BARCLAYS PLC
REPORT AND ACCOUNTS
1990

DO NOT REMOVE FROM
INVESTOR RELATIONS
DEPARTMENT

CONTENTS

Front Cover

In 1728 Joseph Freame, senior partner in a Lombard Street banking business, bought the nearby premises with the sign of the Black Spread Eagle and moved the firm there.

Soon after this, James Barclay married Joseph Freame's sister and was admitted to the partnership. In the course of the years, the business expanded and the building became the site of Barclays Head Office, with the Spread Eagle internationally recognised as the symbol of Barclays.

1990 FINANCIAL HIGHLIGHTS

	£ sterling (m) 1990	£ sterling (m) 1989	Ecu (m) 1990	US dollars (m) 1990	Yen ('000m) 1990
For the year:					
Profit before taxation and extraordinary item	**760**	692	**1,070**	**1,467**	**199**
Extraordinary item	**198**	-	**279**	**382**	**52**
Profit attributable to shareholders	**589**	452	**829**	**1,137**	**154**
Profit retained	**254**	144	**358**	**490**	**67**
At the year end:					
Shareholders' funds and minority interests	**6,580**	6,673	**9,261**	**12,699**	**1,723**
Undated capital notes and loan capital	**2,600**	2,867	**3,660**	**5,018**	**681**
Total assets	**134,887**	127,616	**189,853**	**260,332**	**35,327**
Per Ordinary Share:	**p**	p	**Ecu**	**$**	**¥**
Earnings	**24.7**	28.9	**0.35**	**0.48**	**65**
Dividends	**21.2**	19.6	**0.30**	**0.41**	**56**
Net asset value	**385**	396	**5.42**	**7.43**	**1,008**
Return on average equity:	**%**	%	**%**	**%**	**%**
Before taxation	**11**	11	**11**	**11**	**11**
After taxation	**6**	7	**6**	**6**	**6**

CHAIRMAN'S STATEMENT

Sir John Quinton

The Barclays Group has experienced mixed fortunes in 1990. Trading conditions have been difficult in many parts of the world, most noticeably in the United Kingdom, where provisions for bad and doubtful debts have increased substantially, and seriously affected our profit performance. Our view of the Group's medium and long-term profitability enables us, however, to increase our dividend. We have declared a second interim dividend of 12.0p, bringing the total for the year to 21.15p, an increase of 8% over 1989.

Pre-tax profit for 1990 rose by 10% to £760 million, from £692 million, and post-tax profit fell by 10% to £428 million, from £477 million. It should be noted that in 1989 £983 million was raised in provisions for country risk. In 1990 our provisions arose from normal trading activities. Earnings per share decreased from 28.9p (taking into account the bonus share issue) to 24.7p.

These results are disappointing. They reflect the impact of recession on our customers, both new and long-established. Many have failed because they were unable to overcome the problems created by continued high interest rates, overgearing and a sudden collapse in demand. Many more still trade, with our help, but where full recovery is doubtful we have provided against the possibility of loss.

This year's setback in profitability is temporary, we believe. Our strategic plans are unchanged and indeed have been reinforced by our decision to restructure the Group into three major Divisions: Banking, which will bring together our conventional commercial banking activities across the world; Markets and Investment Banking, which, as the name implies, will embody our trading activities in the major global financial centres and our operations in investment banking; and Finance, with responsibility for the management of the Group's balance sheet and for risk control generally. We expect to implement this reorganisation during 1991. We believe the new structure will make best use of our very powerful resources and strengthen our drive for greater profitability by giving us, at one and the same time, sharper focus in the many market places in which we serve our customers, harmonious working across the very broad range of our activities, and flexibility to meet the changing demands of the 1990s.

World economic activity slowed during the course of 1990, with the major economies as a whole growing, on average, by around 2.5% compared with some 4.5% in 1988 and 3% in 1989. Growth would have been much slower but for the resilience of the Japanese and German economies. Elsewhere, the slow-down was

CHAIRMAN'S STATEMENT

much more pronounced and by the end of the year North America, Australasia and the United Kingdom in particular were clearly in the grip of recessionary forces.

Even before the Gulf crisis, economic policies were generally constrained by the need to contain inflationary pressures. In Japan and Germany, interest rates rose sharply which, given an easing in US interest rates in the second half of the year, resulted in a substantial weakening of the dollar.

For 1991, economic activity is set to weaken further. In part, this may be attributed to the normal cooling-off phase of the business cycle following the strong expansion of the late 1980s. Whether the downturn evolves into a period of outright world recession largely depends on the outcome of three key areas of uncertainty. First, of course, is the impact of the Gulf conflict. Second, there is the possibility of a general debt deflation or credit crunch, most notable in, but not exclusive to, the United States. Finally, there is the more insidious threat of a trade war, following the breakdown in December of the GATT Uruguay Round.

All these issues erode business confidence. Even if they are favourably resolved, the outlook is not inspiring in the short term. The hope is that the slow-down will prove relatively short-lived, for inflation appears to have peaked at much lower levels than at comparable periods in the past two decades. However, as in 1990, experience will vary significantly from country to country.

The United Kingdom has clearly suffered a severe downturn after a first half of 1990 during which it was still not clear that the economy was slowing sufficiently to bring inflation down. Consumer demand has buckled under the weight of high interest rates, a slow-down in real income growth and rising unemployment. A highly geared business sector is having to confront a sharp fall in orders from customers at home and overseas. At the same time, profit margins have come under intense pressure, not least because of wage rises. This combination of circumstances has led to an exceptionally high level of company failure.

The first half of 1991 seems certain to involve a further period of declining output and rising unemployment. The corollary will be a sustained improvement in the inflation rate, unless oil prices rise sharply. Preventing an unnecessarily deep and prolonged recession depends on whether a significant fall in interest rates can be secured. Now that sterling is subject to the constraint of the Exchange Rate Mechanism, this is not assured. However, the extent of the fall in inflation will be important in reassuring foreign exchange markets and thereby determining how far interest rates can fall. Once again, this will turn on the behaviour of British labour markets.

Having so recently put the problem of country risk provisions behind us, I very much regret the need to make substantial new provisions, particularly on our core UK lending book. In a recession, some increase in bad debts is to be expected. As bankers, our business is the purchase of risk, at an appropriate price. If we lent only where the risk was very small, our profit margins would be correspondingly thin and our profitability correspondingly low. We would also be justifiably criticised for failing to back business innovation and enterprise. In fact, we lend substantially to firms and private individuals in every sector of the economy—in England and Wales our share of lending by UK banks is roughly one quarter of the total—and where the risk is greater, and competition allows, we seek wider margins to offset the danger of loss. One of the encouraging features of the last few months, not only in the UK but across the world, has been a trend towards firmer margins as a consequence of a general recognition of higher risk and of other banks having to curtail their lending activities through an inadequacy of capital to support them. This should benefit our future profitability, although unfortunately we have not yet seen the end of the recessionary cycle and the resultant business failures.

The level of provisions this past year for possible loss on lending in the UK should be judged against the total of such lending, which averaged £57 billion. Over the past three years, our provisions in the UK have averaged 0.75% of lending, not an abnormal figure by historical standards. The current recession has, however, been particularly damaging to the large number of recently established small enterprises. Failure is always more frequent in new firms than in those which have had time to form a sound financial base, but, nonetheless, we believe we should continue to help start-up businesses. We find their chances of success are greatly enhanced where we are involved in the production of their business plans and are able to maintain an advisory and monitoring role thereafter.

There was good news as well as bad in 1990. We made two important acquisitions in Europe. In October, we agreed to purchase the highly regarded Bavarian private bank, Merck, Finck & Co., which gives us a much stronger presence in the German market. In December, we announced the acquisition of L'Européenne de Banque, which dovetails neatly with our existing operations in France, almost doubles our size there and enhances our position as the leading foreign bank in the country. With the formation of the single market at the end of 1992 in our minds, we have been seeking opportunities such as these for some years and are very pleased with the outcome of our search. Taken together with the highly successful development of our operations in Spain, where again we are the most important foreign bank, we have a strong base on the Continent and have confirmed our position as a European leader.

We are watching developments in Eastern Europe closely and are likely to be represented in Warsaw, Prague and Budapest this year, to add to the office we established in Moscow in 1975. Since these are not familiar market places to us, and the prospects both economic and political are uncertain, our aims will be to offer advice and expertise, gained from our experience elsewhere, to assist existing customers with ventures there, and generally to achieve greater understanding before embarking on any deeper involvement.

Whilst speaking of Europe, I should express our pleasure at Britain's entry into the Exchange Rate Mechanism in October. As a bank, we have advocated this move for five years or more and regret that it did not happen earlier, when times were perhaps more propitious. There will undoubtedly be a period of pain while the UK economy adjusts but I am convinced that the longer-term benefits of lower inflation and more stable exchange rates are worth the short-term problems. Most important of all, entry into the ERM demonstrates a commitment to the long-term future of Britain in Europe, with the UK taking an active role in the formation of the most important market place in the world. Failure to participate to the full would be damaging to the UK economy in general and to the City of London in particular; our own position as a leading world bank would be hard to sustain in such circumstances.

This Spring, a number of Directors are retiring from the Board. Ian Butler and Sir Charles Tidbury have both contributed significantly as Non-Executives, giving generously of their time and advice in both

CHAIRMAN'S STATEMENT

Group and local activities. Henry Lambert served as a Local Director in the City, Southampton and Birmingham. He joined the Board in 1966, becoming Chairman of Barclays Bank International in 1979, Chairman of the UK Bank in 1983 and Deputy Chairman of the Group from 1979 to 1985. His wide-ranging experience has been of great value to the whole Group for many years. Anthony Rudge joined the Board in 1972 and since that time has been head of our executive team in Birmingham, with responsibility for the West Midlands. The growth of our business there—through bad times as well as good—is a tribute to his sound judgement and leadership. Finally, Peter Leslie retires in March; he has been of the greatest help to me as Deputy Chairman since 1987, after serving with distinction both overseas and in the UK, and as Managing Director from 1985 to 1988. His contribution to the Group has been immense, and he will be much missed by all his friends; we are delighted that he will be continuing to give service to Britain through his Chairmanship of the Commonwealth Development Corporation.

We were saddened during the year by the death of two men who had given great service to Barclays. Deryk Vander Weyer will be remembered as a dynamic Senior General Manager and then Deputy Chairman, who gave us fresh vigour and impetus in the 1970s. Lord Seebohm led our Birmingham District in the 1950s and rose to become Chairman of Barclays Bank DCO and a Deputy Chairman of the Group. His record of public service, both before and for many years after his retirement, was outstanding.

During the last few days we have agreed, after consultation with the Bank of England, to release our Finance Director, Brian Pearse, to take up appointment as Chief Executive of the Midland Bank. He has served us with distinction in the UK Bank, in North America, and as Finance Director; we are sad to see him go, but wish him well in his new post.

1990 marked the 300th Anniversary of the formation in Lombard Street of the partnership which grew into Barclays Bank. Parts of the Group are even older—Martins Bank, which we acquired in 1968, has links back to Tudor times—but only in the "Barclays" name can a firm, unbroken line be traced. We are very proud of the record; from tiny beginnings Barclays has grown to the point where it now stands as one of the leading and most strongly capitalised banks in the world, with a reputation second to none. This has been achieved over the centuries through the dedication and hard work of staff at all levels, but above all by maintaining the traditions of integrity and prudence which characterised our Quaker founders. I believe we can and must continue those traditions, which will enable us to prosper for many years to come.

5th March 1991

THE GROUP AT WORK

Making the connection.
Peugeot and Lucas link up through the Barclays TradingMaster computer system to simplify component supply.

Ian Lynch: Senior Manager, Electronic Banking Department.

"People have been developing Electronic Data Interchange for a number of years. It's vital for a major global bank like Barclays. But most of the effort had gone into systems to support banking processes. Sometimes banks offered such systems to customers as a spin-off. But nobody had developed systems which started out with customers' needs in mind.

By talking to companies like Peugeot about their money transmission requirements and the sort of future enhancements they would like to see, we discovered that they found it difficult to keep up a steady payment stream to suppliers like Lucas because, for instance, over a period of a few months there might be several hundred invoice queries to be tackled - manually. Which is a very expensive way of working. For both parties.

What they both needed was a system which allowed the buyer to order components from his own terminal, and then routed the order through the bank, where computers dealt with the invoicing, checking and payment procedures, while the supplier got on with the delivery. Quicker, cleaner, more reliable - with a lovely audit trail.

About two years ago, Peugeot gave us our first chance to develop an EDI-based solution. It was a very small scale experiment at first, using PCs and off-the-shelf components. Last July, when the Peugeot-Barclays-Lucas process was fully up and running, we launched Barclays TradingMaster, the first EDI settlement service in Europe, offering a system which has actually reduced queries from about 30% to under 2%.

We're getting a lot of enquiries from EDI-user companies. One of our very first new customers will be Moore Paragon, suppliers to our own Stationery Department, who'd been facing exactly the same sort of problems as Peugeot!"

THE GROUP AT WORK

Down in the Valleys.
Welsh savings habits respond strongly to new Barclays savings products.

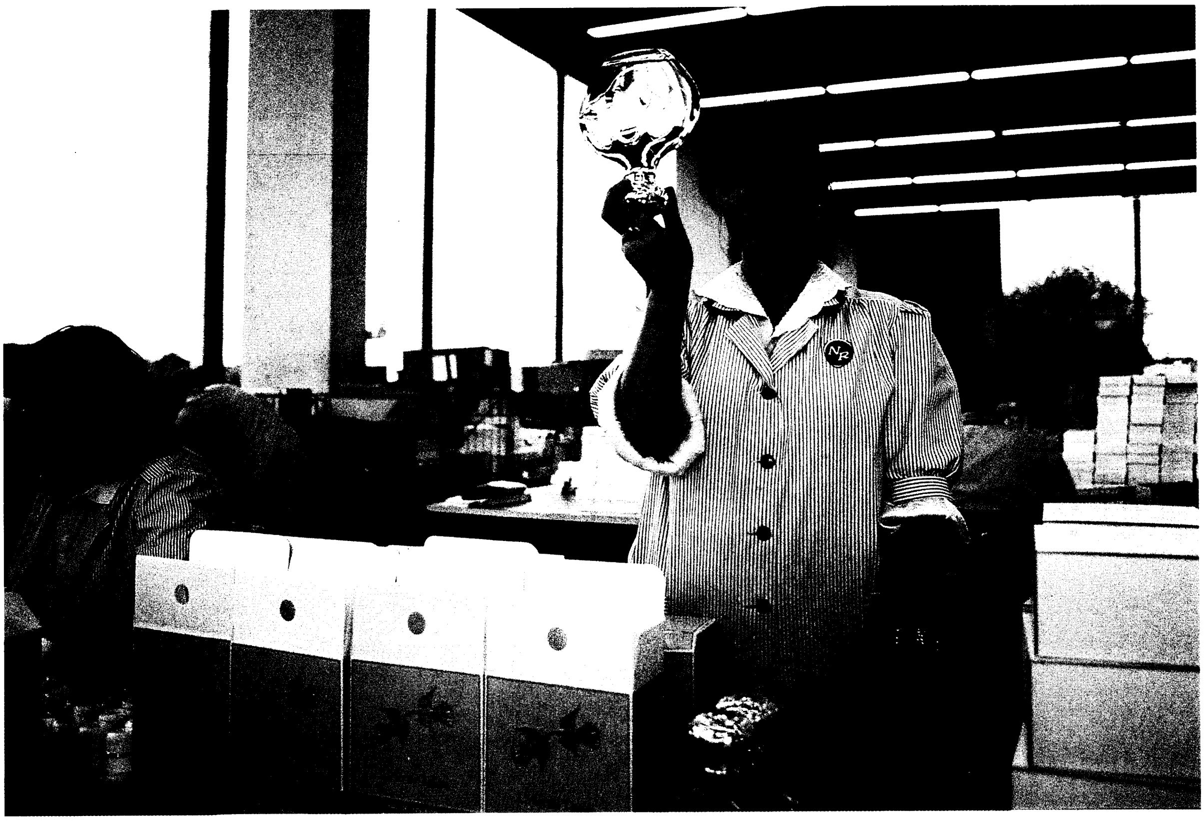
Dennis Lalande: Branch Manager, Pentre, Mid-Glamorgan.

"In the South Wales valleys, some old habits die hard. Like saving your money for the things you want to buy. Or for a rainy day. People here remember a lot of "rainy days". From the Depression of the 20s and 30s through to the 60s and 70s, when the collieries began to close down. So the preservation and good husbandry of savings has always been important.

Things are improving now. Industrial wasteland is being transformed into greenfield sites. "Hi-tech" has replaced the old "Smoke Stacks and Pithead Winding Gear". There are new executive housing developments for the young professionals and successful local business people. And Grant Aid and Bank Mortgages help improve the quality of life of other members of the community by enabling them to purchase and refurbish the older type of terraced properties to a very high standard.

People have become much more financially aware and there's a lot of competition for savings. So not only do we need to have the right savings and investment products available; but also a trained staff able to recognise and satisfy a customer's financial needs, as and when they arise.

At the end of the day, it's customer service that counts. And if you get it right, then tokens of appreciation can take many forms. Like the single red roses presented to each of the lady members of my staff by a grateful customer. It makes us all feel proud and privileged to receive a spontaneous gesture of this kind. And demonstrates that the Age of Chivalry is not yet dead."



L'Air du Temps is one of the world's top selling perfumes.
Barclays Bank SA, France has been Nina Ricci's lead banker since 1946.

André Gougeon: Branch Director, Paris Main Branch.

"France is not a country where banking profits come easily. Most of the big French banks are state controlled, while the co-operative and mutual banks aren't expected to deliver a profit. These things obviously affect competitive pricing opportunities. What's more, over the last few years, the big French banks have evolved considerably under the pressure from strong international competition. So, to be successful, you really have to offer something special to your customers.

On the other hand, the big French banks don't usually have the same managerial flexibility as Barclays with its very lean management structure. We give our managers a lot of freedom to make important banking decisions - so we can respond very quickly to our clients.

