with a maximum of 20 years) or charged directly against reserves in the year of acquisition. Capitalised goodwill is written off when judged to be irrecoverable. In the event of a subsequent disposal, any goodwill previously charged directly against reserves is written back and is reflected in the profit or loss on disposal.	Goodwill is capitalised and amortised through income over the period estimated to benefit. In Barclays case, a period of 20 years has been used. Goodwill is written off when judged to be irrecoverable.
Pension cost Pension fund assets are assessed actuarially at the present value of the expected future investment income, which is consistent with UK Statement of Standard Accounting Practice (SSAP) 24. Most liabilities are discounted at a long-term interest cost and most variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current employees.	Under Statement of Financial Accounting Standards (SFAS) No. 87, the same basic actuarial method is used as under UK GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations from regular cost are allocated in equal amounts over the average remaining services lives of current employees.
Post-retirement benefits Post-retirement health care liabilities are assessed actuarially on a similar basis to pension liabilities under SSAP 24 and are discounted at a long-term interest cost. Variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current eligible employees.	Under SFAS No. 106, there are certain differences in the actuarial method used and variations in the computation of regular cost as compared with UK GAAP.
Leasing – Lessor Finance lease income is recognised in proportion to the funds invested in the lease using a method which results in a level rate of return on the net cash investment.	Application of SFAS No. 13 gives rise to a level rate of return on the investment in the lease, but without taking into account tax payments and receipts. This results in income being recognised in different periods than under UK GAAP.
Leasing – Lessee In accordance with UK Financial Reporting Standard 5, leases are now categorised as finance leases when the substance of the agreement is that of a financing transaction and the lessee assumes substantially all of the risks and benefits relating to the asset. All other leases are categorised as operating leases.	Leases are classified as capital leases when any of certain criteria are met as outlined under SFAS No. 13. All other leases are classified as operating leases.
Deferred tax Deferred tax is provided at the estimated rates at which future tax will become payable on timing differences where it is probable that a tax liability will crystallise. No deferred tax asset is created in respect of the general allowance for bad and doubtful debts which is not deductible in arriving at UK taxable profits.	Under SFAS No. 109, a liability method is also used, but deferred tax assets and liabilities are calculated for all temporary differences, including the general allowance for bad and doubtful debts. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realised.
Property depreciation Depreciation is charged on the cost or revalued amounts of freehold and long leasehold properties over their estimated useful economic lives.	Freehold and long-leasehold property is depreciated based on the historical cost.

64 Differences between UK and US accounting principles (continued)

UK GAAP	US GAAP
Exchange of country risk debt Debts acquired through a debt swap transaction are recorded at the net book value of the disposed debt. Where debt instruments have been acquired in exchange for overdue interest an amount of interest in suspense equal to the value of the debt instruments acquired is released to the profit and loss account.	Debts acquired through a debt swap transaction are recorded at estimated fair value at the date of the transaction. If necessary thereafter, a provision is raised to reduce this value to the estimated ultimate recoverable amount. Where debt instruments have been acquired in exchange for overdue interest, interest income is only recognised on the receipt of payments from the debtor or on the sale of the debt instrument.
Shareholders' interest in the long-term assurance fund The shareholders' interest in the in-force life assurance and pensions policies of the long-term assurance fund is valued at the net present value of the profits inherent in such policies.	The net present value of the profits inherent in the in-force life and pensions policies of the long-term assurance fund is not recognised by the Group under US GAAP. An adjustment is made for the amortisation of acquisition costs and fees in accordance with SFAS No. 97.
Revaluation of property Property is carried either at original cost or at subsequent valuation less related depreciation (as described in Accounting policies), calculated on the revalued amount where applicable. Revaluation surpluses are taken directly to shareholders' funds, while deficits below cost, less any related depreciation, are included in attributable profit.	Revaluations of property are not permitted in the accounts under US GAAP. As a result, when a property is disposed of, a greater profit or lower loss is generally recorded under US GAAP than under UK GAAP.
Disposal of investments Exchange rate translation differences, which arise in respect of foreign currency denominated investments, are included in the carrying value of the investment and are also accumulated in the reserves in the consolidated accounts. The profit or loss on any disposal is calculated by comparing the net proceeds with the then carrying value of the investment.	SFAS No. 52 requires similar treatment of exchange rate translation differences, except that, on disposal, cumulative exchange rate translation differences, which have previously been taken to reserves, are reversed and reported as part of the profit or loss on sale of the investment.
Net unrealised gain/loss on investment securities Investment debt securities and equity shares are stated at amortised amount less provision for diminution in value. Investment securities are intended for use on a continuing basis by the Group.	SFAS No. 115 requires that debt and certain marketable equity securities, which are intended for use on a continuing basis, be recorded at fair value with unrealised gains and losses recorded in shareholders' equity.
Allowance and provision for credit losses The Group establishes, through charges or credits against profit, sufficient specific allowance to cover the estimated loss as soon as the recovery of a lending is identified as doubtful. General allowances are raised to cover losses which are judged to be present in the loan portfolio, but have not been specifically identified as such. This allowance is adjusted by an appropriate charge or release.	SFAS No. 114 requires the overall credit risk allowance of impaired loans to be determined based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or, as a practical expedient, on the loan's observable market value, or the fair value of collateral if the loan is collateral dependent. A corresponding charge or credit for bad debt provisions should accompany any adjustment in the overall credit risk allowance. Smaller balance homogoneous consumer loans that are collectively evaluated for impairment, are outside the scope of SFAS No. 114, as are debt securities and leases.
Dividend payable Dividends declared after the period end are recorded in the period to which they relate.	Dividends are recorded in the period in which they are declared.
Acceptances Acceptances are not recorded within the balance sheet.	Acceptances and the related customer liabilities are recorded within the balance sheet.

64 Differences between UK and US accounting principles (continued)

Future developments

SFAS No. 121, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of', requires that long-lived assets, intangible assets and purchased goodwill associated with long-lived assets which are identified as impaired should be written down to their realisable value and any loss against their book value recognised in the current period's profit and loss account. SFAS No. 121 is required to be adopted in 1996 and Barclays is currently reviewing its likely impact on the reconciliation of net income and shareholders' equity between UK and US GAAP.

SFAS No. 123, 'Accounting for Stock-based compensation', encourages the adoption of a new method of accounting for, or disclosure of the effect of, stock compensation awards, based on their estimated fair value at the date they are granted. SFAS No. 123 is required to be adopted in 1996. Barclays does not expect it to have a material effect on either net income or shareholders' equity under US GAAP.

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	Note	**1995 £m**	1994 £m	1993 £m
Attributable profit of Barclays PLC Group (UK GAAP)		**1,364**	1,179	310
Goodwill		**(23)**	(19)	(32)
Pension cost	(a)	**(17)**	(56)	(61)
Post-retirement benefits	(b)	**(1)**	11	(2)
Leasing – Lessor	(c)	**(36)**	(34)	(24)
Leasing – Lessee	(d)	**2**	(98)	3
Deferred tax	(e)	**(14)**	12	40
Property depreciation		**1**	4	(9)
Loan origination fees and costs	(f)	**16**	16	32
Exchange of country risk debt		**23**	(3)	(8)
Shareholders' interest in the long-term assurance fund		**–**	(9)	(59)
Disposal of revalued property		**7**	16	1
Deficit on the revaluation of properties		**3**	4	8
Disposal of investment		**(17)**	4	–
Profit on disposal of revalued property		**3**	–	–
Approximate net income (US GAAP)		**1,311**	1,027	199
Barclays PLC Group		**p**	p	p
Earnings per £1 ordinary share		**80.5**	63.0	12.3

		Barclays PLC Group	
		1995 £m	1994 £m
Shareholders' funds (UK GAAP)		**7,027**	6,161
Goodwill		**296**	322
Pension cost	(a)	**(102)**	(85)
Post-retirement benefits	(b)	**8**	9
Leasing – Lessor	(c)	**(104)**	(68)
Leasing – Lessee	(d)	**3**	2
Deferred tax	(e)	**47**	58
Property depreciation		**(59)**	(60)
Loan origination fees and costs	(f)	**–**	(16)
Exchange of country risk debt		**–**	(23)
Shareholders' interest in the long-term assurance fund		**(357)**	(357)
Revaluation of property		**(299)**	(257)
Net unrealised gain on investment securities	(g)	**221**	57
Dividend payable		**268**	213
Approximate shareholders' equity (US GAAP)		**6,949**	5,956

64 Differences between UK and US accounting principles (continued)

Selected financial data, adjusted from UK GAAP to reflect the main differences from US GAAP, is given on page 152.

a) Pension cost

In accordance with SFAS No. 87, 'Employers' Accounting for Pensions', the excess of plan assets over the projected benefit obligation, as at the transition date, is recognised as a reduction of pension expense on a prospective basis over approximately 15 years.

The provisions of SFAS No. 87 have only been applied to the main UK pension scheme, the Barclays Bank (1964) Pension Fund, which makes up over 90% of all the Group's schemes in terms of assets and actuarial liabilities.

The components of the pension expense which arise under SFAS No. 87 are estimated to be as follows:

	1995 £m	1994 £m	1993 £m
Service cost	**205**	233	203
Interest cost	**470**	443	434
Actual return for the year on plan assets	**(984)**	(382)	(1,609)
Net amortisation and deferral	**410**	(138)	1,139
	101	156	167

The £101m US GAAP pension cost (1994 £156m, 1993 £167m) compares with £75m under UK GAAP (1994 £72m, 1993 £76m). The difference, net of UK corporation tax at 33% for all three years, represents the £17m reduction in net income for 1995 (1994 £56m, 1993 £61m).

The following table presents the estimated funded status of the scheme under SFAS No. 87.

	1995 £m	**1995 £m**	1994 £m	1994 £m
Plan assets at fair value		**7,703**		6,892
Accumulated benefit obligation – vested and non-vested	**(5,330)**		(4,811)	
Additional benefits based on estimated future salary levels	**(1,008)**		(1,208)	
Projected benefit obligation		**(6,338)**		(6,019)
Plan assets in excess of projected benefit obligation		**1,365**		873
Amounts available to be applied as reduction of future pension cost:				
Balance of initial transition amount		**(191)**		(216)
Accumulated actuarial difference		**(1,322)**		(779)
Accrued pension cost		**(148)**		(122)

Plan assets are invested primarily in equities, fixed interest securities and property.

In accordance with SFAS No. 87, the calculation of the projected benefit obligation at 30th September, 1995 assumes a weighted average discount rate of 8% (1994 8%, 1993 7.5%). The other main assumptions are that, over the long term, the average discount rate would be 2% higher than the annual increase in total pensionable remuneration, and 4% higher than the annual increase in present and future pensions in payment.

b) Post-retirement benefits

The components of the charge for post-retirement health care which arises under SFAS No. 106 are estimated to be as follows:

	1995 £m	1994 £m	1993 £m
Service cost	**4**	4	4
Interest cost	**13**	12	11
Amortisation of transition obligation	**6**	7	6
	23	23	21

The £23m US GAAP expense (1994 £23m, 1993 £21m) compares with £22m under UK GAAP (1994 £39m, 1993 £18m). The difference net of UK corporation tax at 33% represents the £(1)m net income adjustment for 1995 (1994 £11m, 1993 £(2)m).

64 Differences between UK and US accounting principles (continued)

b) Post-retirement benefits (continued)

Accumulated post-retirement health care obligation (unfunded):	1995 £m	1994 £m
Pensioners	**107**	81
Eligible staff	**56**	67
	163	148
Represented by:		
Unrecognised transition obligation	**100**	117
Unrecognised net loss	**7**	–
Accrued post-retirement health care cost	**56**	31
	163	148

For the purposes of SFAS No. 106 the table above assumes a weighted average discount rate of 7.5% in the United Kingdom and 7% in the United States.

Further details of the post-retirement health care expense under UK GAAP are given in note 7 to the accounts.

c) Leasing – Lessor

The leasing adjustment is dependent upon the value and average age of the leasing portfolio at each period end.

d) Leasing – Lessee

Under US GAAP, provisions are made for losses arising on subleases of certain operating leases which are treated as finance leases under UK GAAP.

e) Deferred tax

In accordance with SFAS No. 109, 'Accounting for Income Taxes', the components of the net US GAAP deferred tax liability are as follows:

Deferred tax liabilities:	1995 £m	1994 £m
Leasing transactions	**(911)**	(887)
Capital allowances	**(23)**	(28)
Other	**(35)**	(27)
Total deferred tax liabilities	**(969)**	(942)
Deferred tax assets:		
Specific allowances	**87**	126
General allowance	**256**	253
Tax losses	**251**	268
Leasing transactions	**2**	3
ACT	**5**	–
Other	**48**	150
Total deferred tax assets before valuation allowance	**649**	800
Less: valuation allowance	**(250)**	(260)
Deferred tax assets less valuation allowance	**399**	540
Net deferred tax liability under US GAAP	**(570)**	(402)

(i) The main components of the tax charge attributable to continuing operations are shown in note 13 to the accounts.

(ii) A reconciliation of tax payable at the UK standard corporation tax rate and Barclays effective tax rate is shown on page 27 in the Financial review.

(iii) The valuation allowance relates to the Group's capital losses and unrelieved overseas tax losses. These assets will be recognised in the future as they are utilised.

f) Loan origination fees and costs

In 1993, Barclays prospectively implemented the SORP on advances, which has similar requirements to SFAS No. 91 for the treatment of fees and direct costs associated with the origination of lendings. Accordingly, from 1993 onward, there is no longer any difference in the recognition of income under UK and US GAAP in regard to these items. The adjustments to UK GAAP net profit for 1993, 1994 and 1995 reflect the amortisation of fees and costs deferred in prior periods under US GAAP.

64 Differences between UK and US accounting principles (continued)

g) Net unrealised gain on investment securities

Unlisted investment equity securities are outside the scope of SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities' and continued to be carried at cost of £39m at 31st December 1995 (1994 £121m). The estimated fair value of these securities was £66m (1994 £163m).

There were no gross gains or gross losses realised on the transfer of debt and equity securities from the available-for-sale category into the trading category in 1995 or 1994.

h) Loan impairment

With effect from 1st January 1995, the Group adopted SFAS No. 114 'Accounting by Creditors for Impairment of a Loan' and the subsequent amendment SFAS No. 118 'Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures' for US GAAP purposes.

SFAS No. 114 applies only to impaired loans, the measurement of which is primarily based upon the present value of expected future cash flows discounted at the loan's effective interest rate. In certain instances this measurement may reflect the loan's observable market value, or the fair value of the collateral if the loan is collateral dependent. Smaller balance homogeneous consumer loans that are collectively evaluated for impairment, are outside the scope of SFAS No. 114, as are debt securities and leases. At 31st December 1995, loans outside the scope of SFAS No. 114 amounted to £1,259m.

In accordance with SFAS No. 114, the Group's total impaired loans are those reported as non-performing on page 51, less impaired loans outside the scope of SFAS No. 114, and amount to £3,734m at 31st December 1995. Credit risk allowances of £1,356m, estimated in accordance with SFAS No. 114, were held against these loans. The average level of such impaired lendings in 1995 was approximately £4,300m.

Having compared the value of the impaired loan portfolio calculated in accordance with SFAS No. 114 with the carrying value under UK GAAP, no adjustment was required to either shareholders' equity at 31st December 1995, or to net income for the year.

Where cash received represents the realisation of security, or there is doubt regarding the recovery of a loan, such receipts are treated as repayments of the loan principal. Otherwise, cash received in respect of impaired loans is recognised as interest income.

Estimated interest income which was recognised in 1995 on impaired loans within the scope of SFAS No. 114 was £40m.

SFAS No. 114 modifies the accounting for in-substance foreclosure, in that only collateralised loans where the Group takes physical possession of the collateral, regardless of formal insolvency procedures, would be reclassified as 'other real estate owned' under US GAAP. At 31st December 1995, other real estate owned and borrowings which would be classified as in-substance foreclosure amounted to approximately £68m (1994 £119m) and are recorded at the lower of cost or market value.

i) Post-employment benefits

SFAS No.112 'Employers' Accounting for Post-employment Benefits' was adopted by the Group in 1994 for the purposes of UK GAAP and this resulted in a £1m (1994 £4m) charge to the profit and loss account.

j) Redundancy costs

Redundancy costs of some £75m were paid in 1995 in respect of approximately 2,500 employees. As at 31st December 1995, provisions existed amounting to some £104m in respect of a similar number of employees.

k) Profit and loss account presentation

There are certain differences in the presentation of the profit and loss account between UK GAAP and US GAAP. For example, profits or losses on redemption of loan capital would be classified as an extraordinary item under US GAAP rather than as a component of net interest income, while profit on disposal of Group undertakings and the write-down of surplus properties would be classified as operating income or expense under US GAAP rather than being shown separately.

65 Consolidated statement of cash flows – discussion of differences between FRS 1 and SFAS No. 95

There are many similarities between SFAS No. 95, as amended by SFAS No. 104, and the UK Financial Reporting Standard 1 (FRS 1), which was implemented by Barclays in 1991. The principal differences, which arise in the different classifications of certain transactions under the categories required by both statements, are:

	Classification under FRS 1	**Classification under SFAS No. 95**
Dividends received	Returns on investment and servicing of finance	Operating activities
Dividends paid	Returns on investment and servicing of finance	Financing activities
Tax paid	Tax paid	Operating activities
Net change in loans and advances, including finance lease receivables	Operating activities	Investing activities
Net change in deposits and debt securities in issue	Operating activities	Financing activities
Net change in short-term funding not included in cash and cash equivalents	Operating activities	Financing activities

Under FRS 1, transactions undertaken to hedge another transaction are reported under the same classification as that which is the subject of the hedge.

Interest paid in the year was £7,003m (1994 £6,383m, 1993 £7,425m).

66 Significant Group concentrations of credit risk

SFAS No. 105 defines a concentration of credit risk as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Barclays exposure to credit risk is concentrated in the United Kingdom where the majority of the Group's activities are conducted. As one of the largest UK banks, Barclays accounts for a significant share of credit exposure to almost all sectors of the economy and the Group is therefore significantly affected by the general economic conditions in the United Kingdom. However, credit risk is well spread over a diversity of both personal and commercial customers, reflecting the Group's risk management policy of imposing limits on exposure to any one single counterparty (see Financial review – Potential credit risk lendings and Risk management).