The French regional banks, especially those with whom we compete in the middle corporate market, do have more flexibility. But what they don't have are international networks.

So Barclays fits very successfully between the big name French banks and the regionals. We have been in France since 1917; we have a network of some 50 branches around France; our management is predominantly French; we are independent and we are part of an extremely powerful global network. That's why we are lead bankers to some very important French customers like Nina Ricci where our relationship goes back to just after the Second World War. These days we co-ordinate the provision of credit lines for the Nina Ricci Group world-wide and frequently become involved with its international licence income.

Although we're a very French bank, we do try to offer our customers that little bit extra in terms of personal relationships. I guess you could describe us as 'la plus française des banques étrangères...'"

THE GROUP AT WORK

Major relocation.
Barclays moves 750 jobs to a new business park near Coventry.

Jayne Richards: Secretary/PA,
Personal Sector Marketing Department.

"I joined the staff here at Westwood Park last summer. Many of the 750 people now working here are local people like me. Barclays were looking for experienced, qualified staff and, by offering attractive conditions - salary, holidays and the other benefits of working for a large, prestigious company - coupled with the opportunity of moving into very modern offices, they left me in no doubt who I wanted to work for.

Another big attraction was the new technology now being introduced throughout the Bank. In my particular case, it's the combined word processor and electronic mail system, which links my desk and that of my boss to many others throughout the UK and overseas. This has actually made the job more interesting since managers now use the technology themselves, which means that secretaries like me don't spend the whole day typing, but spend more time making things happen - like setting up meetings, conferences and the like. I wouldn't have really wanted the job if it had meant typing and filing all day! A lot of others feel the same way.

I suppose it's the new technology that makes relocations like this one possible. A trip to London for a meeting can easily take up a whole day. But with the electronic mail and also the video conferencing facilities, people can save a lot of that time.

Of course, the staff who've moved from London find living here much more comfortable. People who used to spend several hours a day commuting, often in terribly cramped conditions, now perhaps spend only half an hour. I don't know how they ever managed to lead a normal family life!"

Ghana's cocoa is still the world's finest.
Barclays serves peasant farmers by cashing crop cheques and acting as a trusted savings bank.

David Brookes: Managing Director, Barclays Bank of Ghana.

"Barclays first came to Ghana - the Gold Coast as it was in those days - back in 1917 and became involved in the finance of foreign trade. Ghana was always very rich in gold, cocoa, palm oil, timber, rubber. In the late 1960s and the 1970s, these industries suffered and the Bank's business along with them.

But since about 1983, when the present Government recognised the economy's problems, there's been a rebuilding of the infrastructure that hadn't been possible for 20 years. New roads are being laid. Railways and harbours are being refurbished. Electricity and telecommunications are being pushed into new areas.

We're now seeing an inflow of overseas investment but, above all, many successful, educated Ghanaians are coming home and bringing their skills and business know-how with them.

One very good thing is that Ghana's peasant farmers, like the cocoa farmers above who are from around Koforidua, are finally being paid crop prices in line with world values. They're paid with Government Akuafo cheques which Barclays cashes for them. In some cases, we actually send their cash out by Land Rover. We encourage them to save some of their income to cope with eventualities like sickness, children's education and marriage. They've known Barclays for a long time and they trust us because they can talk to us.

Of course, as business in Ghana develops, Barclays is changing too. We're having to update, to switch from manual to computer-based systems, to rationalise our branch network. It's very satisfying to see this country putting itself back on its feet. It's so rich in natural resources and above all in human resources..."

THE GROUP AT WORK

222 Broadway, New York City.
Barclays new US three-in-one dealing room.

Paul White: Director, Barclays Swaps, USA.

"For Barclays, success in the 90s depends on managing risk extremely well. You need a first class integrated dealing room. That's why we've put our treasury, government securities and capital markets teams here together all on one floor - working side by side and keeping on top of developments in all markets.

Of course, this is a global business and New York is part of our London-New York-Tokyo axis. For example, on the New York swaps desk, we talk to Tokyo every night and London every morning. The physical heart of the system happens to sit here in New York. But all our centres are linked to one logical database and we can all input data and access information. Our swaps book is actually global. So when our traders in Tokyo, London or New York do a deal, they're all trading on the same book. It just keeps moving around the globe with the sun.

All this new age banking started with the PC. We suddenly found we could do things we never could before - solve customer problems that used to be impossible in the time available. These days we can do 70,000 cash-flows - six months' manual work - in one day. So now we can concentrate on customers' problems and on adding value to this process. Competition in these markets is fierce, but if you put added value into the pot the customer is prepared to reward you for it.

But the real competitive edge is having very good people, people who know what's happening in their markets and can harness all this technological power. And you can attract good people if they see that you're responsive to new ideas and new technology. That you know how to manage change. Happily we've got the sort of reputation which keeps attracting those people."

Taking to the hills.
Barclays brings sophisticated financial services to remote Cumbrian farms and villages.

Brenda Vause: Senior Representative, Barclays Life.

"I visit clients at home - people who've invited me to discuss their life assurance, pension or investment needs. I suppose my area covers about 300 square miles of rural Cumbria. It's a big area. Much of it's pretty empty. It can be quite wild in winter.

Many of my customers are business people in the towns. Quite a lot are low income families in the villages or council estates. Some are large landowners - the local gentry. And many are farmers.

Farmers around here live a pretty hard, isolated life - not like city people who can stroll down the road to visit an investment adviser. Farmers work every hour the weather allows. If I didn't travel out to see them, most of them would probably never see anyone to talk to about their financial affairs. So my car boot is always full of muddy wellies.

If the weather's fine, farmers are always out of doors working, which makes it hard to talk to them. They're only ever indoors when it's raining or snowing. Even then it's often hard going to talk business. Like the Christmas Eve I found myself sitting in an outhouse with my lap-top in a cloud of feathers while my client plucked and gutted turkeys. The smell was, well, unbelievable. He just couldn't stop working to talk. But we managed...

The lap-top computer is a great help. It's programmed to work out all the calculations, the premiums, the cover, the sort of pension one needs at any age.

But a lap-top can't decide what's really right for a customer. You have to spend the time with people and explore their needs - and what they can really afford to invest. The last thing I want is to talk a customer into a commitment he or she can't afford."

THE GROUP AT WORK

Greening Scotland – a Bell-Ingram forester inspects new growth.
Barclays provides special finance for Bell-Ingram customers to support forestry development.

Brian Dixon: Regional Director, Scotland.

"Barclays actually has a very long association with Scotland. The original Barclay family were Scots. The Bank used to own the British Linen Bank which had around 200 branches in Scotland. And also, until about six years ago, we owned nearly 35% of the Bank of Scotland. Nowadays, of course, Barclays operates in Scotland entirely on its own account.

Most of our banking relationships in Scotland tend to be with manufacturing companies. But anyone looking at Scotland, at its land and hills and lochs and forests, can't help wanting to put roots down into Scottish soil. So, about four years ago, we got together with one of our customers, Bell-Ingram, to put together a special finance scheme to encourage forest development.

At one time there were special tax incentives for anyone who planted trees. That resulted in the planting of almost only conifers in endless military rows, which often seemed to take no account of their suitability to the local countryside. But these days people are much more sensitive to the need to approach forestry projects in a balanced and natural way. Bell-Ingram, a major firm of Scottish land agents, has a professional team experienced in estate and commercial forestry, encompassing a broad knowledge of rural management. It gives guidance to investors on how best to take advantage of the various woodland grant schemes and on planning and managing the sort of forestry programmes which are appropriate to the environment. Barclays' side of the collaboration involves providing attractive financing packages to support these programmes.

Of course, forests take rather a long time to grow from scratch. But Barclays is looking forward to being here to welcome all these new woodlands as they mature. Naturally..."

Two new ships for Chiquita's Great White Fleet.
Barclays finances two state-of-the-art ships which will do the work of several.

Dale Sparber: Vice President, Corporate Banking, Chicago, Illinois.

"In today's corporate market, there's no such thing as a simple deal. So you really have to be able to assess customers' needs and understand the complex world in which they do business. But more importantly, you have to work for a bank with access to a broad range of global products and services that are both sophisticated and cost-effective. And that's Barclays.

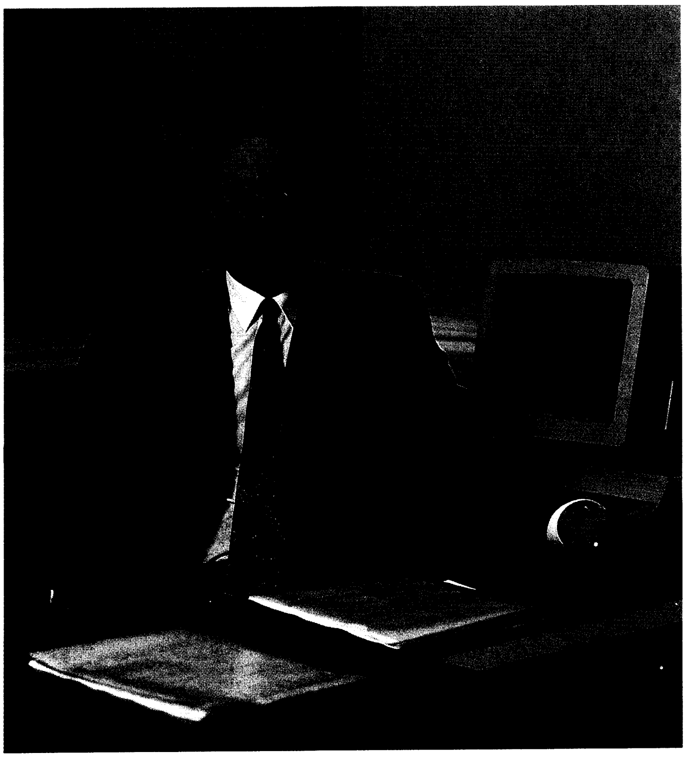
Chiquita Brands, the world's largest grower and marketer of bananas with plantations throughout the tropics, needed financing for two new vessels and over 2,000 refrigerated containers. Equipped with the latest technology, the new container ships will replace several now being used to transport bananas and other fresh fruit for distribution to customers east of the Rockies.

The transaction was sizeable and long-term. Chiquita needed to lock into a beneficial rate and structure; they wanted input on various lending and leveraged leasing alternatives; and they needed a bank that really understood the shipping industry. Large deals, like this one, also require first rate syndications capabilities.

We lined up leasing and swaps specialists from our capital markets unit in New York and called in members of our shipping industry team in London, who know that industry inside out. In the end, we structured a transaction that suited all of us. But we could never have done it without these experts and their skills. Now, both ships have been delivered to Chiquita and we're working on the syndication end, selling down some of the exposure.

Several other banks also bid on the deal. But most of them lacked the back-up we had to put it together. It's one of the things you learn very quickly when you join Barclays - how to use the whole global network to service your customers. In fact, this specialised support was a major reason for my joining Barclays."

REVIEW OF OPERATIONS



Andrew Buxton, Managing Director.

The recession in the United Kingdom and a deteriorating economic climate in the USA have provided a testing environment for Barclays in 1990. Results from the Operating Divisions have been mixed and our pre-tax profit of £760 million, up 10% from 1989, was disappointing but reflected the tougher market place. In 1989, our pre-tax profit was £692 million but we were affected by large provisions for country risk, which materially altered the final result.

Despite the downturn, we are one of the strongest banks in the world in terms of capital. We are thus disappointed that Standard & Poor's have recently downgraded our long-term senior debt from AAA to AA+. I believe that this was an over-cautious move. Our tier 1 capital ratio is 5.8% and we continue to have the flexibility to raise additional tier 2 capital to improve our Group capital ratio without recourse to equity finance.

Building on our sound capital base, a number of strategic decisions were made last year to help position the Group correctly for the 1990s. Significant advances have been made in mainland Europe, by improving our existing businesses and by the purchase of banks in both Germany and France. As a result of this planned strengthening of our operations, we now have one of the most widespread and successful banking networks in continental Europe with major businesses in France, Germany and Spain. In Iberia, with profits of some £50 million in 1990, we have built a substantial business from small beginnings over the last seven years.

On the other side of the Atlantic, in the United States, we continued our policy of disposing of consumer businesses and, in the early part of the year, sold our Finance House operation, BarclaysAmerican/Financial. We are concentrating on the corporate market and made good progress in 1990, but we have not escaped the effects of the economic recession, so the overall result is disappointing. It does, however, compare quite favourably with our competitors in this particularly tough trading environment. Barclays Canada has increased its profit to £11 million despite operating in very difficult economic conditions.

The most marked change in the Group's fortunes occurred in the United Kingdom, where the deterioration in the economic climate reduced the growth of lending in both the personal and business sectors and significantly contributed to increased bad debts. In the United Kingdom, we made specific provisions of £809 million against bad debts, which represented approximately 1.4% of our UK lending. This figure is large and a number of initiatives are under way to contain the problem. It is important, however, to put the figure into perspective. Our total lending to the UK corporate and personal market is £59 billion. Whilst the provision levels are neither satisfactory nor desirable, the underlying strength of our balance sheet is sufficient for Barclays to ride out the problems of the UK recession with confidence.

Lending problems notwithstanding, we have made good progress gaining credit balances and have increased our market share through new high interest products, notably the Capital Advantage Account, which has now attracted £6.8 billion. This has helped to reduce costs by lessening our reliance on wholesale funding.

In the large corporate market, we are still the leading bank in London, where our Loan Syndication Team has been voted the top team in an independent survey. Significant success also came in the United States and Hong Kong, which demonstrates that we can serve our clients on a truly global basis. Margins on corporate lending have increased recently as some banks have withdrawn from the market. We are pleased to find that more customers now appreciate that price is not everything and that good long-term relationships are important.

Both Central Retail Services Division (which includes Barclaycard) and Mercantile Credit, which have been significant profit earners in the past, had a poor year. CRSD was affected by high funding costs and stiffer competition and made a loss of £4 million. In a determined effort to address this, we introduced a charge for Barclaycard and lowered the interest rate for borrowers. This will reduce the unfair element of cross-subsidisation from borrowers to those who settle their balance each month. It is clear that the vast majority of customers have accepted the charge and we have not suffered the scale of lost accounts predicted by some observers. Barclaycard and Barclays Merchant Services remain leaders in their respective markets and we expect them to come back into profit in 1991. We have expanded our card services into Europe through a joint venture with Hertie, a leading German department store group, to process its card transactions and market financial services to its customers. This deal represents a major first step into an under-developed part of the strategically important European market.

Mercantile Credit, like CRSD, has had to restructure for the future, having been affected by high funding costs and bad debts. The group made an operating profit of £27 million, but exceptional items of £25 million reduced its pre-tax profit to £2 million. The rationalisation of the Automotive Division was completed by the sale of investments in vehicle hire and car distribution, and the retail finance business was also prepared for sale.

The most successful part of our UK operations in 1990 was the Barclays Financial Services Group, which made significant progress by increasing its profit from £165 million to £181 million. Within that figure, Barclays General Insurance produced an excellent result, making £77 million. Barclays Life, too, had a successful year despite a slow-down in the individual pensions market. A substantial increase in the field force is being undertaken to increase our penetration in this market. Both our general insurance services and our life business are significant earners for the Group and we see good growth potential for the future.

According to independent research, Barclays is a market leader in corporate

REVIEW OF OPERATIONS

treasury business world-wide. We have a very strong position in London and are making good progress in Japan and continental Europe. In 1990, we added precious metal dealing to our Treasury capability when we bought Deak International Trading, a member of the London Metal Exchange.

In 1990, we spent a significant amount of time planning the integration of the Bank's Treasury with BZW in order to bring together the businesses which trade on a global basis with our large corporate and institutional clients. We announced the changes in October 1990 and will carry out the restructuring in 1991. There have been some overlaps between BZW and the Bank and, by eliminating these and putting all the Group's trading operations into the new Markets and Investment Banking Division, we believe that we will service the market place still better in the future. To enable us to achieve this restructuring, and to provide the required flexibility in committing capital resources to the new Division, we have acquired the outside-held minority interests in BZW.

BZW itself has had a difficult year in its equity trading operations, particularly in Japan where the market collapse and lower volumes meant that we reported a loss. We are, however, very pleased that we became members of the Tokyo Stock Exchange which should, in due course, improve our profitability. The losses in the Equity Division over-shadowed the good progress in the Fixed Interest Division, which has become a market leader and performed consistently well throughout the year. BZW Asset Management ('BZWAM') opened offices in Hong Kong and New York and acquired a 63% stake in the Toronto-based E J McConnell & Associates, a fund manager. BZWAM continues to make good progress and now has £18 billion funds under management.

Once again, our retail banking operations in Africa have performed most creditably with considerable increases in profits in local currency which, unfortunately, are not always converted into increased sterling profits because of local devaluations. The Caribbean has not produced the same sparkling results as in 1989, but it still remains a very satisfactory business.

In Australia, we have focused on reducing our cost base and have been successful at the pre-provision level. Unfortunately, it proved necessary to make further substantial provisions, resulting in a loss of £50 million.

In the Far East, we have concentrated on corporate and wholesale banking, but results have been affected by the Gulf crisis and the decline in Stock Market activity, particularly in Japan, where lower volumes of securities transactions have meant a downturn in the performance of the Trust Bank. We have opened our first branches in India and Taiwan and our representation in this important Far Eastern sector of the world economy is growing steadily.

We have two other businesses which are beginning to make an impact on the Group, both of which operate across the world. The first is Barclays Global Securities Services which has been expanded over the year to support our strategy for the securities industry. We are growing steadily because we are uniquely placed throughout the world to be able to offer securities handling services through our own outlets. We are now one of the top six banks in the world in this type of business.

The second is International Private Banking ('IPB'), where good progress is also being made. Following the creation of a separate division in 1989, we have concentrated in the last year on the integration of a number of businesses around the world. It is intended to expand our IPB capability to become an important contributor to Group profits.

Supporting all our operations has been a significant, continuing expenditure on technology. In 1990, our capital expenditure on technology was £154 million, with almost a further £600 million spent on the operation and improvement of technology through the profit and loss account. We have developed a major new Customer Information System in the United Kingdom, which enhances our ability to cross-sell from our comprehensive range of products and improves the service offered to our personal customers. We also launched one of the most sophisticated Electronic Data Interchange products offered by any financial institution, enabling efficient and cost-effective invoicing and settlement services to be provided to our corporate customers. 252 additional cash dispensers were installed taking the total to 2,445. Through reciprocal links with other banks, our customers now have access to a UK network of 5,794 dispensers.

Our commitment to the cost-effective use of technology remains strong and, during the year, a review was completed to ensure close integration of technological development and business needs.

It is essential that the Group continues to invest in order to harness the benefits of technology, and ultimately to cut its costs through improvements in productivity, and a great deal of management time goes to ensure that the money spent on technological improvements results in re-engineering our processes rather than merely automating what we already do.

Over the past two years, we have received more than £500 million from our policy of selling non-core businesses or those which do not meet the returns on capital that we expect. As we have shown in the past year, we are prepared to invest where we can serve the Group well in the future. There will also be some businesses which are not yet making reasonable returns, but which we believe are likely future profit earners. However, it is only by producing good profits that we will be able to earn the money to invest.

Operating conditions over the last twelve months have changed dramatically for the worse and our profitability has suffered accordingly. I firmly believe, however, that our underlying position remains strong and I am confident that the investments we have made and the initiatives we have taken for the future will consolidate our position as one of the world's leading banks.

Managing Director
27th February 1991

DIRECTORS AND SENIOR EXECUTIVES

AS AT 27TH FEBRUARY 1991

Chairman
Sir John Quinton

Deputy Chairmen
Sir Martin Jacomb
Peter Evelyn Leslie

Vice-Chairman and Managing Director
Andrew Robert Fowell Buxton

Directors
*Dr David Valentine Atterton CBE
*Mary Elizabeth Baker
David Band
*Sir Timothy Bevan
*Sir Derek Birkin TD
*Ian Geoffrey Butler CBE
Lord Camoys
*Sir Michael Franklin KCB, CMG
*Sir Denys Henderson
*Henry Uvedale Antrobus Lambert
*The Rt Hon Nigel Lawson MP
*Sir Nigel Mobbs DL
Humphrey Thomas Norrington
Brian Gerald Pearse
Francis Alastair Lavie Robinson
Kenneth Brian Sinclair
*Sir James Spooner
*Sir Charles Tidbury DL
Alan George Tritton

*Non-Executive Directors

Senior Executives
ARP Carden
GD Cracknell
J De Feo
MC Deverell
The Hon SH Fortescue
WJ Gordon
JA Kerslake
GR Miller
JHC Whicker
PA Wood

Secretary
JMD Atterbury

Chief Accountant
NJ Brittain

THE BOARD OF DIRECTORS

CHAIRMAN'S COMMITTEE

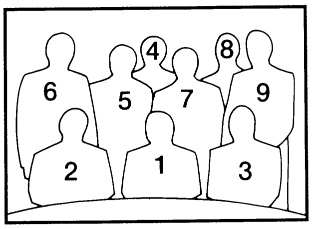
1 Sir John Quinton
(age 61) was appointed Chairman in 1987. He joined Barclays in 1953 and has held senior positions in the UK and on secondment overseas. He joined the Board and became Senior General Manager—UK in 1982. He was elected a Deputy Chairman (and Chairman of Barclays UK) in 1985.

2 Sir Martin Jacomb
(age 61) has been a Deputy Chairman since 1985 and is Chairman of the BZW Group. He is a Director of the Bank of England and holds a number of other Non-Executive Directorships. Prior to joining Barclays in 1985, he was Vice-Chairman of Kleinwort Benson Ltd.

3 Mr Peter Leslie
(age 59) joined Barclays in 1955 and worked initially with Barclays Bank DCO overseas. He joined the Board and became Senior General Manager—International in 1980, Chief General Manager in 1985 and a Deputy Chairman in 1987. He is Chairman of the Commonwealth Development Corporation. He retires from the Board on 23rd March 1991.

4 Mr Andrew Buxton
(age 51) joined Barclays in 1963 and was appointed to the Board in 1984. He became Vice-Chairman in 1985, Deputy Managing Director in 1987 and Managing Director in 1988. He is a Non-Executive Director of SmithKline Beecham plc and of British Invisibles.

5 Lord Camoys
(age 50) joined Barclays Merchant Bank in 1978 as Managing Director. He was formerly Managing Director of Rothschild Intercontinental Bank and Chairman of Amex Bank. He joined the Board in 1984 and was Chief Executive of the BZW Group until 1988, when he became its Deputy Chairman. He is a Director of the National Provident Institution.



6 Mr Humphrey Norrington
(age 54) joined Barclays in 1960 and held a number of senior positions before joining the Board in 1985, when he became Finance Director. He was appointed Executive Director, Overseas Operations in 1987.

7 Mr Brian Pearse
(age 57) joined Martins Bank in 1950. He became a General Manager in 1979 and was Chief Executive Officer—North American Operations from 1983 until 1987, when he joined the Board as Finance Director. He retires from the Board on 5th March 1991.

8 Mr Alastair Robinson
(age 53) joined Mercantile Credit in 1959 and held senior positions in the UK and overseas prior to his appointment as Director Personnel in 1987. He joined the Board and became Executive Director, UK Operations in April 1990.

9 Mr David Band
(age 48) joined the Board in 1988 on becoming Chief Executive of the BZW Group. He was previously Head of JP Morgan's operations in the UK and Europe and a Deputy Chairman of The Securities Association.

THE BOARD OF DIRECTORS

Dr David Atterton
(age 64) joined the Board in 1984. He was Chairman of Foseco plc until 1987. He is a Director of the Bank of England, Marks and Spencer p.l.c. and a number of other companies.

Mrs Mary Baker
(age 54) joined the Board in 1988, having served on the Board of Barclays UK since 1983. She is a former Chairman of the London Tourist Board and a Director of a number of other companies.

Sir Timothy Bevan
(age 63) was Group Chairman from 1981 until his retirement in 1987, after serving the Group for 37 years. He joined the Board in 1966 and is a Director of a number of other companies.

Sir Derek Birkin
(age 61) is Chief Executive and Deputy Chairman of The RTZ Corporation PLC and holds a number of other Directorships. He joined the Board in January 1990.

Mr Ian Butler
(age 65) joined the Board in 1985, having served on the Board of Barclays UK since 1980. He is Chairman of Cookson Group plc and also holds other Directorships outside the Group. He retires from the Board on 25th April 1991.

Sir Michael Franklin
(age 63) was appointed a Director in 1988, having retired as Permanent Secretary to the Ministry of Agriculture, Fisheries and Food in 1987. He holds three other Directorships.

Sir Denys Henderson
(age 58) joined the Board in 1983. He is Chairman of Imperial Chemical Industries PLC and a Non-Executive Director of The RTZ Corporation PLC.

Mr Henry Lambert
(age 65) joined the Board in 1966. He was Group Deputy Chairman from 1979 until 1985, when he retired. He is Chairman of Sun Alliance Group plc and of The Agricultural Mortgage Corporation PLC and holds various other Directorships. He retires from the Board on 25th April 1991.

Mr Nigel Lawson
(age 58) was Chancellor of the Exchequer from 1983 to 1989, and previously Secretary of State for Energy. He joined the Board in February 1990 and holds two other Directorships.

Sir Nigel Mobbs
(age 53) is Chairman and Chief Executive of Slough Estates plc and holds a number of other Directorships. He joined the Board in 1979 and has been Chairman of the Audit Committee since 1987.

Mr Ken Sinclair
(age 59) joined the Board in 1988. He was a Managing Partner in de Zoete & Bevan until 1986, when he became an Executive Director and Head of the Fixed Income Division of the BZW Group, of which he is also Vice-Chairman. He is a former member of the Council of The International Stock Exchange.

Sir James Spooner
(age 58) is a Director of John Swire and Sons Limited and Chairman of The Morgan Crucible Company plc. He joined the Board in 1983 and holds a number of other Directorships.

Sir Charles Tidbury
(age 65) is a former Chairman of the Whitbread Group and holds a number of other Directorships. He joined the Board in 1978 and retires on 25th April 1991.

Mr Alan Tritton
(age 59) joined Barclays in 1954 and was appointed to the Board in 1974. He is Director of the City Office and also a Non-Executive Director and Vice-President of The Equitable Life Assurance Society.

DIRECTORS' REPORT

PROFIT AND DIVIDENDS

The Directors report that the profit attributable to the members for the year 1990 amounted to £589 million (1989 £452 million).

First interim dividends of 9.15p per Ordinary Share and of 7p per Staff Share were paid on 17th October 1990. The Directors have declared second interim dividends for the year ended 31st December 1990 of 12.0p per Ordinary Share and of 7p per Staff Share, making a total distribution on each Ordinary Share for the year of 21.15p (1989 19.57p after adjusting for the capitalisation issue).

The second interim dividends will be paid on 9th May 1991 in respect of the Ordinary Shares registered at the close of business on 21st March 1991 and of the Staff Shares so registered on 31st December 1990.

Total dividends for the year absorb £335 million (1989 £308 million), leaving £254 million (1989 £144 million) profit to be retained.

ACTIVITIES

The Company is a non-trading investment holding company, owning the entire issued Ordinary share capital of Barclays Bank PLC ('the Bank'), the principal operating company of the Barclays Group. The Bank provides, in its own name and through subsidiary undertakings, an extensive range of banking, financial and related services with over 2,700 United Kingdom branches and offices and, internationally, some 1,100 offices in 73 countries.

ANNUAL REPORT ON FORM 20-F

An Annual Report on Form 20-F will be filed with the Securities and Exchange Commission in the United States of America on 28th February 1991. Much of the detailed financial information therein is shown in the accounts and subsequent financial pages. Copies of the Form 20-F can be ordered from the Secretary.

CAPITAL

During the year, the authorised capital was increased to £2,000,000,000 by the creation of 500,000,000 new Ordinary Shares of £1 each, and the issued Ordinary share capital was increased by:

a) 3,251,042 shares under the terms of the UK Profit Sharing Schemes;
b) 451,802,806 shares, following the capitalisation of reserves, being 2 new shares for every 5 shares held at the close of business on 11th May 1990. The issue was approved at an Extraordinary General Meeting on 20th March 1990;
c) 5,026,418 shares as a result of the exercise of options under SAYE and Executive Share Option Schemes;
d) 2,885,953 shares in lieu of cash dividends;
e) 20,637 shares on conversion of £116,044 Floating Rate Convertible Unsecured Capital Notes 2010 of the Bank issued during the year.

(See also note 25 to the accounts.)

In 1990, the Bank also issued:

i) 8,960,000 Non-cumulative Dollar-denominated Preference Shares, Series C1, of US$0.01 each at US$20 per share, and 8,960,000 Non-cumulative Dollar-denominated Non-Voting Preference Shares, Series C2, of US$0.01 each at US$5 per share, raising in total US$224 million;
ii) US$50,300,000 Undated Floating Rate Primary Capital Notes Series 2 in exchange for US$50,300,000 Junior Guaranteed Undated Floating Rate Notes of Barclays Overseas Investment Company B.V., which were cancelled;
iii) £250,000,000 12¾% Senior Subordinated Bonds 1997, of which £175 million had been sold as at 31st December 1990.

(See also notes 22, 23 and 24 to the accounts.)

The net proceeds of those issues are being used for the development and expansion of the business of the Group and further to strengthen its capital base.

DIRECTORS' REPORT

In 1990, the Bank purchased and cancelled £106,643,347 12% Unsecured Capital Loan Stock 2010 and redeemed and cancelled £2,122,820 Floating Rate Unsecured Capital Loan Stock 2006.

SUBSTANTIAL SHAREHOLDINGS

As at 27th February 1991, the Company had been notified of the following interests of more than 3% of its issued share capital:

Prudential Assurance Group:
49,986,814 Ordinary Shares

Barclays Bank PLC Group:
62,863,020 Ordinary Shares*

* The interests notified by the Barclays Bank PLC Group are non-beneficial and include holdings by the Group's UK Profit Sharing Schemes, within funds under management by Group companies, and as a nominee shareholder.

PROPERTY

Reviews conducted by expert staff indicate that, at 31st December 1990, the market value of the Group's property in the UK had been adversely affected by the downturn in the property market, brought about by factors such as the state of the economy and high interest rates. In the light of the uncertainties in these areas, the market value of the UK property was considered to be some £190 million less than the value at which it was included in the consolidated balance sheet, an average shortfall of some 13%. The Directors are of the opinion that this shortfall will not prove to be permanent. Surpluses in respect of overseas property reduce the overall Group shortfall to some £150 million.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

Further details of the resolutions referred to below appear in the Notice of Meeting.

Share dividend alternative (Resolution 7)

A share dividend alternative has been offered since 1989 and has been taken up by over 30,000 shareholders and 11,000 participants in the Group's UK Profit Sharing Schemes. The offer is being made available for the 1990 second interim dividend and details are set out in the separate documents accompanying this Report. It is proposed that the authority to offer the scheme be renewed for a further year.

Market purchases of shares (Resolution 8)

Shareholders' approval was given in 1990 for the Company to purchase its own Ordinary Shares in the market, subject to a maximum of 40,000,000 shares and to limits on the maximum purchase price in accordance with the Rules of The International Stock Exchange. Although such authority was not used in 1990 and there is no immediate intention of using it, the Directors consider it desirable that it should be available to provide additional flexibility in the management of the Group's capital resources. The renewed authority would expire at the 1992 Annual General Meeting.

Power to allot shares (Resolution 9)

Shareholders are asked to renew the annual authority for the allotment of Ordinary Shares on the basis that the allotment of equity securities for cash, otherwise than on a pro rata basis to shareholders, would be restricted to not more than 5% of the issued Ordinary share capital at 31st December 1990.

Amendment to Article 102 (Resolution 10)

Shareholders are asked to approve an amendment to Article 102, which would permit Committees of the Board, in appropriate cases, to transact business by the adoption of written resolutions without the need for meetings.

Summary Financial Statements (Resolution 11)

UK listed companies are now permitted to issue a Summary Financial Statement to shareholders instead of the full Annual Report and Accounts. The resolution amends Article 137 to enable the Directors to take advantage of this permission. If a Summary Financial Statement is issued, shareholders will still be entitled to receive, on request, a copy of the full Annual Report and Accounts.

SUBSIDIARIES AND ASSOCIATES

(See also the notes on page 30)

Barclays Bank PLC

During 1990, the Company acquired 12,000,000 new £1 Ordinary Shares in the Bank at a cost of £44 million. In February 1990, the Bank issued 255,000,000 £1 Ordinary Shares to the Company following the capitalisation of reserves.

Barclays de Zoete Wedd Holdings Limited

In January 1991, the Bank completed the acquisition of the 74,133,014 Founders Shares in Barclays de Zoete Wedd Holdings Limited ('BZWH') that it did not already own, pursuant to an offer made in November 1990. Most of the Founders Shares were originally issued in 1986 to the former partners of de Zoete & Bevan and Wedd Durlacher Mordaunt & Co. as part of the consideration paid for the businesses of those firms. The acquisition was reflected in the 1990 accounts.

The total amount received by the 363 accepting Founders Shareholders was £111 million, of which £63 million was paid in cash by the Bank and £42 million was paid as a special dividend by BZWH. The balance was satisfied by the issue by the Bank in January 1991 of £6,054,026 Floating Rate Unsecured Capital Loan Stock 2010, of which £2,111,799 has been exchanged for 558,103 Ordinary Shares of £1 in the Company.

BarclaysAmericanCorporation

In March 1990, the Group sold BarclaysAmerican/Financial, a unit of BarclaysAmericanCorporation.

L'Européenne de Banque

In December 1990, the Group acquired a 51% interest in L'Européenne de Banque, a Paris-based bank, which specialises in private and retail banking and fund management. In January 1991, the Group acquired the remaining 49% interest.

Merck, Finck & Co.

In December 1990, the Group completed the acquisition of Merck, Finck & Co., a private bank with offices in Munich, Frankfurt and Düsseldorf.

Yorkshire Bank PLC

In February 1990, the Group sold its 32% holding in Yorkshire Bank PLC.

DIRECTORS

The names of the Directors appear on page 20. The membership of the Boards of both the Bank and the Company is identical.

Sir Derek Birkin, The Rt Hon Nigel Lawson MP and Mr F A L Robinson joined the Board on 1st January 1990, 1st February 1990 and 16th April 1990 respectively.

Mr O H Rout, Sir Anthony Tuke and Mr A J de N Rudge retired from the Board on 15th April 1990, 26th April 1990 and 16th February 1991 respectively.

Mr B G Pearse and Mr P E Leslie will retire from the Board on 5th March 1991 and 23rd March 1991 respectively. Mr I G Butler, Mr H U A Lambert and Sir Charles Tidbury will retire from the Board at the conclusion of the Annual General Meeting in 1991.

Mr D Band, Sir Denys Henderson, Sir John Quinton and Sir James Spooner retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. No Director offering himself for re-election has a service agreement of more than one year's duration. Further information concerning Directors seeking re-election is included in the Notice of Meeting.

DIRECTORS' INTERESTS

The Directors on 31st December 1990 and their interests (as defined by the

DIRECTORS' REPORT

Companies Act 1985 and according to the Register maintained thereunder) in the shares of the Group are shown on page 28. The Register is available for inspection at the Annual General Meeting.

COMMITTEES OF THE BOARD

An Audit Committee of Non-Executive Directors meets regularly with the Group's senior financial management, internal Inspection Department and external Auditors to consider, inter alia, the nature and scope of the audit reviews (performed under the Companies Act 1985 and the Banking Act 1987) and the effectiveness of the Group's systems of internal control. The current members of the Committee are Sir Nigel Mobbs (Chairman), Dr D V Atterton, Mr I G Butler, Sir Michael Franklin, Sir James Spooner and Sir Charles Tidbury.

A Committee of Directors meets regularly to consider and to make recommendations on the remuneration of Executive Directors and other senior Group employees. The current members are Sir Denys Henderson (Chairman), Dr D V Atterton, Sir Nigel Mobbs, Sir John Quinton and Sir James Spooner.