Outside the United Kingdom, the Group's geographical spread ensures a wide variety of counterparties in the main areas of operation in Europe, the United States and other areas of the world.

As an active participant in the international banking markets, the Group has a significant concentration of credit risk with financial institutions. In total, credit risk exposure to financial institutions was estimated to have amounted to £47.4bn at 31st December 1995, of which £29.1bn consisted of placings and negotiable certificates of deposit and £7.4bn of mark to market balances in respect of exchange and interest rate contracts. The remaining credit risk exposure is largely related to letters of credit and guarantees. Within the overall exposure, the Group maintains relationships with some two thousand banking groups in countries all over the world.

Credit risk in respect of the property sector, included within loans and advances to customers, totalled £5.3bn worldwide at 31st December 1995, with a further exposure of £1.2bn in respect of committed facilities.

See Financial review – Loans and advances to banks and customers, Securities and Trading activities.

67 Fair values of financial instruments

SFAS No. 107, 'Disclosures About Fair Value of Financial Instruments', requires disclosure of the fair value of certain financial instruments (both on- and off-balance sheet) for which it is practicable to estimate such value.

Wherever possible, the Group has estimated fair value using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by the Group. In certain cases, however, including loans and advances to customers, no ready markets currently exist in the United Kingdom wherein exchanges between willing parties occur. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be.

These estimation techniques are necessarily extremely subjective in nature and involve several assumptions. There have been no significant changes in the estimation techniques or the methodology used compared with December 1994.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful. Readers of these accounts are thus advised to use caution when using this data to evaluate the Group's financial position.

Intangible assets, such as the value of the Group's branch network, long-term relationships with its depositors (core deposit intangibles) and credit card holders and capitalised goodwill arising on the acquisition of subsidiary or associated undertakings are not considered to constitute financial instruments for the purposes of SFAS No.107. The Group, however, believes the value of such assets to be significant. Certain other assets and liabilities are likewise excluded from the scope of SFAS No.107.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in the majority of cases, particularly in respect of loans and advances to customers, the Group intends to realise assets through collection over time. As such, the fair values calculated for the purposes of reporting under SFAS No.107 do not represent the value of the Group as a going concern at 31st December 1995.

The estimated fair values at 31st December 1995, and the estimation techniques used in arriving at such values, are summarised as follows:

Assets and liabilities for which fair value is equal to carrying value
The table below details those on-balance sheet assets and liabilities, within the scope of SFAS No.107, which were either (i) carried at market value, or (ii) have minimal credit losses and were either short-term in nature or repriced frequently. As such, the carrying values of the following assets and liabilities presented on the balance sheets on pages 90, 91 and 144, 145 were an approximation of fair value.

Assets	***Liabilities***
Cash and balances at central banks	Deposits by banks and customers repayable on demand (b)
Items in course of collection from other banks	Items in course of collection
Treasury bills and other eligible bills	Other liabilities (a)
Prepayments and accrued income (a)	Accruals and deferred income (a)
Other assets (a)	Provisions for liabilities and charges (a)
Long-term assurance fund assets	Dividends payable
	Long-term assurance fund liabilities

(a) not including items excluded from the scope of SFAS No.107
(b) see Notes 33 and 34

Assets, liabilities and other financial instruments for which fair value is derived using market data and various estimation techniques.

Loans and advances to banks The fair value estimated for loans and advances to banks was approximately £28,900m (1994 £28,900m), as compared to a recorded value, net of allowances for bad and doubtful debts, of £28,865m (1994 £28,922m). Within this calculation, the fair value for placings to banks was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by other financial institutions for placings with similar characteristics. The fair values for loans to banks in countries experiencing liquidity problems were arrived at by reference to secondary market prices.

67 Fair values of financial instruments (continued)

Loans and advances to customers The Group provides lending facilities of varying rates and maturities to corporate and personal customers. Several different techniques are employed, as considered appropriate, in estimating the fair value of such instruments. The fair value of personal loans was estimated either by discounting cash flows at market rates for similar loans offered by the Group and other financial institutions, or by taking into consideration market prices for securities backed by comparable loans, adjusted for differences in loan characteristics. The fair value of corporate loans was estimated by selecting a discount rate reflecting the effects of interest rate changes and making adjustments to take account of the effects of changes in credit risk. The fair values for loans to countries experiencing liquidity problems were arrived at by reference to secondary market prices. SFAS No. 107 does not require, nor has the Group calculated, an estimate of the fair value of lease receivables. For these, the fair value is presumed to equal the recorded value.

The fair value estimated for loans and advances to customers and finance lease receivables at 31st December 1995 was approximately £83,300m (1994 £84,600m), as compared to a recorded value, net of allowances for bad and doubtful debts, of £82,405m (1994 £83,774m).

The fair value of loans subject to non-recourse finance arrangements net of non-returnable finance was approximately equal to the book value of £10m (1994 £9m).

Debt securities and equity shares The market or appraised values for debt securities and equity shares are set out in notes 24 and 25 respectively. The valuation of listed securities and investments is at mid-market prices and that of unlisted securities and investments is based on the Directors' estimate, which takes into consideration discounted cash flows, price earnings ratios and other suitable valuation techniques. At 31st December 1995 the fair value of all debt securities and equity shares was approximately £25,606m (1994 £20,262m) compared to a recorded value of £25,250m (1994 £20,134m).

Deposits by banks and customer accounts In accordance with SFAS No. 107, the fair value of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) was equal to their carrying value. The fair value of all other deposits and other borrowings was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by the Group for deposits of similar remaining maturities.

The fair value estimated for deposits and other borrowings at 31st December 1995 was approximately £118,200m (1994 £116,300m), as compared to a recorded value of £118,225m (1994 £116,317m).

Debt securities in issue and other subordinated liabilities The fair value of debt securities in issue and other subordinated liabilities was estimated using discounted cash flows applying either market rates, where practicable, or rates currently offered by the Group and at 31st December 1995 was estimated to be £7,200m (1994 £9,000m), as compared to a recorded value of £7,227m (1994 £8,969m).

Dated and undated loan capital At 31st December 1995, the estimated fair values for dated and undated convertible and non-convertible loan capital, based upon quoted market rates for the issue concerned or equivalent issues with similar terms and conditions, were £1,730m (1994 £1,659m) and £1,878m (1994 £1,783m), compared with recorded values of £1,571m (1994 £1,562m) and £1,989m (1994 £1,979m) respectively.

Credit-related instruments As outlined in Note 51, the Group has various credit related commitments. However, based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, the present creditworthiness of the counterparties and the effect of related provisions, their replacement value or fair value is not material.

Market-related instruments The Group uses various market related instruments, designated as hedges, to reduce exposure to fluctuations in interest and exchange rates. The fair value of these instruments is estimated using market prices or pricing models consistent with the methods used for valuing similar instruments used for trading purposes. The positive fair values of these market related instruments were approximately £24m less than the positive book value (1994 £6m in excess of the positive book value) and their negative fair values were £162m lower than the negative book value (1994 £296m higher than the negative book value).

Quoted market prices are adopted as fair values of financial instruments held or issued for trading purposes. If quoted market prices are not available, fair values are estimated on the basis of dealer quotes, pricing models, or the quoted prices for financial instruments with similar characteristics.

Additional information on the fair values of financial instruments is given in note 51 to the accounts.

68 Summarised financial information of BarclaysAmericanCorporation (BAC)

The following selected information for BAC, in lieu of it reporting separately, has been prepared under US GAAP.

	1995 $000	1994 $000
Total assets	**425,448**	3,139,954
Senior debt	**185,020**	2,666,695
Subordinated debt	**96,649**	96,649
Shareholders' equity	**30,887**	208,165

$87,445,000 of the senior debt was due to affiliates (1994: $2,437,400,000).

	1995 $000	1994 $000	1993 $000
Interest income	**64,867**	257,343	260,125
Interest expense	**(39,612)**	(147,882)	(146,992)
Provision for loan loss	**12,171**	(19,242)	(76,556)
Amortisation of purchased mortgage servicing rights	**(2,500)**	(58,500)	(398,800)
Net income/(loss)	**212,722**	104,897	(245,561)

On 31st January 1995, BAC sold the asset-backed finance operations of Barclays Business Credit, which represented 72% of the total assets of BAC at 31st December 1994 and 47% of its 1994 net income. On 31st March 1995, the mortgage servicing portfolio and servicing facilities of BarclaysAmerican/Mortgage were sold and, on 7th July 1995, the sale of the mortgage origination business of BarclaysAmerican/Mortgage was completed.

All of the senior and subordinated debt of BAC is fully guaranteed by Barclays Bank PLC.

69 Ratio of earnings to fixed charges and preference share dividends

Ratio of earnings to fixed charges	**1995**	1994	1993	1992	1991
UK GAAP:					
Excluding interest on deposits	**1.90**	1.95	1.31	0.88	1.23
Including interest on deposits	**1.28**	1.30	1.09	0.97	1.05
US GAAP:					
Excluding interest on deposits	**1.85**	1.85	1.21	0.86	1.16
Including interest on deposits	**1.27**	1.27	1.06	0.97	1.03

Ratio of earnings to combined fixed charges and preference share dividends					
UK GAAP:					
Excluding interest on deposits	**1.87**	1.87	1.25	0.86	1.19
Including interest on deposits	**1.28**	1.28	1.07	0.97	1.04
US GAAP:					
Excluding interest on deposits	**1.82**	1.77	1.16	0.83	1.12
Including interest on deposits	**1.26**	1.25	1.05	0.96	1.02

Form 20-F cross reference and other information

Form 20-F item number **Page reference in this document**

Currency of presentation

In this report, unless otherwise specified, all amounts are expressed in pounds sterling. For the years indicated, the high, low, average and year-end noon buying rates for cable transfers in New York City, payable in pounds sterling, based on reports issued by the Federal Reserve Bank of New York, were:

	1995	1994	1993	1992	1991
		(US dollars per pound sterling)			
High	**1.64**	1.64	1.59	2.00	2.00
Low	**1.53**	1.46	1.42	1.51	1.60
Average*	**1.58**	1.54	1.50	1.76	1.76
Year-end	**1.55**	1.57	1.48	1.51	1.87

*The average of the noon buying rates for cable transfers in New York City on the last day of each month.

On 16th February 1996, the noon buying rate for cable transfers in New York City, payable in pounds sterling, was $1.55 per pound sterling. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into US dollars at that rate or at any of the above rates. For the purpose of presenting financial information in this report, exchange rates other than those shown above may have been used.

Glossary

Term used in annual report	**US equivalent or brief description**
Accounts	Financial statements
Advance corporation tax	No direct US equivalent. Tax paid on company distributions recoverable from UK taxes due on income
Allotted	Issued
Attributable profit	Net income
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Class of business	Industry segment
Fees and commissions receivable	Fee and commission income
Fees and commissions payable	Fee and commission expense
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interest receivable	Interest income
Interest payable	Interest expense
Loans and advances	Lendings
Loan capital	Long-term debt
Net asset value	Book value
Profit	Income
Profit and loss account	Income statement
Profit and loss account reserve	Retained earnings
Revaluation reserve	No direct US equivalent. Represents the increase in the valuation of certain assets as compared with historical cost
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Shareholders' funds	Shareholders' equity
Share premium account	Additional paid-up capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Tangible fixed assets	Property and equipment
Write-offs	Charge-offs

Consolidated profit and loss account Barclays Bank PLC
For the year ended 31st December 1995

	Note	1995 £m	1994 £m	1993 £m
Interest receivable:	1			
Interest receivable and similar income arising from debt securities		**972**	676	722
Other interest receivable and similar income		**10,090**	9,303	10,363
		11,062	9,979	11,085
Interest payable	2	**7,237**	6,293	7,210
Profit/(loss) on redemption of loan capital	3	**–**	(60)	22
Net interest income		**3,825**	3,626	3,897
Fees and commissions receivable		**2,884**	2,910	2,744
Less: fees and commissions payable		**(211)**	(211)	(223)
Dealing profits	4	**394**	384	657
Other operating income	5	**359**	221	326
Operating income		**7,251**	6,930	7,401
Administrative expenses – staff costs	6	**2,907**	2,680	2,728
Administrative expenses – other	8	**1,765**	1,655	1,772
Depreciation and amortisation	9	**332**	237	314
Operating expenses		**5,004**	4,572	4,814
Operating profit before provisions		**2,247**	2,358	2,587
Provisions for bad and doubtful debts	10	**396**	602	1,869
Provisions for contingent liabilities and commitments	39	**3**	–	49
Provisions		**399**	602	1,918
Operating profit		**1,848**	1,756	669
Profit on disposal of Group undertakings	11	**238**	107	–
Write-down of surplus properties	12	**(3)**	(4)	(8)
Profit on ordinary activities before tax		**2,083**	1,859	661
Tax on profit on ordinary activities	13	**676**	608	282
Profit on ordinary activities after tax		**1,407**	1,251	379
Minority interests – equity		**(18)**	(16)	(14)
Profit for the financial year attributable to the members of Barclays Bank PLC (Net income)		**1,389**	1,235	365
Dividends payable to Barclays PLC	c	**(602)**	(343)	(162)
Dividends payable to preference shareholders	c	**(25)**	(56)	(55)
Profit retained for the financial year		**762**	836	148

The note numbers refer to the notes on pages 95 to 139, whereas the note letters refer to those on pages 148 to 150.

Statement of total recognised gains and losses Barclays Bank PLC

For the year ended 31st December 1995

	1995 £m	1994 £m	1993 £m
Profit for the financial year attributable to the members of Barclays Bank PLC	**1,389**	1,235	365
Exchange rate translation differences	**54**	4	(63)
Write-down of properties against revaluation surplus	**–**	–	(7)
Revaluation of interest in associated undertakings	**–**	25	–
Other items	**(1)**	1	5
Total recognised gains relating to the year	**1,442**	1,265	300
Prior year adjustment	**–**	(104)	–
	1,442	1,161	300

Historical cost profits and losses Barclays Bank PLC

For the year ended 31st December 1995

	1995 £m	1994 £m	1993 £m
Reported profit on ordinary activities before tax	**2,083**	1,859	661
Write-down of surplus properties	**3**	4	8
Realisation of property revaluation gains of previous years	**9**	12	14
Difference between historical cost and actual depreciation charges	**(2)**	(3)	(2)
Historical cost profit on ordinary activities before tax	**2,093**	1,872	681
Historical cost profit retained after tax, minority interests and dividends	**772**	849	168

Consolidated balance sheet Barclays Bank PLC
As at 31st December 1995

	Note	1995 £m	1995 £m	1994 £m	1994 £m
Assets					
Cash and balances at central banks			**767**		800
Items in course of collection from other banks			**2,666**		2,651
Treasury bills and other eligible bills	17		**7,213**		6,845
Loans and advances to banks	18		**28,865**		28,922
Loans and advances to customers	19		**82,405**		83,774
Loans subject to non-recourse finance arrangements	23	**514**		659	
Less: non-returnable finance		**(504)**		(650)	
			10		9
Debt securities	24		**23,262**		17,893
Equity shares	25		**1,988**		2,241
Interests in associated undertakings	26		**69**		43
Intangible fixed assets	27		**229**		–
Tangible fixed assets	28		**2,063**		2,127
Other assets	30		**12,832**		12,549
Prepayments and accrued income	32		**1,815**		1,509
			164,184		159,363
Long-term assurance fund assets attributable to policyholders	31		**4,642**		3,040
Total assets			**168,826**		162,403

The note numbers refer to the notes on pages 95 to 139.

	Note	1995 £m	1995 £m	1994 £m	1994 £m
Liabilities					
Deposits by banks	33		**29,971**		27,007
Customer accounts	34		**88,254**		89,310
Debt securities in issue	35		**7,136**		8,848
Items in course of collection due to other banks			**1,899**		1,459
Other liabilities	36		**22,784**		19,835
Balances due to Barclays PLC			**268**		213
Accruals and deferred income	37		**2,097**		1,933
Provisions for liabilities and charges – deferred tax	38		**617**		460
Provisions for liabilities and charges – other	39		**137**		146
Subordinated liabilities:					
Undated loan capital – convertible to preference shares	40		**322**		320
Undated loan capital – non-convertible	40		**1,667**		1,659
Dated loan capital – non-convertible	41		**1,571**		1,562
Other subordinated liabilities – non-convertible	42		**91**		121
			156,814		152,873
Minority interests and shareholders' funds					
Minority interests – equity			**62**		50
Called up share capital	a	**2,034**		2,022	
Share premium account		**1,445**		1,405	
Revaluation reserve		**57**		62	
Profit and loss account		**3,772**		2,951	
Shareholders' funds – equity and non-equity	b		**7,308**		6,440
			7,370		6,490
			164,184		159,363
Long-term assurance fund liabilities to policyholders	31		**4,642**		3,040
Total liabilities and shareholders' funds			**168,826**		162,403

	Note	1995 £m	1994 £m
Memorandum items	51		
Contingent liabilities:			
Acceptances and endorsements		**1,036**	1,493
Guarantees and assets pledged as collateral security		**5,645**	6,289
Other contingent liabilities		**4,947**	4,744
		11,628	12,526
Commitments – sale and option to resell transactions		**150**	229
Commitments – standby facilities, credit lines and other		**43,534**	42,838
		43,684	43,067

The note numbers refer to the notes on pages 95 to 139, whereas the note letters refer to those on pages 148 to 150.