COMMUNITY INVOLVEMENT

The Group maintained its extensive programme of community support, spending some £11 million in grants, donations, sponsorships and secondments on a variety of wide-ranging initiatives. For the first time, a specific environmental conservation budget helped in the purchase of small threatened woodlands, the establishment of woodland management schemes and in the restoration of derelict wasteland in partnership with national conservation charities.

United Kingdom charitable donations totalled £2.3 million (1989 £2.1 million), with many charities also being helped through sponsorship of their information and literature services and other activities. Sponsorship of the arts was substantial and included the launch of Barclays New Stages. Worth £500,000 over three years, this is Britain's largest financial commitment to the independent theatre sector. The Group's £1.5 million community sponsorship programme also included support for many youth sport activities. The Barclays Youth Action Scheme has now made 127 awards totalling £1.25 million since its inception less than five years ago. Projects involving conservation, welfare and support for the disabled remain popular areas for youth initiatives.

The Group also supports the community through the secondment of full-time employees. Many charities, Enterprise Agencies and similar initiatives benefit greatly from the managerial, administrative and financial skills of these staff. Financial support continues to be given to job creation throughout the country, especially in inner city areas, deprived rural communities and for the disabled.

The Group channelled its overseas support through those UK-based charities which are actively involved in developing countries and also through its own operations in those countries.

The Group made no political donations.

PERSONNEL

The total number of Group employees at 31st December 1990 was 116,800.

The average number of persons employed by the Group in 1990, including non-clerical and part-time personnel but excluding persons working wholly or mainly outside the United Kingdom, was 85,300 and their aggregate remuneration, including profit sharing, in the year was £1,318 million.

EMPLOYEE INVOLVEMENT

Consultation with employees continues to be a highly important aspect of the Group's personnel policy. Consultative Committees were established many years ago and continue to meet regularly. In their own offices and through representation on Regional or Departmental Committees, employees are encouraged to discuss both strategic and operational issues. There is also an annual staff meeting at which delegates can discuss any aspect of the Group's business with Executive Directors.

Employees can share in the Group's success through Profit Sharing Schemes, which have operated since 1974. An SAYE Share Option Scheme was introduced in 1981 and has over 30,000 participants.

At an Extraordinary General Meeting on 20th March 1990, shareholders approved the renewal of the UK Profit Sharing, SAYE and Executive Share Option Schemes for a further 10 years from 1st January 1991, broadly on the same basis as the expiring schemes. At that Meeting, shareholders also approved amendments to the rules of the UK Profit Sharing Schemes for the scheme years 1989 and 1990 to reflect changes in the renewed schemes and, for 1989 only, to disregard provisions for country risk when determining any profit sharing payment.

EMPLOYMENT OF DISABLED PERSONS

The Group continues to take steps to increase employment opportunities for disabled people. These include positive action in seeking suitable applications from the disabled. Should existing employees become disabled, every help is given to ensure their continued employment wherever possible.

In 1990, the Department of Employment launched the symbol to be used by organisations committed to good policies and practices in the employment of disabled people. The Bank played a key role in this launch and believes that the symbol will communicate a powerful message to people with disabilities, our own employees and the business community at large.

The Group 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 the disabled.

AUDITORS

The Auditors, Price Waterhouse, have signified their willingness to continue in office and a resolution reappointing them as Auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

TAXATION

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company and there has been no change in this respect since 31st December 1990.

By order of the Board

JMD Atterbury
Secretary
27th February 1991

DIRECTORS' INTERESTS IN SHARES

ORDINARY SHARES OF BARCLAYS PLC

	At 1st January 1990* (or date appointed to Board if later)			At 31st December 1990		
	Beneficial	Options	Non-beneficial	Beneficial	Options	Non-beneficial
Dr DV Atterton	6,375			8,924		
Mrs Mary Baker	2,250			3,150		
D Band	510	148,800		752	208,216	
Sir Timothy Bevan	12,838			17,972		
Sir Derek Birkin				1,400		
IG Butler	8,244			11,541		
ARF Buxton	8,610	137,418	8,520	12,053	263,524	10,185
Lord Camoys	14,362	123,897		20,107	207,854	
Sir Michael Franklin	766			1,101		
Sir Denys Henderson	7,500			10,500		
Sir Martin Jacomb	6,699	148,732	6,645	9,378	210,764	7,560
HUA Lambert	12,767		2,929	17,873		4,099
The Rt Hon Nigel Lawson				1,001		
PE Leslie	31,589	142,453	17,044	44,224	199,513	22,118
Sir Nigel Mobbs	6,708		7,344	9,391		10,281
HT Norrington	9,968	113,077		13,954	152,526	
BG Pearse	4,385	79,635		6,139	111,445	
Sir John Quinton	19,429	227,157	6,645	31,647	425,894	7,560
FAL Robinson	10,028	85,133		14,038	173,601	
AJ de N Rudge	11,599	2,620	168	14,837	3,669	235
KB Sinclair	1,500			2,156		
Sir James Spooner	1,500			2,100		
Sir Charles Tidbury	6,264		1,467	8,768		2,053
AG Tritton	11,114			15,563		

*Interests at 1st January 1990 are stated before the effect of the capitalisation issue in 1990.

Options granted to Directors under the Company's 1981 SAYE Share Option Schemes are exercisable at prices in the range of 157p to 325p after 5 or 7 years from the date of the grant of the option. Options granted to Directors under the Company's 1986 Executive Share Option Scheme are exercisable at prices in the range of 288p to 371p between 1991 and 2000. (See notes 28 and 29 to the accounts.)

In 1990, options were exercised in respect of the following number of Ordinary Shares:

HT Norrington	35,000
BG Pearse	23,759

In 1990, options were granted over the following number of Ordinary Shares:

ARF Buxton	71,069
Lord Camoys	34,338
Sir Martin Jacomb	2,326
HT Norrington	43,200
BG Pearse	33,223
Sir John Quinton	107,800
FAL Robinson	54,400

Sir John Quinton had a non-beneficial interest in £27,280 Barclays Bank PLC 16% Unsecured Capital Loan Stock 2002/07 on 1st January 1990 and on 31st December 1990.

On 1st January 1990, Mr Sinclair had a beneficial interest in £1,150,000 Barclays Bank PLC Floating Rate Unsecured Capital Loan Stock 2006 and in 604,871 Founders Shares of £1 each in Barclays de Zoete Wedd Holdings Limited. On 31st December 1990, he had a beneficial interest in £1,150,000 Barclays Bank PLC Floating Rate Unsecured Capital Loan Stock 2006.

Mrs Baker, Sir Timothy Bevan, Mr Butler, Mr Lambert and Sir Nigel Mobbs were Trustees of the Company's 1979 UK Profit Sharing Schemes and, in that capacity, had a non-beneficial interest in 15,555,816 Ordinary Shares at 1st January 1990. Their non-beneficial interests ceased during 1990.

The interests in shares of Mr Rudge are no longer recorded in the Register following his retirement as a Director on 16th February 1991.

Other than as disclosed above, there were no changes between 31st December 1990 and 27th February 1991 in any of the interests shown.

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, and in accordance with applicable accounting standards.

(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 has been prepared on a consolidated basis, advantage being taken of Section 230(3) of the Act. The balance sheet of Barclays PLC has 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 to comply with local legislation, and the securities businesses in the United Kingdom, whose accounts are made up to the last Stock Exchange account day prior to 31st December. Details of the principal subsidiary and associated undertakings are given in note 30.

Goodwill arising on acquisitions of subsidiary and associated undertakings, being the excess of cost over fair value of the Group share of net tangible assets acquired, is charged against reserves in the year of acquisition.

(c) Interests in associated undertakings and trade investments
Consolidated profit includes income from interests in associated undertakings based on accounts made up to dates not earlier than six 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. Trade investments are stated in the consolidated balance sheet at cost less amounts written off.

(d) Value of long-term life assurance and pensions policies
A value (known as the "embedded value") is placed on the existing long-term life assurance and pensions policies written by Barclays Life Assurance Company Limited.

The embedded 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, using a discount rate of 15% per annum. Changes in the embedded value are included in the profit and loss account, grossed up for notional taxation. The Directors believe that the inclusion of the embedded value more fairly reflects the value to shareholders of the Group's investment in Barclays Life Assurance Company Limited.

(e) Investments (other than associated undertakings and trade investments)
Investments are carried in the consolidated balance sheet on the following bases: securities redeemable at fixed dates purchased with the intention of being held to maturity, at cost, adjusted to give effect to amortisation of premiums and discounts on purchase over periods to redemption; securities redeemable at fixed dates purchased for dealing purposes, at market value; undated investments, at the lower of cost and valuation.

In the securities trading subsidiary undertakings, long and short positions, representing the aggregate of book quantities of individual securities relating to a net bought or a net sold position, are carried at market value and are included in the consolidated balance sheet in trading assets and liabilities of securities business.

(f) Bad and doubtful debts
Specific provisions are made against advances when, in the opinion of the Directors, credit risks or economic and political factors make recovery doubtful. In addition, general provisions are raised, based on management's 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. Interest on doubtful advances is credited to profit until such time as its payment is considered to be unlikely, and provision made as appropriate. Bad debts are written off in part or in whole when a loss has been confirmed.

(g) Depreciation
Depreciation is provided on equipment and on plant in all buildings on a straight line basis over five years and ten years respectively. Leasehold properties with less than fifty years of the lease outstanding are depreciated on a straight line basis over the remaining period of the lease.

Depreciation is generally not charged on freehold and long-leasehold properties as the Directors do not consider it to be significant in view of the useful economic lives of these properties and, having regard to the high standard at which they are maintained, their residual values.

(h) Treasury products and off-balance sheet instruments
Transactions in treasury products and off-balance sheet instruments are valued at market prices and resultant profits and losses are included in operating profit, except those in respect of specifically designated hedging transactions which are taken to profit and loss account in accordance with the accounting treatment of the risk being hedged.

(i) Pension cost
The Group's main pension scheme covers 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 average remaining service lives of current employees.

ACCOUNTING POLICIES

(j) Finance lease receivables
Finance lease receivables are included in advances and other accounts 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 to give a constant periodic return on the net cash investment.

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

(l) 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.

Effect of acquisitions and disposals during the year

In February 1990, the Group sold its 32% holding in Yorkshire Bank PLC to National Australia Bank. The gain on sale of £198m has been credited in these accounts as an extraordinary item.

In March 1990, the Group sold BarclaysAmerican/Financial, a unit of BarclaysAmericanCorporation. The gain on sale, before taxation, of £32m has been included in operating profit.

A number of acquisitions have been made during the year, all of which have been accounted for by the acquisition method of accounting. Goodwill of £232m has been charged against reserves. The acquisitions include:

Merck, Finck & Co.	—	100% of the equity of this German private banking house.
L'Européenne de Banque	—	51% of the equity of this Paris-based bank. The Group acquired the remaining interest in January 1991.
Barclays de Zoete Wedd Holdings Limited	—	the minority interest, consisting of the outstanding non-redeemable cumulative preference shares (Founders Shares).

A summary of the effect of all acquisitions made during 1990 is as follows:

	Book value at date of acquisition £m	Adjustments £m	Fair value at date of acquisition £m
Property and equipment	100	66	166
Advances and other accounts	1,075	(16)	1,059
Cash and short-term funds	1,218	-	1,218
	2,393	50	2,443
Deposits and other accounts	2,095	-	2,095
Other liabilities	184	-	184
	2,279	-	2,279
Net assets	114	50	164
Minority interests			27
Goodwill charged against reserves			232
Consideration paid			423

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1990

	Note		1990 £m		1989 £m
Interest income	*1*		**15,265**		13,468
Interest expense	*2*		**11,776**		10,048
Net interest income			**3,489**		3,420
Other operating income	*3*		**2,236**		2,127
			5,725		5,547
Operating expenses:	*4*				
Staff		**2,132**		2,064	
Property and equipment		**762**		626	
Other		**867**		860	
		3,761		3,550	
Charge for bad and doubtful debts	*14*	**1,233**		1,397	
			4,994		4,947
Operating profit			**731**		600
Income from interests in associated undertakings			**29**		92
Profit before taxation and extraordinary item			**760**		692
Taxation	*5*		**332**		215
Profit after taxation			**428**		477
Profit attributable to minority interests			**37**		25
			391		452
Extraordinary item	*6*		**198**		–
Profit attributable to members of Barclays PLC	*7*		**589**		452
Dividends:	*8*				
First interim		**145**		128	
Second interim		**190**		180	
			335		308
Profit retained	*9*		**254**		144
Earnings per Ordinary Share	*10*		**24.7p**		28.9p

Movements in reserves are shown in note 26.

The Board of Directors approved the accounts set out on pages 29 to 46 on 27th February 1991.

CONSOLIDATED FUNDS STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1990

	1990 £m	1989 £m
Addition to/(reduction in) Capital Resources:		
Profit attributable to members	589	452
Dividends	(335)	(308)
Profit retained	254	144
Shares issued	44	35
Surplus on revaluation of properties	-	242
Goodwill arising on acquisitions	(232)	(33)
Minority interests:		
Preference Shares	128	311
Other	(32)	18
Loan capital issued	175	-
Undated capital notes issued	-	200
Loan capital redeemed	(109)	(53)
Exchange rate adjustments on capital resources	(595)	353
Other items	7	(7)
	(360)	1,210
Application of Capital Resources:		
Property and equipment, including revaluation surplus, less depreciation	245	469
Interests in associated undertakings and trade investments	(144)	87
(From)/to working resources	(461)	654
	(360)	1,210
Addition to Working Resources:		
(To)/from capital resources	(461)	654
Deposits, current accounts and other borrowings	6,982	16,772
Trading liabilities of securities business	178	3,061
Other liabilities	471	1,928
	7,170	22,415
Application of Working Resources:		
Cash and short-term funds	2,177	3,042
Advances and other accounts	3,505	16,065
Trading assets of securities business	385	3,193
Other assets	1,103	115
	7,170	22,415

The effects of acquisitions, disposals and exchange adjustments are included above where appropriate.

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 1990

	Note		1990 £m		1989 £m
Assets:					
Cash and short-term funds	*11*		**22,369**		20,192
Items in course of collection			**1,351**		708
Investments	*12*		**2,398**		1,938
Trading assets of securities business	*13*		**8,222**		7,837
Advances and other accounts	*14*		**97,749**		94,244
			132,089		124,919
Interests in associated undertakings and trade investments	*15*	**291**		435	
Property and equipment	*16*	**2,507**		2,262	
			2,798		2,697
			134,887		127,616
Liabilities:					
Deposits, current accounts and other borrowings	*19*		**110,788**		103,806
Trading liabilities of securities business	*13*		**7,447**		7,269
Other accounts	*20*		**6,232**		5,672
Current taxation			**581**		697
Deferred taxation	*21*		**469**		452
Dividend			**190**		180
			125,707		118,076
Capital Resources:					
Loan capital	*23*		**1,467**		1,547
Undated capital notes	*24*		**1,133**		1,320
Minority interests			**475**		448
Shareholders' funds:					
Called up share capital	*25*	**1,587**		1,124	
Reserves	*26*	**4,518**		5,101	
			6,105		6,225
			134,887		127,616

Off-balance sheet exposures are summarised in note 32.

John Quinton, *Chairman*
Andrew Buxton, *Managing Director*
Brian Pearse, *Finance Director*

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 1990

	Note		**1990 £m**		1989 £m
Fixed Assets:					
Investment in Barclays Bank PLC	*22*		**6,105**		6,225
Current Assets:					
Amounts falling due within one year:					
Due from subsidiary undertaking		**35**		30	
Cash at bank and in hand:					
Balance with subsidiary undertaking		**155**		150	
		190		180	
Creditors:					
Amounts falling due within one year:					
Dividend		**190**		180	
Net Current Assets			**-**		-
Assets less Current Liabilities			**6,105**		6,225
Capital and Reserves:					
Called up share capital	*25*		**1,587**		1,124
Share premium account	*26*		**988**		958
Revaluation reserve	*26*		**2,649**		3,262
Profit and loss account	*26*		**881**		881
Shareholders' Funds			**6,105**		6,225

John Quinton, *Chairman*
Andrew Buxton, *Managing Director*
Brian Pearse, *Finance Director*

NOTES TO THE ACCOUNTS

1 Interest income	1990 £m	1989 £m
Short-term funds	**1,957**	1,716
Investments - listed	**137**	134
- unlisted	**62**	37
Placings with banks	**1,310**	1,292
Lendings to customers	**11,123**	9,673
Lease receivables	**676**	616
	15,265	13,468

2 Interest expense	1990 £m	1989 £m
Deposits, current accounts and other borrowings:		
Current and demand accounts	**452**	302
Savings accounts	**2,342**	1,798
Other time deposits	**8,651**	7,578
Long-term borrowings of overseas subsidiary undertakings	**76**	84
	11,521	9,762
Loan capital and undated capital notes	**255**	286
	11,776	10,048

3 Other operating income	1990 £m	1989 £m
Commission from banking and related services	**1,561**	1,435
Foreign exchange trading income	**159**	172
Losses on realisation of Government securities	**(1)**	(3)
Securities trading income	**211**	203
Increase in value of long-term assurance policies	**70**	69
Other income	**236**	251
	2,236	2,127

Other income includes profit on sale of subsidiary undertakings of £43m (1989 £28m).

4 Operating expenses	1990 £m	1989 £m
Staff expenses:		
Salaries	**1,698**	1,571
Pension cost	**112**	166
Profit sharing	**16**	66
Other employee costs	**306**	261
	2,132	2,064
Property and equipment expenses:		
Depreciation of property and equipment	**199**	167
Property rentals	**169**	143
Hire of equipment	**34**	29
Other property and equipment expenses	**368**	327
	770	666
Profit on sale of property	**(8)**	(40)
	762	626
Auditors' remuneration and expenses	**4**	4

The total pension cost for the Group was £112m (1989 £166m), of which £71m (1989 £130m) related to the Group's main UK pension scheme, £26m (1989 £22m) to other UK schemes and £15m (1989 £14m) to overseas schemes. Formal actuarial valuations of the main scheme are carried out triennially, the latest being as at 30th September 1989. The principal actuarial assumptions adopted at that valuation were that, over the long term, the annual rate of return on new investments would be 2% 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 scheme at the date of the valuation was £5,222m and the actuarial value of the assets was sufficient to cover 132% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the surplus disclosed by the valuation, and has been reduced following the valuation.