For the year ended 31st December 1995

	1995 £m	1994 £m	1993 £m
Share premium account			
At beginning of year	**1,405**	1,404	1,360
Premium arising on shares issued	**38**	35	30
Exchange rate translation differences	**2**	(34)	14
At end of year	**1,445**	1,405	1,404
Revaluation reserve			
At beginning of year	**62**	51	65
Exchange rate translation differences	**–**	1	(8)
Write-down of properties against revaluation surplus	**–**	–	(7)
Revaluation of interest in associated undertakings	**–**	25	–
Realisation of revaluation surplus	**(7)**	(16)	(7)
Other items	**2**	1	8
At end of year	**57**	62	51
Profit and loss account			
At beginning of year	**2,951**	2,376	2,293
Profit retained	**762**	836	148
Loss on redemption of preference shares	**–**	(18)	–
Redemption of preference shares	**–**	(320)	–
Exchange rate translation differences	**52**	37	(69)
Goodwill arising on acquisitions	**(2)**	(3)	(3)
Goodwill written back on disposals	**5**	27	3
Realisation of revaluation surplus	**7**	16	7
Other items	**(3)**	–	(3)
At end of year	**3,772**	2,951	2,376
Total reserves	**5,274**	4,418	3,831

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the consolidated profit retained and the other reserves of overseas subsidiary and associated undertakings at 31st December 1995 totalled £328m (1994 £119m, 1993 deficit £64m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Goodwill amounting to £486m (1994 £489m, 1993 £513m) has been charged directly against reserves in the current and prior years in respect of acquisitions. This amount is net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

Consolidated cash flow statement Barclays Bank PLC
For the year ended 31st December 1995

	Note	1995 £m	1995 £m	1994 £m	1994 £m	1993 £m	1993 £m
Net cash (outflow)/inflow from operating activities	d		**(3,469)**		10,258		6,702
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(296)**		(321)		(309)	
Dividends received from associated undertakings		**10**		63		9	
Ordinary dividends paid		**(595)**		(329)		(158)	
Preference dividends paid		**(25)**		(56)		(55)	
Dividends paid to minority shareholders		**(10)**		(9)		(7)	
Net cash outflows from returns on investment and servicing of finance			**(916)**		(652)		(520)
Tax paid			**(633)**		(311)		(92)
Investing activities:							
Capital expenditure		**(325)**		(367)		(261)	
Acquisition of subsidiary undertakings	58	**(251)**		–		–	
Acquisition of minority interests		**–**		(6)		(23)	
Sale of property and equipment		**74**		78		68	
Purchase of investment securities		**(6,900)**		(4,902)		(4,406)	
Redemption of investment securities		**1,625**		2,419		1,469	
Sale of investment securities		**2,173**		2,051		534	
Purchase of associated undertakings		**–**		(1)		(1)	
Sale of subsidiary and associated undertakings	54	**1,812**		404		14	
Net cash outflow from investing activities			**(1,792)**		(324)		(2,606)
Net cash (outflow)/inflow before financing			**(6,810)**		8,971		3,484
Financing:	e						
Issue of loan capital and other subordinated liabilities		**–**		–		819	
Redemption of loan capital and other subordinated liabilities		**(31)**		(611)		(515)	
Redemption of preference shares		**–**		(338)		–	
Issue of ordinary shares		**50**		47		44	
Net cash inflow/(outflow) from financing			**19**		(902)		348
(Decrease)/increase in cash and cash equivalents	56		**(6,791)**		8,069		3,832

The note numbers refer to the notes on pages 95 to 139, whereas the note letters refer to those on pages 148 to 150.

a Called up share capital

Ordinary shares

The authorised ordinary share capital of the Bank, at 31st December 1995, was 2,500 million (1994 2,500 million) ordinary shares of £1 each.

Called up ordinary share capital, allotted and fully paid	**1995 £m**	1994 £m	1993 £m
At beginning of year	**2,022**	2,010	1,996
Issued for cash	**12**	12	14
At end of year	**2,034**	2,022	2,010

Preference shares

The authorised preference share capital of the Bank is 150 million (1994 150 million) shares of $0.01 each. At 31st December 1995, 34.92 million (1994 34.92 million) preference shares were outstanding and had been issued for a consideration of $436.5m (£281m), of which the nominal value was $349,200 and the balance was share premium.

	Number of shares issued	Nominal value per share $	Premium per share $	Liquidation value per share $	Earliest redemption date
Series C1	8,960,000	0.01	19.99	20.00	29th June 2000
Series C2	8,960,000	0.01	4.99	5.00	29th June 2000
Series D1	8,500,000	0.01	19.99	20.00	29th March 2001
Series D2	8,500,000	0.01	4.99	5.00	29th March 2001

The Series C1 and C2 Preferences Shares and the Series D1 and D2 Preference Shares are respectively redeemable, at the option of the Bank, as a whole at their liquidation values, together with accrued and unpaid dividends for the current quarterly dividend period to the date of redemption.

In the event of a winding up, the holders of preference shares will be entitled to receive, before any distribution of assets is made to holders of ordinary shares of Barclays Bank PLC, liquidating distributions in the amounts of Series C1 and D1, $20; and Series C2 and D2, $5 per share plus an amount equal to accrued and unpaid dividends for the current quarterly dividend period to the date of commencement of the winding up.

The holders of preference shares are not entitled to receive notice of, or to attend or vote at, any general meeting of Barclays Bank PLC, except where there has been a failure to pay the equivalent of six consecutive quarterly dividends (in which case they may appoint two additional Directors), or where a resolution is proposed for adoption by shareholders providing for the winding up of the Bank. However, Series C1 and Series D1 Preference shareholders may receive notice of and attend the general meeting called for the purpose and vote on that resolution.

In the event of the conversion of the Series E Notes (see page 113), the rights of the Series E1 and E2 Preference Shares are the same as those for Series D1 and D2 respectively. The Series E Preference Shares issued on conversion are redeemable, at the option of the Bank, in full on or after 30th April 2003.

b Shareholders' funds

Shareholders' funds at 31st December 1995 include £281m (1994 £279m) of non-equity share premium (see Preference shares in note a above). All other shareholders' funds represent equity interests.

c Dividends

On ordinary shares	**1995 £m**	1994 £m	1993 £m
First interim dividend	**181**	130	21
Second interim dividend	**153**	195	137
Third interim dividend	**243**	18	4
Final dividend	**25**	–	–
	602	343	162

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and, in 1995, to fund the repurchase by Barclays PLC of 25 million of its ordinary shares, at a total cost of £181m.

Dividends on the preference shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders, expressed as percentages of the liquidation values of the relevant preference shares, of 11.25% on Series C1 and Series C2 Preference Shares and 11.5% on Series D1 and Series D2 Preference Shares. Preference dividends paid totalled $40m (£25m) in 1995, $86m (£56m) in 1994 and $83m (£55m) in 1993.

c Dividends (continued)

In the event of the conversion of the Series E Notes, the annual dividends, expressed as a percentage of the liquidation values, on the Series E1 and E2 Preference Shares would be 9.25%.

d Reconciliation of operating profit to net cash flow from operating activities

	1995 £m	1994 £m	1993 £m
Net cash (outflow)/inflow from operating activities of Barclays PLC (see note 53)	**(3,517)**	10,200	6,745
Increase/(decrease) in balance due by Barclays Bank PLC to Barclays PLC	**48**	58	(43)
Net cash (outflow)/inflow from operating activities of Barclays Bank PLC	**(3,469)**	10,258	6,702

e Changes in financing during the year

Barclays Bank PLC	Undated loan capital £m	Dated loan capital £m	Other sub-ordinated liabilities £m	Ordinary shares £m	Share premium £m
At beginning of year	**1,979**	**1,562**	**121**	**2,022**	**1,405**
Exchange rate and other movements	**10**	**9**	**1**	**–**	**2**
Net cash (outflow)/inflow from financing	**–**	**–**	**(31)**	**12**	**38**
At end of year	**1,989**	**1,571**	**91**	**2,034**	**1,445**

f Segmental analysis

By geographical segments (a)	1995 £m	1995 %	1994 £m	1994 %	1993 £m	1993 %
Attributable profit						
United Kingdom	**1,082**	**78**	849	69	707	193
Foreign UK-based	**136**	**10**	261	21	153	42
Other European Union	**(195)**	**(14)**	(154)	(12)	(173)	(47)
United States	**280**	**20**	196	16	(413)	(113)
Rest of the World	**86**	**6**	83	6	91	25
	1,389	**100**	1,235	100	365	100

Notes

(a) For the basis of the geographical analysis, see Analyses by geographical segments and classes of business on page 87.

g Differences between UK and US accounting principles – Barclays Bank PLC

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	Note	1995 £m	1994 £m	1993 £m
Approximate net income (US GAAP) of Barclays PLC Group (from page 132)		**1,311**	1,027	199
Preference share dividends of Barclays Bank PLC		**25**	56	55
Approximate net income (US GAAP) of Barclays Bank PLC Group		**1,336**	1,083	254

	Note	1995 £m	1994 £m
Shareholders' funds (UK GAAP) of Barclays Bank PLC Group		**7,308**	6,440
Goodwill		**296**	322
Pension cost	(a)	**(102)**	(85)
Post-retirement benefits	(b)	**8**	9
Leasing – Lessor	(c)	**(104)**	(68)
Leasing – Lessee	(d)	**3**	2
Deferred tax	(e)	**47**	58
Property depreciation		**(59)**	(60)
Loan origination fees and costs	(f)	**–**	(16)
Exchange of country risk debt		**–**	(23)
Shareholders' interest in the long-term assurance fund		**(357)**	(357)
Revaluation of property		**(299)**	(257)
Net unrealised gain on investment securities	(g)	**221**	57
Dividend payable		**25**	18
Approximate shareholders' equity (US GAAP) of Barclays Bank PLC Group		**6,987**	6,040

The note numbers refer to the notes on pages 133 to 135.