5 Taxation

	1990 £m	1989 £m
The taxation charge assumes a United Kingdom corporation tax rate of 35% (1989 35%), and comprises:		
United Kingdom corporation tax, including deferred taxation charge of £21m (1989 credit £199m)	272	124
Relief for overseas taxation	(28)	(24)
	244	100
Overseas taxation	73	81
	317	181
Associated undertakings, including overseas taxation of £7m (1989 £8m)	15	34
Charge based on the profit for the year	332	215

The effective rate of taxation at 43.7% is higher than the average UK corporation tax rate of 35%, primarily because of the lack of tax relief on the charge for general provisions. A release in the year of £42m deferred taxation previously provided in respect of leasing transactions, which the Directors consider will not be payable in the foreseeable future, is broadly offset by the lack of tax relief on certain overseas losses.

In 1989, the overall effective rate of taxation of 31.1%, compared with the UK standard rate of 35%, reflected principally a release in the year of £54m deferred taxation in respect of leasing transactions, partly offset by the lack of tax relief on certain overseas losses.

The United Kingdom tax charge includes £33m (1989 £37m) in respect of notional taxation on franked investment income and on the increase in value of long-term assurance policies.

The total deferred taxation charge included above is £5m (1989 credit £191m).

6 Extraordinary item

The extraordinary item comprises £198m profit on the sale of the Group's 32% holding in Yorkshire Bank PLC. There is no related charge for taxation as any potential liability will be offset by capital losses, either brought forward or realised during the year.

7 Profit attributable to members of Barclays PLC

Of the profit attributable to the members, £335m (1989 £308m) is dealt with in the accounts of Barclays PLC.

8 Dividends

	1990 p per share	1990 £m	1989 p per share	1989 £m
On Ordinary Shares:				
First interim dividend	9.15	145	8.14	128
Second interim dividend	12.00	190	11.43	180
	21.15	335	19.57	308

Dividends amounting to £0.1m are payable on the Staff Shares which carry a fixed dividend of 14% p.a. unless no dividend is paid for the year on the Ordinary Shares.

Comparative figures have been restated to take account of the bonus issue in 1990.

9 Profit retained

	1990 £m	1989 £m
Profit has been retained by:		
Barclays PLC	–	–
Subsidiary undertakings	255	190
	255	190
Associated undertakings	(1)	(46)
	254	144

10 Earnings per Ordinary Share

Earnings per Ordinary Share are based upon profit after deducting taxation, profit attributable to minority interests and dividends on Staff Shares, but before extraordinary items.

Earnings amount to £391m (1989 £452m) and are related to the weighted average of Ordinary Shares in issue during the year of 1,580 million (1989 1,566 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.

Comparative figures have been restated to take account of the bonus issue in 1990.

11 Cash and short-term funds

	1990 £m	1989 £m
Cash in hand and with central banks	**1,858**	1,802
Money at call and short notice	**10,554**	10,986
British and other government treasury bills	**3,552**	2,963
Other bills	**2,393**	1,953
Certificates of deposit	**4,012**	2,488
	22,369	20,192

12 Investments

The valuation of listed investments is at mid-market prices and that of unlisted investments is at Directors' estimate.

	1990 Book value £m	1990 Valuation £m	1989 Book value £m	1989 Valuation £m
Securities of, or guaranteed by, the British Government	**799**	**786**	573	553
Other investments listed in Great Britain	**105**	**119**	34	68
Investments listed elsewhere	**1,000**	**998**	999	995
	1,904	**1,903**	1,606	1,616
Unlisted investments	**494**	**492**	332	339
	2,398	**2,395**	1,938	1,955
Securities redeemable at fixed dates:				
At amortised cost	**1,928**	**1,899**	1,535	1,510
At market value	**338**	**338**	285	285

The remaining investments are stated at the lower of cost and valuation.

Barclays PLC holds, as an investment, British Government stock with a book value of £0.1m (valuation £0.1m).

13 Trading assets and liabilities of securities business

The trading assets and liabilities of the securities business comprise:

Assets	1990 £m	1989 £m
Long positions at market value	**2,637**	2,418
Securities purchased under agreements to re-sell	**2,441**	2,168
Deposits with Stock Exchange money brokers and others as collateral for stock borrowing	**1,191**	1,014
Market and client debtors	**1,953**	2,237
	8,222	7,837

Liabilities	1990 £m	1989 £m
Short positions at market value	**2,638**	1,553
Securities sold under agreements to re-purchase	**2,120**	2,774
Secured loans from Stock Exchange money brokers and others	**809**	1,028
Market and client creditors	**1,880**	1,914
	7,447	7,269

As part of its normal market-making activities, BZW holds positions in Barclays PLC's Ordinary Shares.

NOTES TO THE ACCOUNTS

14 Advances and other accounts

	1990 £m	1989 £m
Advances and other accounts comprise:		
Lendings to customers	**78,646**	74,685
Finance lease receivables	**4,956**	4,383
	83,602	79,068
Less: provisions	**2,335**	2,499
	81,267	76,569
Placings with banks (over 30 days)	**10,883**	12,120
Other accounts	**5,599**	5,555
	97,749	94,244
Lendings and finance lease receivables, by geographical area:		
United Kingdom	**62,671**	58,584
Other European Community	**7,526**	6,064
United States	**8,848**	9,636
Rest of the World	**4,557**	4,784
	83,602	79,068

Assets acquired in the year for letting under finance leases amount to £1,833m (1989 £1,532m).

Other accounts include £2,126m (1989 £1,746m) accrued interest, £535m (1989 £537m) equipment leased to customers under operating leases, which is net of accumulated depreciation charges of £156m (1989 £142m), and the value of long-term assurance policies of £192m (1989 £147m).

Movements in provisions for bad and doubtful debts:	1990 £m	1989 £m
Provisions at beginning of year	**2,499**	1,655
Charge for the year, net of recoveries of £42m (1989 £53m)	**1,233**	1,397
Amounts written off, net of recoveries	**(1,237)**	(705)
Changes in Group structure	**50**	-
Exchange and other adjustments	**(210)**	152
Provisions at end of year	**2,335**	2,499
Provisions at 31st December:		
Specific - credit risks	**1,073**	701
General - credit risks	**393**	218
	1,466	919
Specific - country risk	**869**	1,580
	2,335	2,499

The provisions for bad and doubtful debts at 31st December 1990 have been reduced substantially by the level of amounts written off, including £615m as a result of sales of loans to borrowers in countries experiencing liquidity problems (country risk), and by the significant appreciation of sterling against the US dollar during the year.

The charge for the year in respect of bad and doubtful debts comprises:	1990 £m	1989 £m
Specific provisions - credit risks:		
United Kingdom	**809**	196
Other European Community	**50**	31
United States	**147**	100
Rest of the World	**66**	57
	1,072	384
Opening general provisions, net of exchange and other adjustments	**(213)**	(188)
	859	196
New general provisions - credit risks	**393**	218
	1,252	414
Specific provisions - country risk	**(19)**	983
	1,233	1,397

15 Interests in associated undertakings and trade investments

The valuation of listed investments is at mid-market prices and that of unlisted investments is at Directors' estimate. Additional information regarding principal associated undertakings is given in note 30.

	1990 Book value £m	**1990** Valuation £m	1989 Book value £m	1989 Valuation £m
Associated undertakings:				
Listed outside Great Britain	**14**	**14**	12	14
Unlisted	**243**	**247**	374	575
	257	**261**	386	589
Trade investments:				
Listed in Great Britain	**7**	**8**	12	19
Listed outside Great Britain	**1**	**4**	2	5
Unlisted	**26**	**29**	35	36
	291	**302**	435	649

Loans to associated undertakings, other than normal trading balances, amount to £62m (1989 £76m). Dividends from unlisted associated undertakings amount to £15m (1989 £104m).

Dividends from trade investments amount to: listed £1m (1989 £1m), unlisted £1m (1989 £2m).

16 Property and equipment

	Property £m	**Equipment** £m
Cost or valuation:		
At beginning of year	**1,889**	**1,069**
Changes in Group structure	**144**	**9**
Exchange and other adjustments	**(34)**	**(37)**
Additions at cost	**145**	**234**
Disposals	**(40)**	**(88)**
At end of year	**2,104**	**1,187**
At 31st December 1990:		
At valuation:		
- 1979 to 1987	**166**	**-**
- 1989	**1,463**	**-**
At cost	**475**	**1,187**
	2,104	**1,187**
Accumulated depreciation	**171**	**613**
Net book value:		
31st December 1990	**1,933**	**574**
31st December 1989	1,739	523

Balance sheet value of property:	**1990** £m	1989 £m
Freehold	**1,529**	1,379
Leasehold over 50 years unexpired	**237**	218
Leasehold up to 50 years unexpired	**167**	142
	1,933	1,739

The net book value includes £9m (1989 £15m) in respect of equipment held under finance leases on which the depreciation charge is £6m (1989 £8m).

NOTES TO THE ACCOUNTS

17 Commitments for capital expenditure not provided in these accounts

Commitments for capital expenditure under contract amount to £170m (1989 £88m): capital expenditure authorised, but not yet contracted, totals £62m (1989 £210m).

18 Future rental commitments under operating leases

	1990 Property £m	1990 Equipment £m	1989 Property £m	1989 Equipment £m
Annual commitments under non-cancellable operating leases expiring:				
- within one year	3	5	5	2
- between one year and five years	22	14	17	9
- after five years	119	-	101	4
	144	19	123	15

19 Deposits, current accounts and other borrowings

	1990 £m	1989 £m
By geographical area:		
United Kingdom	79,748	73,331
Other European Community	12,551	10,569
United States	9,623	9,650
Rest of the World	8,866	10,256
	110,788	103,806
By type:		
In offices in the United Kingdom:		
Current and demand accounts - interest free	7,229	7,347
- interest bearing	4,001	3,110
Savings accounts	19,687	16,849
Other time deposits - retail	14,193	13,069
- wholesale	34,638	32,956
	79,748	73,331
In offices outside the United Kingdom:		
Current and demand accounts	3,374	3,670
Savings accounts	1,145	1,241
Other time deposits	25,897	24,717
Long-term borrowings of subsidiary undertakings due:		
- within one year	66	164
- between one year and five years	247	360
- after five years	311	323
	31,040	30,475
	110,788	103,806

Long-term borrowings, which have maturity dates extending to 2005, are raised locally by overseas subsidiary undertakings to finance their own operations.

20 Other accounts

	1990 £m	1989 £m
Obligations under finance leases payable:		
- within one year	143	144
- between one year and five years	169	221
	312	365
Less: future finance charges	39	55
	273	310
Accrued interest	1,998	1,742
Sundry creditors	2,583	2,540
Accrued expenses and items in transit	1,378	1,080
	6,232	5,672

21 Deferred taxation

	1990 £m	1989 £m
Movements on deferred taxation during the year:		
At beginning of year	**452**	658
Exchange and other adjustments	**12**	(15)
Charge/(credit) to profit and loss account	**5**	(191)
At end of year	**469**	452
Deferred taxation at 31st December:		
Leasing transactions	**573**	564
Other timing differences	**(104)**	(112)
	469	452

The charge to profit and loss account in 1990 is after crediting a £42m release of deferred taxation in respect of leasing transactions. The credit in 1989 included a £54m release in respect of leasing transactions, with the remainder relating primarily to country risk provisions made in the year, tax relief for a portion of which has been assumed to be available in future years.

Potential taxation liabilities in respect of leasing transactions not provided in the accounts, computed at estimated future tax rates, amount to £191m (1989 £153m).

No taxation 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 taxation 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 taxation liability arising is remote and no useful purpose would be served by attempting to quantify it.

22 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 tangible assets of Barclays Bank PLC, as the Directors are of the opinion that this fairly represents the value of the investment. The decrease of £120m during the year comprises the cost of additional shares of £44m and a decrease of £164m in other net tangible assets of Barclays Bank PLC. The cost of the investment is £3,007m (1989 £2,963m).

During the year, Barclays Bank PLC raised US$224m by a further issue of Non-cumulative Dollar-denominated Preference Shares. In the consolidated balance sheet, the total Preference Shares currently in issue (US$724m) are included in minority interests at their sterling equivalent at 31st December 1990 of £375m. In the consolidated profit and loss account, dividends on the Preference Shares of £27m (1989 £12m) are included in profit attributable to minority interests.

Details of the principal subsidiary and associated undertakings, held through Barclays Bank PLC, are shown in note 30.

NOTES TO THE ACCOUNTS

23 Loan capital

Loan capital, which is raised by Barclays Bank PLC and its finance subsidiaries for the development and expansion of the Group's business, includes £1,401m (1989 £1,481m) repayable after five years and comprises:

	1990	1989
Barclays Bank PLC:	**£m**	£m
7½% Unsecured Capital Loan Stock 1986/91	**7**	7
8¼% Unsecured Capital Loan Stock 1986/93	**59**	59
10¼% Senior Subordinated Bonds 1997	**250**	250
12¾% Senior Subordinated Bonds 1997	**175**	–
Floating Rate Unsecured Capital Loan Stock 2006	**16**	18
16% Unsecured Capital Loan Stock 2002/07	**100**	100
12% Unsecured Capital Loan Stock 2010	**25**	132
Barclays Overseas Investment Company B.V.:		
6% Guaranteed Bonds 1996 (Yen 40,000m)	**153**	173
8⅛% Unsecured Bearer Bonds 1983/98 (DM250m)	**87**	92
Guaranteed Floating Rate Notes 2004 (US$350m)	**181**	218
Barclays North American Capital Corporation:		
11⅝% Guaranteed Capital Notes 2003 (US$400m)	**207**	249
10½% Guaranteed Capital Notes 2017 (US$400m)	**207**	249
	1,467	1,547

Loan capital of Barclays Bank PLC 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 Barclays Overseas Investment Company B.V. and Barclays North American Capital Corporation carries the guarantee of Barclays Bank PLC, which is subordinated on a similar basis.

The Guaranteed Floating Rate Notes 2004 and the Floating Rate Unsecured Capital Loan Stock 2006 bear interest at rates fixed in advance for periods of six months. At 31st December 1990, the rates were 8 3/16% (1989 9 1/16%) on the 2004 Notes and 13 5/16% (1989 14 15/16%) on the 2006 Capital Loan Stock.

During the year, Barclays Bank PLC purchased and cancelled £107m of the 12% Unsecured Capital Loan Stock 2010 and redeemed and cancelled £2m of the Floating Rate Unsecured Capital Loan Stock 2006.

On 26th November 1990, Barclays Bank PLC offered £250m 12¾% Senior Subordinated Bonds 1997. As at 31st December 1990, £175m had been sold.

Interest on loan capital wholly repayable within five years amounts to £5m (1989 £5m).

24 Undated capital notes

Undated capital notes are issued by Barclays Bank PLC and its finance subsidiaries for the development and expansion of the Group's business and to strengthen its capital base and comprise:

	1990	1989
Barclays Bank PLC:	**£m**	£m
Undated Floating Rate Primary Capital Notes Series 1 (US$600m)	**311**	373
Undated Floating Rate Primary Capital Notes Series 2 (US$843m)	**437**	493
Undated Floating Rate Primary Capital Notes Series 3	**200**	200
Barclays Overseas Investment Company B.V.:		
Junior Guaranteed Undated Floating Rate Notes (US$357m)	**185**	254
	1,133	1,320

The Junior Guaranteed Undated Floating Rate Notes carry the junior subordinated guarantee of Barclays Bank PLC, ranking behind the claims against Barclays Bank PLC of depositors and other unsecured unsubordinated creditors and holders of loan capital. The issues of Undated Floating Rate Primary Capital Notes of Barclays Bank PLC rank behind the claims against Barclays Bank PLC of the holders of the Junior Guaranteed Undated Floating Rate Notes.

Barclays Bank PLC made two offers during the year to exchange all the outstanding Junior Notes for an equal amount of its Primary Capital Notes Series 2, to form a single issue with the existing Series 2 Notes. In 1990, Junior Notes with a nominal value of US$50m were exchanged. The Bank may renew the offer for such additional periods and on such terms as it may determine.

Undated capital notes (other than Primary Capital Notes Series 3) bear interest at rates fixed in advance for periods of six months. At 31st December 1990, the rates were 8 9/16% (1989 9 5/16%) on the Primary Capital Notes Series 1, 8⅛% (1989 9 1/16%) on the Primary Capital Notes Series 2, and 8 5/16% (1989 8 13/16%) on the Junior Floating Rate Notes. The Primary Capital Notes Series 3 bear interest at rates fixed in advance for periods of three months and, at 31st December 1990, the rate was 14¼% (1989 15⅝%).

Interest on undated capital notes amounts to £115m (1989 £116m).

25 Share capital

The authorised share capital of Barclays PLC is £2,000m (1989 £1,500m), comprising 1,999 million (1989 1,499 million) Ordinary Shares of £1 each and 1 million (1989 1 million) Staff Shares of £1 each.

	1990	1989
Called up share capital, allotted and fully paid:	**£m**	£m
Ordinary Shares:		
At beginning of year	**1,123**	1,113
Issued by way of capitalisation of reserves	**452**	–
Issued under profit sharing, share option and share dividend schemes	**11**	10
At end of year	**1,586**	1,123
Staff Shares	**1**	1
	1,587	1,124

In May 1990, a two-for-five bonus issue was made involving the capitalisation of £452m from reserves. Appropriate 1989 comparative figures have been adjusted for the effect of this issue.

It is not yet possible to quantify the amount which will be issued in 1991 under the UK Profit Sharing Schemes in respect of allocations of Ordinary Shares arising from profit in 1990, nor under the share dividend alternative scheme in respect of the second interim dividend for the year.

Under the terms of the Executive and SAYE Share Option Schemes, 53.4 million (1989 43.5 million) options are outstanding, enabling certain Directors and members of staff to subscribe for Ordinary Shares between 1991 and 2000, at prices ranging from 157p to 416p per share.

26 Reserves

	Consolidated £m	Barclays PLC £m	Associated undertakings £m
At beginning of year	5,101	5,101	139
Premium arising on shares issued	33	33	–
Capitalisation of reserves	(452)	(452)	–
Exchange rate translation differences	(193)	–	(6)
Goodwill arising on acquisitions	(232)	–	–
Changes in Group structure	–	–	(5)
Other items	7	–	7
Revaluation of investment in subsidiary undertaking	–	(164)	–
Profit retained	254	–	(1)
At end of year	4,518	4,518	134

Consolidated reserves include share premium account of £988m (1989 £958m) and surplus on revaluation of property of Barclays Bank PLC and its subsidiary undertakings of £395m (1989 £867m).

The amount included in consolidated reserves in respect of overseas subsidiary and associated undertakings is £246m (1989 £506m), a substantial part of which is required to be retained by the undertakings concerned in order to comply with local banking requirements. If overseas reserves were to be remitted, further taxation liabilities, which have not been provided for in these accounts, might arise.

The reserves of Barclays PLC include share premium account of £988m (1989 £958m), profit and loss account of £881m (1989 £881m) and a revaluation reserve of £2,649m (1989 £3,262m). The revaluation reserve arises from the revaluation of the investment in Barclays Bank PLC. The reserves capitalised during the year comprise £3m from share premium account and £449m from the reserve relating to the revaluation of the investment in Barclays Bank PLC.

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

27 Turnover

The Group's revenues, which are mainly attributable to the business of banking and related activities, are shown in the consolidated profit and loss account and accompanying notes.

In respect of the Group's leasing activities, the aggregate rentals receivable under finance leases are £1,569m (1989 £1,255m) and the aggregate rentals receivable under operating leases are £244m (1989 £185m).

NOTES TO THE ACCOUNTS

28 Directors' emoluments

The aggregate emoluments of the Directors of Barclays PLC, computed in accordance with Part I of Schedule 6 to the Companies Act 1985, are:

	1990	1989
	£000	£000
Fees	**263**	243
Other	**3,448**	3,163
	3,711	3,406

In addition, pensions in respect of management services of a former Director amount to £74,998 (1989 £69,000) and ten (1989 one) Directors waived the right to receive emoluments, which in aggregate amount to £104,263 (1989 £5,144).

The emoluments, excluding pension contributions, of the Chairman amount to £404,067 (1989 £332,920).

The emoluments, excluding pension contributions, of the highest paid Director amount to £553,921 (1989 £470,283).

The numbers of Directors, including the Chairman, whose emoluments, excluding pension contributions, fall within the undermentioned limits are:

	1990	1989		**1990**	1989
Up to £5,000	-	1	£185,001—£190,000	1	-
£5,001— £10,000	1	2	£195,001—£200,000	-	1
£10,001— £15,000	-	4	£200,001—£205,000	1	-
£15,001— £20,000	5	2	£205,001—£210,000	-	1
£20,001— £25,000	3	3	£210,001—£215,000	-	1
£25,001— £30,000	1	1	£225,001—£230,000	1	-
£30,001— £35,000	1	-	£235,001—£240,000	1	-
£35,001— £40,000	1	1	£270,001—£275,000	1	-
£75,001— £80,000	1	-	£305,001—£310,000	-	1
£90,001— £95,000	-	2	£325,001—£330,000	1	-
£95,001—£100,000	2	-	£330,001—£335,000	-	1
£125,001—£130,000	1	-	£375,001—£380,000	-	1
£130,001—£135,000	1	-	£400,001—£405,000	1	-
£160,001—£165,000	-	2	£470,001—£475,000	-	1
£165,001—£170,000	-	1	£550,001—£555,000	1	-
£180,001—£185,000	1	-			

During 1990, options over 0.1 million Ordinary Shares at 416p and over 0.6 million Ordinary Shares at 371p were granted under the Executive Share Option Scheme. These options expire in 2000. There are currently 43 Executive Directors and employees participating in the Executive Share Option Scheme.

29 Contracts with Directors and connected persons and with Senior Executives

The aggregate amounts outstanding at 31st December 1990 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were during the year, Directors of the Company and persons connected with them and for Senior Executives, within the meaning of the Banking Act 1987, of Barclays Bank PLC are:

	Number of Directors or Senior Executives	**Number of connected persons**	**Amount £000**
Directors:			
Loans	**16**	**4**	**247**
Quasi-loans and credit card accounts	**23**	**13**	**28**
Senior Executives:			
Loans	**13**	-	**546**
Quasi-loans and credit card accounts	**12**	-	**141**

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. Directors' options are reported on page 28.

30 Subsidiary and associated undertakings

Country of registration or incorporation	Principal subsidiary undertakings	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
England	Mercantile Credit Company Limited	100
Guernsey	Barclays Finance Company (Guernsey) Limited	100
Jersey	Barclays Bank Finance Company (Jersey) Limited	100
France	Barclays Bank SA	100
Italy	Barclays Financial Services Italia SpA	100
Spain	Barclays Bank SAE	89.4
Botswana	Barclays Bank of Botswana Limited	80.4
Kenya	Barclays Bank of Kenya Limited	68.5
Zimbabwe	Barclays Bank of Zimbabwe Limited	100
USA	BarclaysAmericanCorporation	100 #
USA	Barclays Bank of New York N.A.	99.9 #
Canada	Barclays Bank of Canada (year end: 31st October)	100
Australia	Barclays Bank Australia Limited	100

Country of registration or incorporation	Principal associated undertaking	Percentage of equity capital held
England	3i Group plc (year end: 31st March)	18.5

3i Group plc, which has an issued share capital of £235m and an issued loan capital of £731m, is owned by a consortium of UK clearing banks and the Bank of England, and accordingly is treated as an associated undertaking. The consolidated accounts include interim accounts to 30th September in respect of 3i Group plc.

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 37,920,000 Non-cumulative Dollar-denominated Preference Shares of US$0.01 each, none of which are held by Barclays PLC.

For subsidiary and associated undertakings operating in countries where there is doubt as to the timely remittance of profits, the consolidated profit before taxation includes only amounts which have been received in the United Kingdom, and the Group's investment is carried in the consolidated balance sheet at the lower of cost and valuation. The Group's share of profit before taxation thus excluded from the profit before taxation reported for the year is £9m (1989 £11m). Net assets of subsidiary and associated undertakings excluded from the consolidated balance sheet amount to £20m (1989 £27m).

31 Legal proceedings

In common with other banks, the Group has, in the normal course of business, entered into swap transactions with certain UK local authorities. The legality of such contracts has been challenged and in appeal proceedings concerning swap transactions effected by one local authority (the London Borough of Hammersmith and Fulham) the House of Lords, in a formal judgement delivered in January 1991, has held that transactions of this kind are not within the powers of local authorities. Full provision of £37m was made in 1989 in respect of all outstanding swap transactions by the Group with local authorities. This provision has been increased to £41m in 1990 to reflect interest rates ruling at the year end. The House of Lords judgement did not rule on the possibility of banks or local authorities recovering payments made in respect of swap transactions but, at this stage, it is not possible to assess the ultimate effect on the Group.

In connection with an agreement in 1987 for the sale by British & Commonwealth Holdings PLC ("B&C") to Quadrex Holdings, Inc. ("Quadrex") of the wholesale moneybroking businesses of Mercantile House Holdings PLC, B&C brought a legal action against Quadrex and another legal action against Samuel Montagu & Co. Limited ("SM"). In B&C's action against SM, Barclays de Zoete Wedd Limited ("BZW") was joined by SM in third party proceedings. Subsequently, in B&C's action against Quadrex, BZW was joined as a defendant to Quadrex's counterclaim against B&C and was joined as a fourth party to Quadrex's third party claim against SM. The claims against BZW have not been quantified and resolution of quantum has been deferred until after the trial on liability, on which judgement is expected to be given in 1991. Quadrex has abandoned its counterclaim against BZW. The remaining claims against BZW have been vigorously defended.

NOTES TO THE ACCOUNTS

32 Financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. In addition, there are interest rate and currency swaps, financial futures contracts, forward contracts for the purchase and sale of foreign currencies, option contracts and other facilities to customers which are not reflected in the consolidated balance sheet.

Under internationally accepted banking supervision practice for the calculation of the risk associated with such off-balance sheet items, the contract or underlying principal amounts are initially converted to credit risk equivalents by applying specified credit conversion factors or, in the case of interest and exchange-related contracts, by marking to market value. The resultant amounts are then risk weighted according to the nature of the counterparty and comprise:

	Contract or underlying principal amount £m	Risk weighted amount £m
Guarantees, acceptances, endorsements and other items serving as direct credit substitutes	10,233	8,239
Other endorsements	871	-
Performance bonds and other transaction-related contingencies	6,006	2,870
Documentary credits and other short-term trade-related contingencies	941	174
Sale and re-purchase agreements	111	79
Forward asset purchases and forward forward deposits placed	784	166
Note issuance and revolving underwriting facilities	729	273
Formal standby facilities, credit lines and other commitments to lend:		
- less than one year maturity	35,566	-
- one year or over maturity	10,395	5,012
Exchange rate-related instruments:		
- 14 days or less original maturity	21,222	-
- over 14 days original maturity	137,387	1,374
Interest rate-related contracts	116,550	592
Exchange-traded instruments and other off-balance sheet instruments	13,054	119
		18,898

The majority of these facilities are offset by corresponding obligations of third parties.

AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS PLC

We have audited the accounts on pages 29 to 46 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December 1990 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants

London
27th February 1991

FIVE YEAR FINANCIAL SUMMARY

Consolidated Profit and Loss Account

	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Profit before taxation by area of operation:					
UK domestic banking and treasury operations	**324**	1,099	857	598	451
Barclays Financial Services	**181**	165	104	86	71
Central Retail Services Division	**(4)**	42	99	97	92
Barclays de Zoete Wedd Group	**5**	54	33	(11)	1
Mercantile group of companies	**2**	51	91	85	86
International treasury and banking operations in the UK	**141**	(873)	88	(620)	73
Other European Community	**39**	24	11	(9)	25
United States	**20**	72	43	64	63
Rest of the World	**52**	58	65	79	58
Profit before taxation	**760**	692	1,391	369	920
Taxation	**332**	215	498	159	286
Profit after taxation	**428**	477	893	210	634
Profit attributable to members	**589**	452	887	204	649
Dividends	**335**	308	256	171	145
Profit retained	**254**	144	631	33	504
Earnings per Ordinary Share	**24.7p**	28.9p	62.7p	17.4p	55.9p
Dividends per Ordinary Share	**21.2p**	19.6p	16.4p	14.2p	12.9p
Dividend cover (times)	**1.2**	1.5	3.5	1.2	4.3
Average US dollar exchange rates used in preparing the above	**1.78**	1.64	1.78	1.64	1.47

Note:
The financial information on pages 47 to 63 is extracted from the published accounts for the last five years, restated where appropriate to accord with the current accounting practice of the Group. The figures for earnings and dividends per Ordinary Share in earlier years have been restated to take account of the bonus issue in 1990.

Analysis by Geographical Area and by Area of Operation

At 31st December 1990, no single country, apart from the United Kingdom and the United States, accounts for more than 5% of consolidated assets. The analyses of assets, liabilities and profits between the United Kingdom, Other European Community, the United States and the Rest of the World are generally based on the domicile of the office recording the transaction. The United States includes business conducted through the Bahamas and the Cayman Islands. Interest on loan capital and undated capital notes is included in interest expense and is allocated, together with the benefit of an appropriate proportion of shareholders' funds, to the geographical areas using the funds.

The analyses of lendings by maturity in the financial review are based on the residual period to final maturity. In this context, overdrafts are treated as repayable within one year.

FIVE YEAR FINANCIAL SUMMARY

Results by Nature of Income/Expense

	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Interest income	**15,265**	13,468	9,147	7,633	7,287
Interest expense	**11,776**	10,048	6,181	4,962	4,812
Net interest income	**3,489**	3,420	2,966	2,671	2,475
Other operating income:					
Commission from banking and related services	**1,561**	1,435	1,283	1,155	983
Foreign exchange trading income	**159**	172	112	113	123
(Losses)/profits on realisation of Government securities	**(1)**	(3)	16	17	37
Securities trading income	**211**	203	145	85	15
Increase in value of long-term assurance policies	**70**	69	50	30	25
Other income	**236**	251	179	150	101
	5,725	5,547	4,751	4,221	3,759
Operating expenses:					
Staff	**2,132**	2,064	1,882	1,676	1,501
Property and equipment	**762**	626	568	516	457
Other	**867**	860	705	656	540
	3,761	3,550	3,155	2,848	2,498
Charge for bad and doubtful debts	**1,233**	1,397	301	1,072	416
Operating profit	**731**	600	1,295	301	845
Income from interests in associated undertakings	**29**	92	96	68	75
Profit before taxation	**760**	692	1,391	369	920

Total Assets

	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
By area of operation:					
UK domestic banking and treasury operations	**67,855**	61,159	53,626	41,407	34,168
Barclays Financial Services	**333**	283	204	162	154
Central Retail Services Division	**3,956**	3,372	3,181	2,377	2,109
Barclays de Zoete Wedd Group	**6,026**	6,655	4,504	4,676	4,100
Mercantile group of companies	**7,503**	6,994	6,490	5,259	4,779
International treasury and banking operations in the UK	**9,061**	10,082	7,874	8,740	8,774
Other European Community	**15,310**	12,143	8,120	6,871	7,127
United States	**15,620**	16,254	12,794	11,035	11,338
Rest of the World	**9,223**	10,674	7,852	7,328	6,453
	134,887	127,616	104,645	87,855	79,002

Consolidated Balance Sheet

	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Assets:					
Advances and other accounts	**97,749**	94,244	78,179	64,154	57,574
Other assets	**34,340**	30,675	24,325	21,662	19,644
	132,089	124,919	102,504	85,816	77,218
Infrastructure	**2,798**	2,697	2,141	2,039	1,784
Total assets	**134,887**	127,616	104,645	87,855	79,002
Liabilities:					
Deposits, current accounts and other borrowings	**110,788**	103,806	87,034	73,861	65,313
Other liabilities	**14,919**	14,270	9,281	7,122	7,290
	125,707	118,076	96,315	80,983	72,603
Capital resources:					
Loan capital	**1,467**	1,547	1,507	1,620	1,308
Undated capital notes	**1,133**	1,320	996	954	1,215
Minority interests	**475**	448	116	111	106
Shareholders' funds	**6,105**	6,225	5,711	4,187	3,770
	9,180	9,540	8,330	6,872	6,399
Total liabilities and capital resources	**134,887**	127,616	104,645	87,855	79,002
Year-end US dollar exchange rates used in preparing the above	**1.93**	1.61	1.81	1.89	1.48

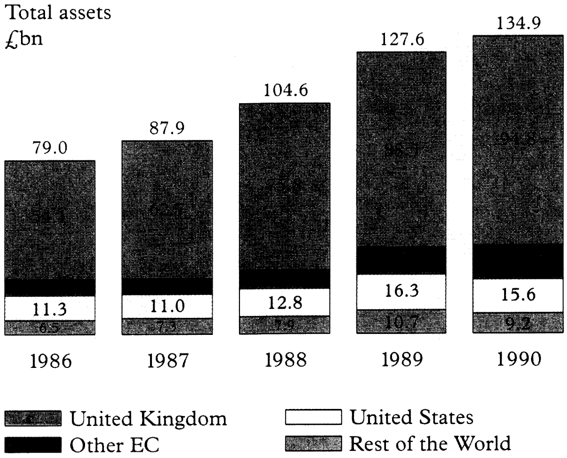
FINANCIAL REVIEW

GROUP SUMMARY

Group profit in 1990 was £760m, an increase of 10% over 1989, when country risk provisions of £983m were raised. The results reflect substantial reductions in profit in most operations in the United Kingdom, largely resulting from higher provisions for bad and doubtful debts of £977m, compared with £229m in 1989. The continuing recession in the United Kingdom had a severe impact on the core personal and corporate lending of the domestic bank and CRSD and Mercantile also experienced higher provisions. The combined profit of domestic banking and treasury operations, CRSD and Mercantile declined by £870m (73%) compared with last year.

On a positive note, however, Barclays Financial Services improved its profit and the sales of its insurance-related products through the branch network continued to expand.

Total assets
£bn



Internationally, Other European Community countries increased profits on the back of a positive performance in Spain. In the United States, results were down in the wake of higher provisions, but benefited from the surplus arising on the sale of BarclaysAmerican/Financial ("BAF"). The Rest of the World results were reduced because of higher provisions in Australia.

The unfavourable economic climate also slowed the underlying growth in the Group's lending portfolio during 1990. Total assets increased by 6% during 1990, compared with 22% in 1989. A factor in the slower growth was the 17% weakening of the US dollar against sterling.

Although capital resources fell by £360m during 1990, the Group's risk asset ratio at 8.3% (1989 9.0%) remained above the 8% minimum set by the Basle Committee, and the important tier 1 ratio increased to 5.8% (1989 5.7%).

ANALYSIS OF PROFIT BEFORE TAXATION BY AREA OF OPERATION

UK domestic banking and treasury operations

The main reason for the fall in profit was an increase in provisions for bad and doubtful debts and the related loss of interest income.

1990	1989	1988
	(£ million)	
324	1,099	857

The charge for bad and doubtful debts of £794m was £648m higher than in 1989. The increase was particularly marked in the second half of the year as persistent high levels of interest rates and the economic recession created difficulties for both personal and corporate customers. The need to raise provisions also resulted from falling property values, most evident in London and the South of England, which reduced the value of security. There was a substantial increase in provisions under £1m, particularly in respect of personal lendings, other than home mortgages, and loans to businesses in the property, construction and service sectors.