Selected financial statistics	1995 %	1994 %	1993 %	1992 %	1991 %
Attributable profit/(loss) as a percentage of:					
average total assets (note (a))	**0.84**	0.75	0.22	(0.20)	0.19
average shareholders' funds	**20.19**	20.14	6.27	(4.95)	4.39
Average shareholders' funds as a percentage of average total assets (note (a))	**4.18**	3.75	3.49	3.99	4.39

Selected profit and loss account data	£m	£m	£m	£m	£m
Interest receivable	**11,062**	9,979	11,085	12,968	14,552
Interest payable	**7,237**	6,293	7,210	9,288	10,978
Profit/(loss) on redemption of loan capital	**–**	(60)	22	–	–
Other operating income	**3,426**	3,304	3,504	3,032	2,735
Operating expenses	**5,004**	4,572	4,814	4,341	4,275
Provisions– bad and doubtful debts	**396**	602	1,869	2,465	1,500
– contingent liabilities and commitments	**3**	–	49	8	4
Profit/(loss) on disposal of Group undertakings	**238**	107	–	(82)	–
Write-down of surplus properties	**(3)**	(4)	(8)	(60)	–
Profit/(loss) before tax	**2,083**	1,859	661	(244)	530
Attributable profit/(loss)	**1,389**	1,235	365	(300)	280

Selected balance sheet data	£m	£m	£m	£m	£m
Shareholders' funds	**7,308**	6,440	5,841	5,714	6,164
Dated and undated loan capital	**3,560**	3,541	4,183	3,765	3,146
Deposits by banks, customer accounts and debt securities in issue	**125,361**	125,165	133,288	126,393	118,965
Loans and advances to banks and customers	**111,270**	112,696	117,078	114,579	108,066
Total assets	**168,826**	162,403	166,051	159,902	144,492

Note

(a) For the purposes of this summary, the long-term assurance fund assets attributable to policyholders have been excluded from average total assets.

The following financial information has been adjusted from data prepared under UK GAAP to reflect significant differences from accounting principles generally accepted in the United States (US GAAP). See note 64 for an explanation of these differences.

Selected financial statistics

	1995(b) ¢	1995 p	1994 p	1993 p	1992 p	1991 p
Barclays PLC Group						
Earnings/(loss) per £1 ordinary share	**124.8**	**80.5**	63.0	12.3	(15.6)	8.0
Dividends per £1 ordinary share	**34.9**	**22.5**	16.7	12.5	21.2	21.2
Book value per £1 ordinary share	**663**	**428**	364	306	306	338
Net income/(loss) as a percentage of:		%	%	%	%	%
average total assets		**0.78**	0.61	0.12	(0.16)	0.08
average shareholders' equity		**20.75**	18.88	4.02	(4.77)	2.28
Dividends as a percentage of net income/(loss)		**27.92**	26.39	101.01	(135.60)	264.57
Average shareholders' equity as a percentage of average total assets		**3.74**	3.25	2.88	3.35	3.73
Barclays Bank PLC Group						
Net income/(loss) as a percentage of:						
average total assets		**0.79**	0.65	0.15	(0.13)	0.11
average shareholders' equity		**20.94**	18.91	4.66	(3.62)	2.87
Average shareholders' equity as a percentage of average total assets		**3.77**	3.42	3.18	3.63	3.91

Selected financial statement data

	$m	£m	£m	£m	£m	£m
Net income/(loss) (note (a)):						
Barclays PLC Group	**2,032**	**1,311**	1,027	199	(250)	127
Barclays Bank PLC Group	**2,071**	**1,336**	1,083	254	(205)	168
Shareholders' equity (note (a)):						
Barclays PLC Group	**10,771**	**6,949**	5,956	4,974	4,919	5,407
Barclays Bank PLC Group	**10,830**	**6,987**	6,040	5,466	5,358	5,734
Total assets	**262,561**	**169,394**	162,971	167,408	162,776	146,859

Notes

(a) Net income /(loss) and shareholders' equity have been adjusted to reflect significant differences between UK and US GAAP, as shown in note 64 to the accounts. Total assets have been adjusted to reflect such differences and also to include acceptances

(b) The dollar financial information has been translated for convenience at the rate of $1.55 to £1, the noon buying rate for cable transfers in New York City, payable in pounds sterling, at 31st December 1995.

Dividends on the ordinary shares of Barclays PLC

Barclays PLC has paid dividends on its ordinary shares every year without interruption since its incorporation in 1896.

The dividends declared for each of the last five years were:

Pence per £1 ordinary share

	1995	1994	1993	1992	1991
First interim	**9.50**	8.00	6.50	9.15	9.15
Final (previous years second interim)	**16.50**	13.00	8.65	6.00	12.00
	26.00	21.00	15.15	15.15	21.15

US Dollars per £1 ordinary share

	1995	1994	1993	1992	1991
First interim	**0.15**	0.13	0.10	0.15	0.16
Final (previous years second interim)	**0.26**	0.20	0.13	0.09	0.21
	0.41	0.33	0.23	0.24	0.37

The gross dividends applicable to an American Depositary Share (ADS) representing four ordinary shares, before deduction of withholding tax, but including the UK imputed tax credit (see Taxation) are as follows.

US Dollars per American Depositary Shares

	1995	1994	1993	1992	1991
First interim	**0.75**	0.63	0.50	0.82	0.84
Final (previous years second interim)	**1.28**	1.03	0.65	0.49	1.15
	2.03	1.66	1.15	1.31	1.99

Dividends expressed in dollars are translated from sterling at the noon buying rates for cable transfers in New York City for the days on which dividends are paid, except for the 1995 final dividend, payable in the United Kingdom on 2nd May 1996, which is translated to dollars using the noon buying rate applicable on 16th February 1996, the latest practical date for inclusion in this report. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into dollars at these rates.

At the 1993 Annual General Meeting, shareholders authorised the Directors for a five year period to offer shareholders the option to elect to receive new ordinary shares in lieu of cash dividends. Under the rules of the Share Dividend Scheme, such an election is not available to shareholders in the United States and Canada (including holders of Barclays American Depositary Receipts (ADRs)).

Dividends on the preference shares of Barclays Bank PLC

Dividends on the preference shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders of 11.25% on the aggregate liquidation values of Series C1 and Series C2 Preference Shares and 11.5% on the aggregate liquidation values of Series D1 and Series D2 Preference Shares.

Trading market for ordinary shares of Barclays PLC

The nominal capital of Barclays PLC is divided into 1,999,000,000 ordinary shares of £1 each (ordinary shares) and 1,000,000 staff shares of £1 each (staff shares). At the close of business on 31st December 1995, 1,622,230,755 £1 ordinary shares and 875,000 staff shares were outstanding.

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. Ordinary share listings were also obtained on the Tokyo Exchange with effect from 1st August 1986 and the New York Stock Exchange (NYSE) with effect from 9th September 1986.

Trading on the NYSE is in the form of ADSs under the symbol 'BCS'. Each ADS represents four £1 ordinary shares and is evidenced by an ADR. The ADR depositary is Morgan Guaranty Trust Company of New York. Details of trading activity are published in the stock tables of leading daily newspapers in the United States.

There were 452 recorded holders of ordinary shares, including those holding ADRs, with US addresses at 31st December 1995, whose shareholdings represented approximately 0.42% of total outstanding ordinary shares on that date.

The following table shows the high and low sales prices for the £1 ordinary shares during the periods indicated, based on mid-market prices at close of business on the London Stock Exchange and the high and low sale prices for ADSs as reported on the NYSE composite tape.

	£1 ordinary shares		American Depositary Shares	
	High	Low	High	Low
1995	p	p	US$	US$
Fourth quarter	**810**	**725**	**50¼**	**45¼**
Third quarter	**766**	**681**	**48¼**	**43¼**
Second quarter	**714**	**623**	**45½**	**40⅝**
First quarter	**627**	**564**	**41¼**	**36**
1994				
Fourth quarter	617	542	40	34⅞
Third quarter	599	522	38	31⅞
Second quarter	562	499	34½	30
First quarter	636	502	38¼	30½

At 31st December 1995, Barclays Bank PLC had outstanding 34,920,000 non-cumulative dollar-denominated preference shares, issued in 1990 and 1991, with a nominal value of $0.01 each. Currently, the only trading market for these shares is the NYSE where they are traded in the form of ADSs, each ADS representing one preference share and being evidenced by an ADR. The Series C1 and Series C2 Preference Share ADSs are traded on the NYSE as Series C Preference Share ADS Units and each such Unit comprises one Series C1 Preference Share ADS and one Series C2 Preference Share ADS. Identical arrangements exist for the Series D1 and Series D2 Preference Share ADSs to trade as Series D Preference Share ADS Units. The ADR depositary is Morgan Guaranty Trust Company of New York.

At 31st December 1995, the Series C Preference Share ADR Units were held by 907 recorded holders and the Series D Preference Share ADR Units by 1,480 recorded holders, all with US addresses.