Net interest income increased only slightly, in contrast to a 22% rise in 1989, reflecting the slower growth in lendings and a further narrowing of the net interest margin. There was an improvement in the lending margins on some products, particularly home mortgages, but this was offset by the substantial loss of revenues on the sharply increased level of bad and doubtful debts. Retail deposit growth, particularly in high interest rate accounts, has continued to be strong in 1990, further reducing reliance on more expensive sterling wholesale funds. However, the continuing replacement of interest free current accounts with interest paying accounts, and the run-down of other relatively cheap sources of funding, have increased the overall cost of funds and this has also had an unfavourable effect on the net interest margin.

Commissions grew by 15%, with the largest increases coming from corporate money transmission services and retail customer account fees.

The growth in staff costs was below the rate of inflation as a result of a reduction in staff numbers, a lower pension fund contribution and reduced profit sharing. Further increases in depreciation and computer systems development expenditure reflected the significant investments that are being made to enhance information and transaction processing systems.

The contribution from UK associated undertakings, previously reported separately, was only £6m, compared with £69m in 1989. Yorkshire Bank PLC, which contributed £36m in 1989, was sold in February 1990.

Barclays Financial Services ("BFS")

1990	1989	1988
	(£ million)	
181	165	104

The principal growth in profit came from increased brokerage commissions on general insurance. The life assurance and pensions business maintained its profit contribution, although the pensions market was difficult for much of the year and additional costs were incurred because of the expansion of the direct sales force. The embedded value contribution of £70m was similar to that of 1989, having been affected by lower investment values. Investment services recorded a small gain over 1989, helped by higher interest earnings.

Central Retail Services Division ("CRSD")

1990	1989	1988
	(£ million)	
(4)	42	99

The loss arose principally from provisions for bad and doubtful debts and fraud losses, totalling £112m, compared to £52m in 1989.

The results of the credit card operation were also reduced by higher funding costs and increased competition. In July 1990, the terms of the main credit card, Barclaycard, were restructured to include a reduction in the interest charge and the introduction of an annual card fee. The costs of introducing this change and the reduced lending margins more than offset the six months of fees that were earned. The merchant service business also recorded an overall loss as increased competition resulted in lower volumes and a continued decline in commission rates.

Profit from travel services continued to improve with increased contributions from the sale of foreign currency and travellers cheques; the latter benefiting from a £19m exceptional release of provision.

Barclays de Zoete Wedd Group ("BZW")

1990	1989	1988
	(£ million)	
5	54	33

The difficult trading conditions, which prevailed for most of the year in the financial markets world-wide, were the main reason for the depressed BZW results in 1990. Equities operations, in particular, suffered from reduced trading volumes in most markets, while the substantial profits made from Japanese warrants in 1989 were not repeated in 1990. Corporate finance operations also suffered from the low level of market activity and the banking and development capital businesses were affected by the adverse condition of the UK economy.

The fixed income division generated higher profits as a result of increased volumes and margins in the swaps business and improved bonds trading. An additional £4m was provided in respect of interest rate swaps with UK local authorities, following the £32m provided in 1989.

Profits were again taken on the sale of part of the development capital operation's investment in NFC (formerly National Freight Consortium). The investment management division continued to make good progress.

Costs rose substantially during 1990 as overseas operations continued to be developed as part of BZW's overall strategy, which is now largely completed, to build an international capability.

Mercantile group of companies

1990	1989	1988
	(£ million)	
2	51	91

The fall in profit was mainly caused by increased provisions for bad and doubtful debts in 1990 and continuing restructuring costs. Losses attributable to discontinued operations and costs relating to restructuring, net of the profits made on the sale of automotive investments, totalled £25m.

The asset financing division again increased its business volumes and underlying profits, but higher provisions reduced the overall results in 1990. Mercantile's other continuing business, vehicle leasing, also reported lower profits because of the difficult economic climate.

The consumer lending division, which has been offered for sale, recorded an overall loss, although the profit before the charge for bad and doubtful debts exceeded that for 1989 because of improved margins and reduced costs.

FINANCIAL REVIEW

International treasury and banking operations in the UK

1990	1989	1988
	(£ million)	
141	(873)	88

The major contributor to profit was again Global Treasury Services where profits from money market and currency trading activities were similar to 1989.

Results from international banking operations improved substantially in 1990, benefiting from a net credit of £19m in respect of country risk provisions, compared with a charge of £983m in 1989.

Other European Community

1990	1989	1988
	(£ million)	
39	24	11

Profit grew by £15m in 1990, despite an overall increase in bad and doubtful debts.

Spain, with earnings of £41m, was again the dominant contributor to profit and also gave rise to most of the increase in 1990. Higher trading volumes and a gain of £6m from the sale of an investment more than offset the adverse effects of increased competition on interest margins and commission fee rates.

Profits in France were almost halved to £7m because of higher provisions for bad and doubtful debts, while losses were incurred in Ireland, Denmark and Belgium for the same reason. The substantial losses suffered in Italy in recent years, however, were greatly reduced. Similarly, the 1989 loss incurred in Germany was not repeated, while an improved profit contribution of £6m was made in The Netherlands. Portugal produced a similar result to 1989, despite the increased expenses arising from the development of the branch network, while the £3m earned in Greece matched the performance in 1989.

The results do not include any contribution from Merck, Finck & Co. in Germany and L'Européenne de Banque in France, both of which were acquired in late 1990.

United States

1990	1989	1988
	(£ million)	
20	72	43

The decline in profit was mainly caused by a £58m increase in the charge for bad and doubtful debts, including significant elements relating to consumer lending and commercial property. The US banking division improved fee income, particularly from corporate lendings and credit enhancement, but net interest income in the retail bank and finance operations was lower because of the loss of interest on bad and doubtful debts. A £32m gain was recorded on the sale of BAF.

Rest of the World

1990	1989	1988
	(£ million)	
52	58	65

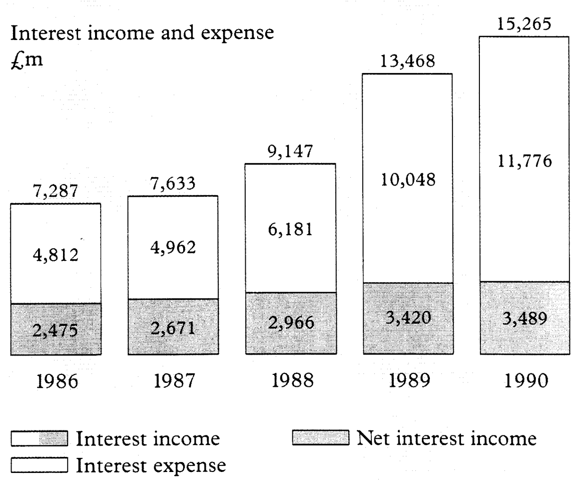
Results continued to be dominated by losses in Australia, where economic difficulties are persisting. In 1990, a loss of £50m was incurred, compared with £39m in 1989, after further substantial charges for bad and doubtful debts. The losses suffered in New Zealand in recent years, however, were not repeated in 1990.

Elsewhere overseas, most operations remained profitable, with the Caribbean, Africa and Canada continuing to provide the largest contributions. The profit in Japan was reduced by lower volumes of business because of declining stock market and property values.

RESULTS BY NATURE OF INCOME/EXPENSE

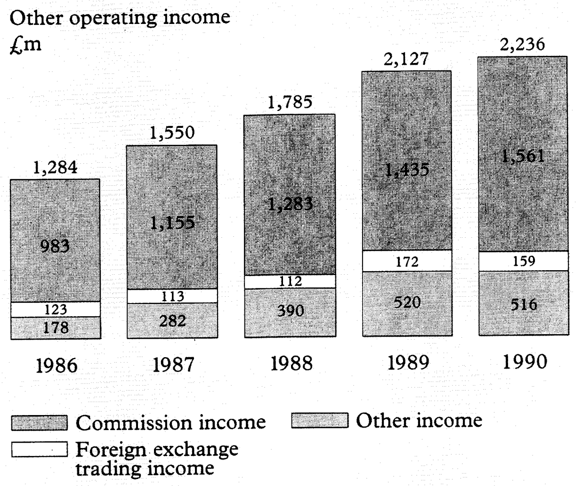
Net interest income

The slower growth in net interest income reflected reduced balance sheet growth, with average lendings increasing by only 10%, compared with the 24% achieved in 1989. Loss of interest on bad and doubtful debts and the additional cost of funds, resulting from the greater proportion of high interest retail deposits and the continued reduction in interest free current accounts, also adversely affected net interest income and further reduced the domestic net interest margin.



Other operating income

Commissions increased by 9%, compared with a 12% rise in 1989. Corporate money transmission and personal account fees were the major areas of growth, with lending fees remaining flat because of the slow-down in advances growth. BFS again improved its contribution through increased sales of insurance products.



Foreign exchange trading income was maintained at a level similar to 1989, after strong growth in that year.

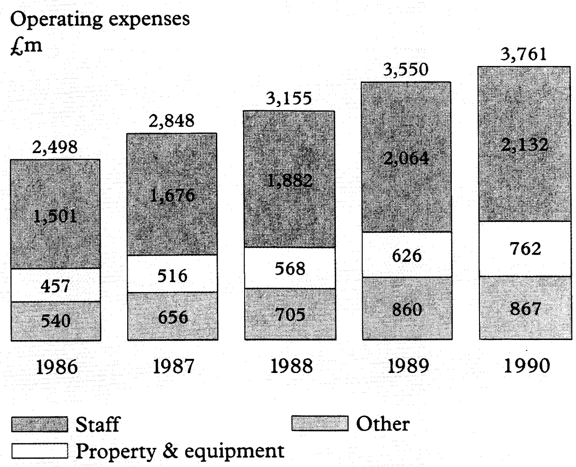
Other income includes securities trading income, which rose by only 4%, after a 40% increase in 1989, because of the depressed state of the equity markets world-wide.

The remaining other income fell slightly, largely as a result of the disposal of Mercantile's automotive businesses and a lower contribution from BZW's merchant banking division, partly offset by higher profits from the sale of Group investments.

The 1989 figure had also been boosted by the one-off benefits arising from the profit on sale of Mercantile's automotive businesses and the realisation of gains on the sale of investments by BZW's development capital arm.

Operating expenses

Operating expenses grew by only 6% during the year, compared with a 13% increase in 1989. Because of the even lower rise in income, however, the cost income ratio rose to 65.7% in 1990 (1989 64.0%).



The increase in staff costs was held to 3%, compared with 10% in 1989, largely because of a reduction in the pension fund contribution of £54m, following the triennial actuarial valuation, and a reduction in profit sharing of £50m. In addition, staff numbers continued to be reduced.

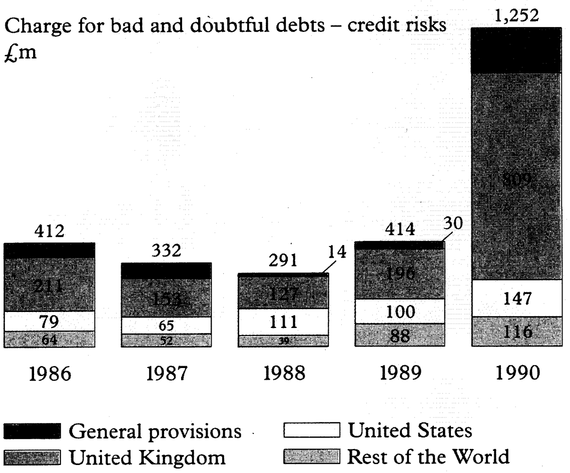
Property and equipment costs rose by 22%, reflecting principally the substantial investment currently being undertaken in the United Kingdom to enhance and develop information technology and processing systems. Lower profits (£8m compared with £40m in 1989) were realised on the sales of properties.

Other expenses, which include the cost of communications, travel, advertising and consultancy, remained at their 1989 level, which included provisions for losses on UK local authority swaps of £37m and Mercantile's relocation costs of £23m. Adjusting for these one-off items, the underlying rise was only 8%, compared to the 13% increase a year earlier.

Provisions for bad and doubtful debts

The credit risk charge for bad and doubtful debts amounted to £1,252m, of which £794m was in the second half of the year, compared with £458m in the first half. The progressive increase in provisions reflects deteriorating economic conditions in many of the markets in which the Group operates.

Charge for bad and doubtful debts – credit risks
£m



The Rest of the World includes Other European Community

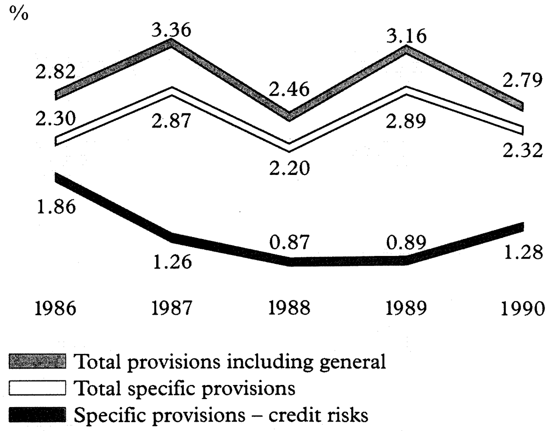
In the United Kingdom, after several years of sustained economic growth, there was a rapid deterioration in economic conditions during 1990. Persistent high interest rates, falling property values and a reduced level of trading activity caused corporate failures and severe personal and business difficulties, which resulted in a steep increase in specific provisions for bad and doubtful debts, particularly in the second half of the year. The specific credit risk charge increased by £613m in 1990 to £809m.

The majority of the charge arose in the domestic banking operation. While all areas of the country suffered to some extent, the worst deterioration was experienced in London and the South of England. Provisions against personal lending, other than home mortgages, remained the largest component and these increased from £60m to £154m. Corporate sector provisions, however, increased even more rapidly. The property and construction sector showed the greatest increase in provisions from £11m in 1989 to £131m in 1990. The service industries sector, which includes hotels and catering, retail and wholesale distribution, and transport, also suffered from a high level of new provisions. A provision of £100m was raised in respect of British & Commonwealth Holdings PLC.

Specific provision charges of £69m in CRSD and £90m in Mercantile were also sharply up on the 1989 levels, for similar reasons.

The specific charge for bad and doubtful debts in the United States increased by £47m to £147m, largely as a result of the underlying recessionary economic conditions and deteriorating commercial property markets. As in 1989, the majority of provisions were made by BarclaysAmericanCorporation ("BAC"), where the charge rose from £75m in 1989 to £94m and was largely in respect of consumer and property-related loans. Provisions also increased in the US banking operations from £25m in 1989 to £53m in 1990, primarily as a result of problems with property-related lendings.

Year-end provisions as a percentage of year-end lendings and finance lease receivables
%



The Rest of the World includes the Other European Community countries, where the specific charge for bad and doubtful debts rose by £19m to £50m, with increases in France, Belgium, Denmark and Ireland being partially offset by reductions in Italy and Germany.

The charge in the remainder of the Rest of the World of £66m (1989 £57m) included £54m (1989 £34m) in Australia and £1m (1989 £22m) in New Zealand. The high level of provisions in Australia was caused by high interest rates and the underlying economic difficulties, particularly in the communications and property sectors. Of the 1990 provision, £15m related to one customer. The high level of provisions in New Zealand in 1989, arising from losses in property lendings, was not repeated.

In response to the recessionary conditions, and to cover unidentified bad debts in the portfolio at the year end, general provisions of £393m were raised, compared to £218m at the end of 1989, an increase, after exchange adjustments, of £180m.

Difficult economic conditions are continuing and are expected to result in higher provision levels during 1991, particularly in the United Kingdom, the United States and Australia.

Country risk exposure and related provisions

There was a net credit to profit for country risk provisions of £19m, with a release of £52m against principal arising mainly as a result of loan sales being partly offset by a provision of £33m for overdue interest.

Following the loan sales, country exposure and related provisions fell significantly during 1990.

Exposure at 31st December 1990 totalled £1,489m and included Mexico £206m, Argentina £167m, Venezuela £155m, Brazil £133m and South Africa £480m.

The total provision at the year end was £869m, representing 68% of exposure for developing countries and 43% for developed countries. The net exposure to developing countries, expressed as a percentage of shareholders' funds, was 4.7% (1989 8.4%) and, as a percentage of total assets, 0.2% (1989 0.4%).

Taxation

The effective rate of tax and its relationship to the UK corporation tax rate applicable is illustrated in the following table:

	1990	1989	1988
	%	%	%
UK corporation tax rate	**35.0**	35.0	35.0
Effect of change in general provisions	**7.9**	0.9	(2.4)
Effect of higher tax rates overseas	**0.1**	0.7	0.8
Release of deferred taxation in respect of leasing transactions	**(5.5)**	(7.8)	-
Unrelieved overseas losses	**5.8**	2.0	1.1
Other items	**0.4**	0.3	1.3
Effective rate of tax	**43.7**	31.1	35.8

The effective rate of taxation exceeded the average UK corporation tax rate in 1990 because of the lack of tax relief on the higher charge for general provisions. A release of £42m deferred taxation previously provided in respect of leasing transactions, which the Directors consider will not be payable in the foreseeable future, was broadly offset by a lack of tax relief on certain overseas losses.

In 1989, the lower effective rate of taxation arose from a release in the year of £54m deferred taxation in respect of leasing transactions, partly offset by the lack of tax relief on certain overseas losses.

FINANCIAL REVIEW

Lendings and Finance Lease Receivables in Offices in the United Kingdom

Lendings by type of customer:	**1990 £m**	1989 £m	1988 £m
Loans guaranteed by Export Credits Guarantee Department	**666**	659	690
Central and local government and government-owned corporations	**166**	105	268
Manufacturing	**8,148**	6,960	6,186
Construction	**3,267**	2,910	2,300
Finance	**2,347**	2,809	2,421
Service industries	**13,372**	12,214	10,018
Agriculture, forestry and fishing	**1,695**	1,675	1,559
Property	**5,265**	4,493	3,195
Other businesses	**876**	926	800
Individuals - home mortgages	**10,150**	9,609	9,067
- other	**9,403**	8,915	8,250
Overseas customers	**3,376**	3,897	3,524
	58,731	55,172	48,278
Finance lease receivables	**3,940**	3,412	3,250
	62,671	58,584	51,528

Lendings and Finance Lease Receivables in Offices in the United States

Lendings by type of customer:	**1990 £m**	1989 £m	1988 £m
Manufacturing	**2,199**	2,171	
Construction	**197**	225	
Finance	**1,186**	1,126	
Service industries	**1,962**	2,012	
Other businesses	**2,154**	1,925	
Individuals	**864**	1,965	
Overseas customers	**103**	14	
	8,665	9,438	7,433
Finance lease receivables	**183**	198	147
	8,848	9,636	7,580

The revised extended analysis adopted this year is not available for 1988.