The following table shows the high and low sale prices for the Series C and Series D Preference Share ADS Units during the periods indicated, as reported on the NYSE composite tape

	American Depositary Shares			
	Series C		Series D	
	High	Low	High	Low
1995	US$	US$	US$	US$
Fourth quarter	**29**	**27¾**	**29¼**	**27⅞**
Third quarter	**28¾**	**27⅜**	**29⅜**	**27¾**
Second quarter	**28⅛**	**26⅝**	**28¾**	**26¾**
First quarter	**28⅝**	**26⅝**	**28⅝**	**27**
1994				
Fourth quarter	28⅛	25⅜	28½	25½
Third quarter	28¼	26¾	28⅞	27¼
Second quarter	28¼	26⅜	28⅝	26⅝
First quarter	30¼	27⅜	30⅝	28⅛

The Series C1 and C2 Preference Share ADSs were issued during 1990 and the Series D1 and Series D2 Preference Share ADSs were issued during 1991.

Note

This section incorporates information on the prices at which securities of Barclays PLC and Barclays Bank PLC have traded. It is emphasised that past performance cannot be relied upon as a guide to future performance.

Taxation

The following is a summary of the principal tax consequences for holders of ordinary shares of Barclays PLC, preference shares of the Bank, ADRs representing such ordinary shares or preference shares and loan capital guaranteed by the Bank, who are citizens or residents of the United Kingdom or United States, or otherwise who are subject to UK tax or US federal income tax on a net income basis in respect of such securities. It is not, however, a comprehensive analysis of all the potential tax consequences for such holders and investors are advised to consult their tax advisers on the tax implications of their particular holdings, including the consequences under applicable state and local law.

The statements of tax laws set out below are based on the laws in force as at the date of this report and are subject to any subsequent changes in UK or US law, or in any double tax convention between the United States and the United Kingdom.

For the purposes of the current US-UK double tax conventions relating to income tax (the 'Income Tax Convention') and estate and gift tax (the 'Estate Tax Convention') and for the purposes of the US Internal Revenue Code of 1986, as amended (the Code), the holders of ADRs are treated as owners of the underlying ordinary shares or preference shares, as the case may be.

Taxation of UK Holders

Taxation of capital gains Since 6th April 1988, the market valuation at 31st March 1982 may be substituted for the original cost of shares purchased before that date. To arrive at the total cost of any holdings of shares of Barclays PLC, the amount subscribed for rights taken up in 1985 and 1988 should be added to the value of the holding calculated as above.

When selling shares, shareholders may also be entitled to indexation relief, which is calculated on the market value at 31st March 1982, on the cost of subsequent purchases from the date of such purchases and on the subscription for rights from the date of the subscription payment.

Shareholders are advised to consult an office of Barclays Financial Services Limited if further information regarding a possible tax liability in respect of their holdings of Barclays PLC shares is required.

Taxation of dividends In accordance with UK law, Barclays PLC and the Bank pay dividends on ordinary shares and preference shares without any deduction or withholding tax in respect of any taxes imposed by the UK Government or any UK taxing authority. However, following payment of a dividend, account must generally be made to the Commissioners of Inland Revenue for advance corporation tax (ACT) which is currently equal to $^1/_4$ of the dividend paid.

If the shareholder is a UK resident individual liable to income tax only at the basic rate or the lower rate, then there will be no further tax liability in respect of the dividend received. If, however, the individual shareholder is subject to income tax at the higher rate (currently 40%), there will be a further liability to tax on the sum of the cash dividend received and the tax credit in respect of the dividend (the amount of the credit is the amount of the ACT). If the shareholder's tax liability is less than the tax credit attached to the dividend the shareholder is, in general, entitled to make a repayment claim. The amount that may be reclaimed is the amount by which the tax credit exceeds the shareholder's total tax liability.

Scrip dividends Where a UK resident individual shareholder elects to receive new shares instead of a dividend in cash the individual will, in general, be taxed on the basis of having received gross income of an amount which, when reduced by income tax at the lower rate (currently 20% on that income), is equal to the cash dividend which would have been received if the election had not been made.

Normally, if a dividend is received in cash and the recipient's income tax liability is less than the tax credit attached to the dividend, the shareholder is entitled to make a repayment claim. However, no such repayment claim can be made for lower rate income tax credited as paid when new shares are taken instead of a cash dividend. If a shareholder does not pay income tax, he or she should consider carefully whether they should take new shares instead of a cash dividend.

However, for shareholders who pay income tax at the lower rate, basic rate or higher rate, the consequences for the individual of receiving scrip dividends are broadly the same as described in 'Taxation of dividends' above.

Special rules apply for scrip dividends received by UK resident trustees, UK resident corporate shareholders and UK resident gross funds.

Stamp duty On the purchase of shares, stamp duty at the rate of $^1/_2$% is payable on the purchase price of the shares.

Inheritance tax An individual may be liable to inheritance tax on the transfer of ordinary shares or preference shares. Where an individual is liable, inheritance tax may be charged on the amount by which the value of his or her estate is reduced as a result of any transfer by way of gift or other gratuitous transaction made by them or treated as made by them.

Taxation of US Holders

Taxation of dividends Barclays PLC and the Bank pay dividends on their ordinary shares and preference shares and when doing so must generally account for ACT which is currently equal to one-quarter of the dividend paid.

Under the Income Tax Convention, a beneficial owner of ordinary shares or preference shares who is a resident of the US and not a resident of the UK, whose holding is not effectively connected with a permanent establishment or fixed base in the UK and who is not subject to special rules (such as those that apply to US tax-exempt entities and certain investment or holding companies, 25% of the capital of which is held directly or indirectly by persons that are not individual residents or nationals of the US (a 'US Holder')) will generally be entitled to receive a refund from the UK Inland Revenue, in addition to any dividend paid by Barclays PLC or the Bank, of an amount equal to the tax credit available to UK resident individuals (i.e. the amount of the ACT), less a withholding tax equal to 15% of the aggregate of the tax credit and the dividend.

US Holders of ADRs generally may receive payment of the refund together with, and at the same time as, the associated dividend. A US Holder who does not receive a refund to which they are entitled must, in order to obtain it, file a claim for payment in the manner, and at the time, specified by procedures established by the UK Inland Revenue.

Dividends received by a US Holder will be foreign source income for US federal income tax purposes in the amount equal to the US dollar value of the payment, on the date of such payment. Dividends generally will not be eligible for the 'dividends received' deduction allowed to US corporations under the Code. Subject to certain limitations, UK tax withheld from payments will be available as a credit against US tax.

Taxation of capital gains Generally, US Holders will not be subject to UK tax, but will be subject to US tax on capital gains realised on the sale or other disposition of ordinary shares, preference shares or ADRs.

Taxation of redemption premium In the event that the Bank redeems a preference share, any excess paid by the Bank over the amount originally subscribed for such preference share (the premium) will be treated for UK tax purposes in broadly the same manner as a dividend paid by the Bank. Accordingly, as described under 'Taxation of dividends' above, the Bank will normally be required to account for ACT in respect of the premium and US Holders may be eligible for a refund under the Income Tax Convention. Similar taxation consequences are likely to flow from a purchase by Barclays PLC of its own shares.

For US tax purposes, redemption premium generally will be treated as an additional amount realised in the calculation of gain or loss.

Stamp duty No stamp duty is payable on the transfer of an ADR, provided that the separate instrument of transfer is not executed in, and remains at all times outside, the United Kingdom.

Estate and gift tax Under the Estate Tax Convention, a US Holder generally is not subject to UK inheritance tax.

Payments under loan capital guarantees It is unclear whether, under current UK law and Inland Revenue practice, the Bank would be required to deduct or withhold UK income tax from any payment of interest made to residents of the United States in respect of the guarantees given by the Bank in relation to the long-term debt issues by Barclays North American Capital Corporation. However, the terms of such guarantees impose a grossing up obligation on the Bank, subject to limited exceptions, in regard to any payment thereunder which is subject to any such deduction or withholding.

Exchange controls and other limitations affecting security holders

There are currently no UK laws, decrees or regulations which would affect the transfer of capital or remittance of dividends, interest and other payments to holders of Barclays securities who are not residents of the United Kingdom. There are also no restrictions under the Articles of Association of either Barclays PLC or the Bank, or under current UK laws, which limit the right of non-resident or foreign owners, to hold Barclays securities or, when entitled to vote, to do so.

Shareholder enquiries

Investors who have any questions about their investment in Barclays, or about Barclays in general, may write to:

Investor Relations Director, Barclays Bank PLC, 54 Lombard Street, London EC3P 3AH or, in the United States of America, the Vice President, Corporate Communications, Barclays Bank PLC, 75 Wall Street, New York, NY10265, USA.

Registered office: 54 Lombard Street, London EC3P 3AH.

Head office: 54 Lombard Street, London EC3P 3AH Tel: 0171 699 5000

Registrar: Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Tel: 0181 650 4866

ADR depositary: Morgan Guaranty Trust Company of New York, c/o Boston Financial Data Services, 2 Heritage Drive, North Quincy, MA 02171, USA. Tel: (617) 774 4237

Barclays Bank PLC

54 Lombard Street, London EC3P 3AH. Tel: 0171 699 5000

Andrew Buxton Chairman

Sir Peter Middleton GCB Deputy Chairman

Martin Taylor Chief Executive

Alastair Robinson Vice-Chairman

David Band Executive Director

Bill Gordon Executive Director

Oliver Stocken Finance Director

Kate Bowes Corporate Affairs Director

Nick Brittain Chief Accountant

Alan Brown Group Credit Policy Director

John Cotton Group Human Resources Director

Patrick Perry Group Treasurer

Megan Richardson Corporate Planning Director

David Storey Group Internal Audit Director

Howard Trust Group General Counsel and Group Secretary

David Turner Managing Director, Barclays Property Holdings Ltd

Elizabeth Wade Investor Relations Director

UK Banking Services (UK Bank, Barclaycard and Leasing and Factoring Group)

54 Lombard Street, London EC3P 3AH. Tel: 0171 699 5000

Alastair Robinson Chairman

Bill Gordon Managing Director

Brandon Davies Treasurer

David Casson Director, Risk Management

John Davies Personnel Director

Steve Furness Managing Director, Barclays Life Assurance Company Ltd

Alex Jablonowski Director, International Sector

Chris Lendrum Director, Business Sector

Mike Pitcher Director, Network and Operations

Bob Potts Chief Executive, Barclaycard

Richard Reay-Smith Director, Personal Sector

Ray Waterson Chief Executive, Leasing and Factoring Group

Bob Waterman Finance Director

BZW

Ebbgate House, 2 Swan Lane, London EC4R 3TS. Tel: 0171 623 2323

Sir Peter Middleton GCB Chairman

The Lord Camoys DL Non-executive Deputy Chairman

Sir Robert Wade-Gery KCMG, KCVO Vice-Chairman

David Band Chief Executive

Donald Brydon OBE Deputy Chief Executive

Andrew Bruce Head of Risk Management

David Cannon Finance Director

Jonathan Davie Chief Executive, Equities division

Lynn Dukes Chief Executive, Operations and Technology

Samuel Marrone Chief Executive, Markets division

Callum McCarthy Chief Executive, North America

Graham Pimlott Chief Executive, Merchant Banking division

John Varley Chairman, Asset Management division

European Retail Banking Group

54 Lombard Street, London EC3P 3AH. Tel: 0171 699 5000

Carlos Martinez de Campos Chief Executive

Richard Webb Deputy Chief Executive

Life Assurance and Unit Trusts, Overseas banking, Barclays Private Banking and Barclaytrust

54 Lombard Street, London EC3P 3AH. Tel: 0171 699 5000

Alastair Robinson Chairman

Christopher Haviland Managing Director, Overseas Banking

Michael Tomalin OBE Managing Director, Barclays Private Banking

Tony Vine-Lott Chief Executive, Barclaytrust

Group Operations and Technology

54 Lombard Street, London EC3P 3AH. Tel: 0171 699 5000

Joseph De Feo Director

Ken Garrod Deputy Director

Cymru/Wales Regional Office
PO Box 323, 4th Floor, Windsor Court, 3 Windsor Place, Cardiff CF1 3BT. Tel: 01222 222633
Gareth George Wales Director

East Anglia Regional Office
PO Box 90, Mortlock House, Histon, Cambridge, CB4 4ZX. Tel: 01223 232133
Alex Tweedie Regional Director

East Midlands Regional Office
PO Box 67, Barclays House, 14 Park Row, Nottingham NG1 6GS. Tel: 0115 980 6600
John Clarke Regional Director

London Central Regional Office
1 Pall Mall East, London SW1Y 5AX. Tel: 0171 930 2383
David Barclay Regional Director

North London and Luton Regional Office
PO Box 47, Eagle Point, 1 Capability Green, Luton LU1 3LQ. Tel: 01582 25528
The Hon Andrew Cairns Regional Director

North West Regional Office
PO Box 357, 51 Mosley Street, Manchester M60 2AU. Tel: 0161 228 3322
Jack Adams Regional Director

Northern Regional Office
PO Box 1LG, Barclays House, 71 Grey Street, Newcastle-upon-Tyne NE99 1LG. Tel: 0191 200 2000
Alan Hogg Regional Director

Scotland Regional Office
5th Floor, 90 St Vincent Street, Glasgow G2 5UQ. Tel: 0141 221 9585
Brian Dixon Scotland Director

South East Regional Office
Churchill House, 33 Dingwall Road, Croydon CR9 2YA. Tel: 0181 760 9700
Bob Russell Regional Director

South West Regional Office
Broad Quay House, Broad Quay, Bristol BS1 4PT. Tel: 0117 948 2000
Fred Winup Regional Director

Thames and Solent Regional Office
60 Queens Road, Reading RG1 4BL. Tel: 01734 503944
Stan Buckley Regional Director

West Midlands Regional Office
PO Box 34, 15 Colmore Row, Birmingham B3 2BY. Tel: 0121 236 4000
David Marris Regional Director

Yorkshire and Humberside Regional Office
PO Box 1, Barclays House, 6 East Parade, Leeds LS1 1HA. Tel: 0113 296 3000
David Lovell Regional Director

City Corporate Group
PO Box 544, 54 Lombard Street, London EC3V 9EX. Tel: 0171 699 5000
Joe Barclay City Director

BZW, Australia
GPO Box 3357, Sydney, NSW 2001, Australia. Tel: (00 61) 2 259 5000
Tim Crammond Chairman

Barclays Bank PLC and BZW, Belgium
Avenue Louise 65, B-1050 Brussels, Belgium. Tel: (00 32) 2 535 5211
Aurian d'Ursel Country Manager

Barclays Bank of Botswana Limited, Botswana
PO Box 478, Gaborone, Botswana. Tel: (00 267) 31 352041
Charles Middleton Managing Director

Barclays Bank PLC, Caribbean
PO Box 180, Rendezvous, Christchurch, Barbados, W.I. Tel: (00 1 809) 431 5300
Alastair Camp Senior Caribbean Director

Barclays Bank PLC and BZW, France
75315 Paris Cedex 09, France. Tel: (00 33) 1 44 79 79 79
Christian Menard Country Manager
Jean-Louis Vinciguerra Chief Executive Officer, BZW France

Barclays Bank PLC and BZW, Germany and Merck Finck & Co.
PO Box 170125, 6000 Frankfurt am Main 17. Tel: (00 49) 69 71408 0
Andre Teeuw *Chief Executive, BZW*
Gerd Schmitz-Morkramer Sprecher, Merck Finck

Barclays Bank PLC, Hong Kong
PO Box 9716, General Post Office, Hong Kong. Tel: (00 852) 826 1888
John Richardson Chairman and Chief Executive, Asia

Barclays Bank PLC, Ireland
47/48 St. Stephen's Green, Dublin 2, Republic of Ireland. Tel: (00 353) 1 6611777
Paul Shovlin Country Manager

Barclays Bank PLC and BZW, Italy
PO Box 1069, 20100 Milan, Italy. Tel: (00 39) 2 63721
Hugh Malim Country Manager

Barclays Bank PLC and BZW, Japan
IPO Box 5414, Tokyo 100–31 Japan. Tel: (00 81) 3 5255 0011
Andrew Simmonds Chief Executive

Barclays Bank of Kenya Limited, Kenya
PO Box 30120, Nairobi, Kenya. Tel: (00 254) 2 332230
Peter Geer Managing Director

Barclays Bank PLC, Latin America
18th Floor, 801 Brickell Avenue, Miami, Florida 33131 USA. Tel: (00 1) 303 374 1043
Gonzalo Valdes-Fauli Latin American Director

Barclays Bank PLC and BZW, Netherlands
PO Box 160, 1000 AD Amsterdam, Netherlands. Tel: (00 31) 20 626 2209
Jim Vesters General Manager

Barclays Bank PLC, Portugal
Avenida da Republica, 50-3rd Floor, 1000 Lisbon, Portugal. Tel: (00 351) 1 7911100
Almerindo Marques General Manager

Barclays Bank of South Africa Limited
PO Box 1542, Saxonwold 2132, South Africa. Tel: (00 27) 11 4476579
Philip Howell Managing Director

Barclays Bank PLC and BZW, Spain
Apartado de Correos 1075, 28080 Madrid, Spain. Tel: (00 34) 1 336 1000
Ernest Podesta Acting Chief Executive and Group Country Manager

Barclays Bank (Suisse) S.A.
PO Box 3941, CH-1211 Geneva 3, Switzerland. Tel: (00 41) 22 81 95 11
Jim Chibbett General Manager

Barclays Bank PLC and BZW, USA
75 Wall Street, New York, NY 10265 USA. Tel: (00 1) 212 412 4000
Callum McCarthy Regional Chief Executive, North America

Barclays Bank of Zambia Limited, Zambia
Kafue House, Cairo Road, Lusaka, Zambia. Tel: (00 1 260) 228858
Michael McNee Managing Director

Barclays Bank of Zimbabwe Limited, Zimbabwe
PO Box 1279, Harare, Zimbabwe. Tel: (00 263) 4 79811
Isaac Takawira Managing Director