Lendings by maturity:	**United Kingdom £m**	**United States £m**	**Other European Community £m**	**Rest of the World £m**	**Total £m**
Less than one year	**30,775**	**2,383**	**4,727**	**3,184**	**41,069**
One year to five years	**11,297**	**3,725**	**1,354**	**812**	**17,188**
Over five years	**16,659**	**1,735**	**788**	**385**	**19,567**
	58,731	**7,843**	**6,869**	**4,381**	**77,824**

The United States maturity analysis excludes loans secured by family residences and consumer instalment loans of £822m.

Lendings in offices in the United Kingdom

Lendings from UK offices represent about three-quarters of the Group's total lending book, with the main source of corporate and personal lending being the domestic bank's extensive branch network. The Mercantile group of companies also provides business and consumer finance through its own branches and CRSD provides centralised consumer and home mortgage lendings.

Growth in the UK domestic lending portfolio has slowed markedly during 1990 to 7%, compared with 14% and 32% increases in 1989 and 1988 respectively. Home mortgages, the single largest component of the portfolio, rose by only 6%, reflecting the impact of high interest rates on the housing market. Growth in the services, construction and property sectors all declined markedly as a result of recessionary conditions. Finance sector lendings were reduced in 1990 because of lower financial activity and, more recently, uncertainties created by the Gulf war.

In the domestic bank, over half of corporate lendings are for amounts of less than £1m. Of these smaller lendings, over half are to service industries, involving over 100,000 customers. Lendings to service industries are spread over a wide range of businesses, including hotels and catering, retail and wholesale distribution and transport.

The decline in the reported level of lendings to overseas customers from offices in the United Kingdom was largely the consequence of asset sales and the 17% fall in the value of the dollar against sterling over the year.

Lendings in offices in the United States

The fall in sterling terms of United States lendings in 1990 resulted largely from the weakening of the US dollar against sterling, but it was also influenced by the sale of the BAF mortgage and consumer lending operation in early 1990.

After adjusting for this disposal, lendings in dollar terms increased by 21%, compared with a 13% rise in 1989. The main growth was again in the US branches, which contributed 62% of the US total, with lendings to business customers increasing by 38%, compared with a 16% rise in 1989.

Lendings to corporate and personal customers by Barclays Bank of New York were maintained at similar levels to those in 1989.

The reduction in personal lendings in 1990 resulted from the sale of BAF. Adjusting for this, total lendings by BAC were unchanged from the previous year.

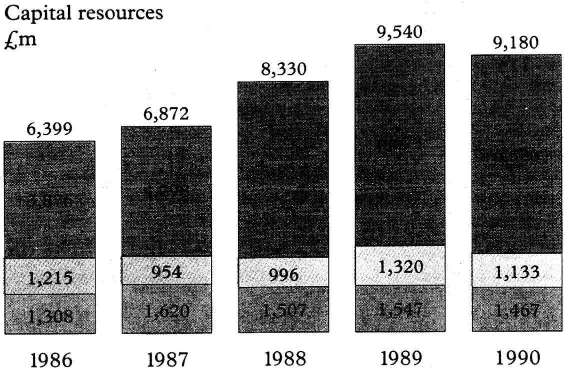
Included in total lendings were mortgage and property lendings of £1,968m (1989 £2,633m).

FINANCIAL REVIEW

CAPITAL RESOURCES

Capital adequacy and the use of capital are monitored by the Group and individual operating units 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.

Capital resources
£m



Shareholders' funds and minority interests
Loan capital
Undated capital notes

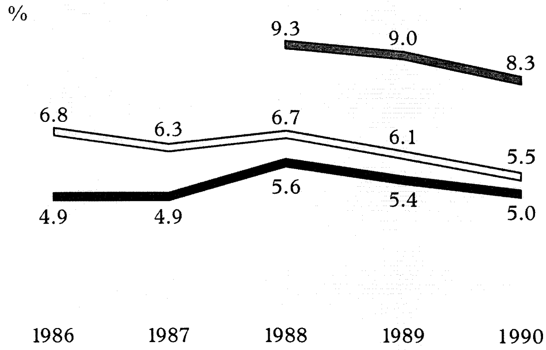
In June 1990, US$224m (£128m) was raised by the issue of Non-cumulative Dollar-denominated Preference Shares by Barclays Bank PLC which rank as tier 1 capital for risk asset ratio purposes and contribute to the hedging of the Group's capital ratios against exchange rate movements. By the year end, the Bank had also raised £175m from a loan capital offer launched in November 1990. Retained earnings added £254m. However, as a result of loan capital redemptions of £109m, goodwill written off on acquisitions of £232m, and adverse exchange rate movements of £595m, total capital resources fell by £360m over the year.

Capital ratios were not greatly affected by changes in exchange rates because the reduction in capital resources caused by such changes was matched by a proportionate reduction in assets.

In 1989, total capital resources increased by £1,210m, the key components being £311m raised by the issue of Preference Shares, £200m of Undated Floating Rate Primary Capital Notes and a property revaluation surplus of £242m. Movements in exchange rates and retained income for the year added £353m and £144m respectively.

Capital ratios

Capital ratios
%



Risk asset ratio
Free capital ratio
Equity to assets ratio

The Bank of England, in common with other bank supervisors, regards the risk asset ratio developed by the Basle Committee as a key supervisory tool. The technique involves the application of weightings to risk assets (both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of counterparties.

Shareholders' funds = called up share capital and reserves

Infrastructure = property and equipment + interests in associated undertakings and trade investments

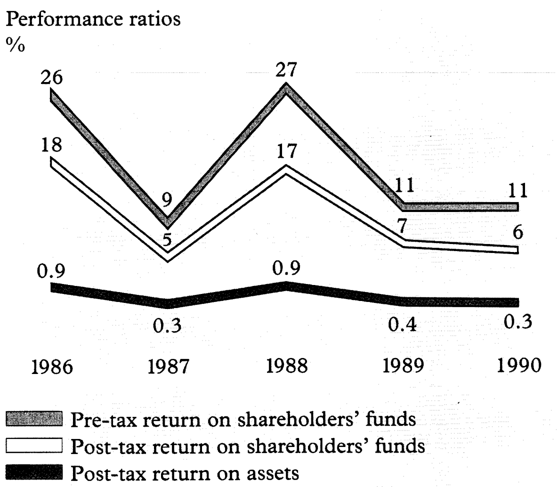
Free capital ratio = shareholders' funds + minority interests + loan capital + undated capital notes + general provisions − infrastructure; the total of which is expressed as a percentage of deposits and other non-capital liabilities*

Equity to assets ratio = shareholders' funds + minority interests; the total of which is expressed as a percentage of total assets**

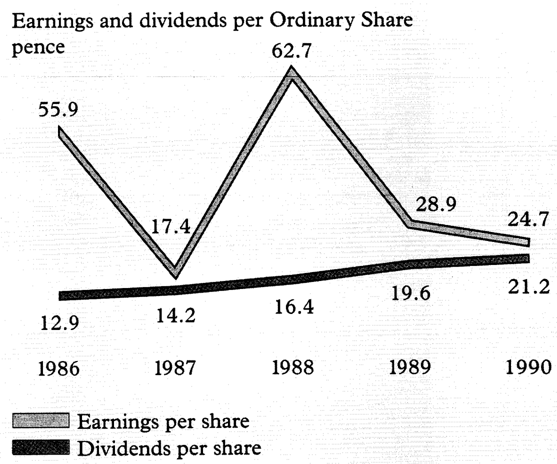
* Excluding securities trading liabilities and related capital.

** Excluding securities trading assets and related capital.

PERFORMANCE RATIOS



EARNINGS AND DIVIDENDS



RISK MANAGEMENT

The Group has a well-developed risk management system, operating through a hierarchy of exposure discretions. Above specified levels, these discretions are vested in Central Advances Department ("CAD"), thus separating the sanctioning function from business development. The Risk Management Committee ("the Committee"), which comprises members of the Chairman's Committee and senior executives, considers and determines matters of advances and exposure policy and is empowered to review counterparty exposure to corporate bodies, banks and other entities, countries and industries. Special attention is given to those exposures where there are factors which give rise to concern as to the financial condition of the borrower.

A number of industry sector exposure reports, prepared by specialist teams within Corporate Division, are reviewed by the Committee at least annually and more often if problems are identified.

Country exposure is controlled by grading countries according to the perception of risk and appetite for future exposure. Regular reports of country exposures, with particular note of significant downgradings and increases in exposure, are considered by the Committee, with major changes reported to the Board.

The Committee also reviews the Group's provisions for bad and doubtful debts on a quarterly basis, with detailed consideration being given to selected cases. New large specific provisions are reported to the Committee in detail as they occur.

Specialist teams are maintained within CAD to deal with problem lendings and to assist customers in restructuring their finances, with a view to minimising deterioration in their financial position. CAD also has responsibility for material decisions involving appointment of receivers and the write-off of loans.

Individual lending officers are allocated discretionary limits according to their skills, experience and seniority. Within branches, higher discretionary limits are normally granted for exposures covered by approved forms of security. Proposals in excess of an individual's discretion and increases in exposure beyond such discretion are referred upwards to the appropriate level.

Lending officers are required to review regularly the exposures under their control. This involves consultation with the customer and, frequently, visits to customer premises. Special attention is paid to the analysis of anomalies in account activity, customers' financial reports and projections and known trends in the industry or region concerned. Security values are also regularly updated.

FINANCIAL REVIEW

Average Balance Sheet and Related Interest

	1990			1989		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets:	£m	£m	%	£m	£m	%
Short-term funds:						
In offices in the UK	12,422	1,335	10.7	11,985	1,148	9.6
In offices outside the UK	5,984	622	10.4	5,929	568	9.6
Investments:						
In offices in the UK	830	86	10.4	858	83	9.7
In offices outside the UK	1,181	113	9.6	986	88	8.9
Placings with banks:						
In offices in the UK	6,972	820	11.8	6,512	749	11.5
In offices outside the UK	5,058	490	9.7	5,088	543	10.7
Lendings to customers:						
In offices in the UK	56,568	8,857	15.7	51,876	7,607	14.7
In offices outside the UK	19,605	2,266	11.6	17,719	2,066	11.7
Lease receivables:						
In offices in the UK	4,207	563	13.4	3,791	512	13.5
In offices outside the UK	828	113	13.6	754	104	13.8
Interest earning assets	113,655	15,265	13.4	105,498	13,468	12.8
Provisions	(2,096)			(1,794)		
Non-interest earning assets	18,170			14,782		
	129,729			118,486		

	1990			1989		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Liabilities:	£m	£m	%	£m	£m	%
Current and demand accounts:						
In offices in the UK	3,517	296	8.4	2,436	194	8.0
In offices outside the UK	1,949	156	8.0	1,370	108	7.9
Savings accounts:						
In offices in the UK	17,890	2,263	12.6	15,326	1,723	11.2
In offices outside the UK	1,155	79	6.8	1,113	75	6.7
Other time deposits retail:						
In offices in the UK	13,857	1,991	14.4	10,943	1,448	13.2
In offices outside the UK	4,715	476	10.1	3,711	389	10.5
Other time deposits wholesale:						
In offices in the UK	34,130	4,261	12.5	34,722	3,940	11.3
In offices outside the UK	19,661	1,923	9.8	18,808	1,801	9.6
Long-term borrowings of overseas subsidiaries	770	76	9.9	894	84	9.4
Loan capital and undated capital notes	2,669	255	9.6	2,693	286	10.6
Interest bearing funds	100,313	11,776	11.7	92,016	10,048	10.9
Non-interest bearing liabilities – current accounts	7,951			8,456		
– other	14,598			11,615		
Shareholders' funds and minority interests	6,867			6,399		
	129,729			118,486		

Non-interest earning assets and other non-interest bearing liabilities include the trading assets and liabilities of the securities business of £8,734m (1989 £6,836m) and £8,170m (1989 £6,354m) respectively.

Prevailing average interest rates were:

	1990	1989	1988
	%	%	%
United Kingdom:			
Barclays Bank PLC base rate	**14.8**	13.8	10.1
London inter-bank offered rate:			
– three month sterling	**14.8**	13.9	10.3
– three month eurodollar	**8.2**	9.3	7.9
United States:			
Prime rate	**10.0**	10.9	9.4

The average balance sheet 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 (customers domiciled in the United Kingdom) and international business (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) have been computed on this basis, which reflects the domicile of the borrower.

	1990	1989	1988
	%	%	%
Yields, spreads and margins:			
Gross yield (i)			
Group	**13.4**	12.8	10.7
Domestic business	**15.5**	14.5	12.1
International business	**10.5**	10.4	8.8
Interest spread (ii)			
Group	**1.7**	1.9	2.2
Domestic business	**2.0**	2.2	2.7
International business	**1.2**	1.2	1.3
Interest margin (iii)			
Group	**3.1**	3.2	3.5
Domestic business	**3.9**	4.3	4.7
International business	**1.9**	1.9	1.8

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

(ii) 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.

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

FINANCIAL REVIEW

CROSS-BORDER OUTSTANDINGS

The world-wide operations of the Barclays Group give rise to 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 lendings and finance lease receivables, placings with banks, interest bearing investments, acceptances and other monetary assets, denominated in currencies other than the borrower's local currency.

At 31st December 1990, countries where Barclays cross-border outstandings exceeded 1% of assets were limited to Japan and France, 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 acceptances, which together amounted to £138,410m at 31st December 1990 (1989 £130,280m, 1988 £107,514m).

Cross-border outstandings exceeding 1% of assets

	As % of assets %	Total £m	Banks and other financial institutions £m	Governments and official institutions £m	Commercial industrial and other private sector £m
At 31st December 1990:					
Japan	**2.9**	**4,034**	**3,958**	**37**	**39**
France	**1.4**	**1,967**	**1,827**	**75**	**65**
At 31st December 1989:					
Japan	3.9	5,068	4,947	61	60
France	1.7	2,237	2,071	107	59
At 31st December 1988:					
Japan	4.1	4,444	4,419	–	25
France	1.3	1,394	1,249	107	38
United States	1.1	1,148	746	5	397

Cross-border outstandings between ¾% and 1% of assets

At 31st December 1990, Italy was the only country with cross-border outstandings of between ¾% and 1% of total Group assets, with an amount of £1,273m. At 31st December 1989, the aggregate outstandings of countries in this category were £2,101m and related to Italy and Switzerland. At 31st December 1988, the aggregate outstandings were £1,787m with the countries concerned being Italy and The Netherlands.

POTENTIAL CREDIT RISK ELEMENTS IN LENDINGS

The Group is required to include in its annual filing with the United States Securities and Exchange Commission ("SEC") information regarding 'potential credit risk elements in lendings' in accordance with SEC guidelines. The following is a summary of that information. The Group's credit control procedures are not based upon the categories of credit risk elements used by the SEC, which reflect US lending techniques and accounting practices that differ from those employed in the United Kingdom.

Two differences which result in the Group reporting amounts, which would not necessarily be included by US banks, are:

— In accordance with common UK bank accounting practice, the Group does not always write off problem lendings as quickly as is the practice in the United States. As a result, the Group reports a somewhat higher level of lendings than if it had followed such US practice and this, in turn, gives rise to a correspondingly higher level of potential credit risk elements in lendings.

— Until such time as its payment is considered to be unlikely, the Group continues to accrue interest in arrears, to add this overdue interest to the loan balance and to raise an appropriate specific provision against it where recovery is doubtful. While this does not affect profit before taxation in comparison with US practice, it again has the effect of increasing the reported level of potential credit risk elements in lendings.

The amounts identified below are stated before deduction of the value of security held and specific provisions made against lendings.

Lendings which the Group believes meet the SEC's definition of non-accrual, past due and restructured lendings amount to £3.2 billion at 31st December 1990 (1989 £2.0 billion, 1988 £1.6 billion). These figures include lendings where interest continues to be accrued and specific provisions have been raised against interest or principal, where normal US banking practice would be to place such lendings on non-accrual status. In addition, lendings which are not included above, but where there are serious doubts as to the ability of the borrower to comply with repayment terms in the near future, totalled approximately £0.9 billion at 31st December 1990 (1989 £0.2 billion).

In accordance with US reporting practice, the majority of lendings to borrowers in countries experiencing liquidity problems is not reported within the above categories of potential credit risk elements in lendings. Lendings which are reflected above for 1990 include £166m (1989 £305m) for Argentina and £85m (1989 £179m) for Brazil, where, in both cases, interest is overdue and fully provided against.

SHAREHOLDERS' INFORMATION

SHAREHOLDINGS AT 31ST DECEMBER 1990

	Shareholders		Shares held	
Classification of shareholders	Number	Percentage of total holders	Number (millions)	Percentage of issued Ordinary Shares
Women	65,363	41.8	114.5	7.2
Men	51,890	33.2	87.2	5.5
Joint Accounts	14,973	9.6	37.9	2.4
Nominee Companies	12,522	8.0	890.0	56.1
Banks	7,541	4.8	55.0	3.5
Other Companies	2,911	1.9	119.9	7.6
Insurance Companies	946	0.6	198.9	12.5
Pension Funds	120	0.1	82.8	5.2
Totals	156,266	100.0	1,586.2	100.0
Shareholding range				
1 - 100	15,702	10.0	0.5	-
101 - 250	9,971	6.4	1.7	0.1
251 - 500	18,529	11.9	6.9	0.4
501 - 1,000	31,548	20.2	23.3	1.5
1,001 - 5,000	66,516	42.6	145.0	9.2
5,001 - 10,000	8,644	5.5	58.8	3.7
10,001 - 25,000	2,962	1.9	42.9	2.7
25,001 - 50,000	794	0.5	28.1	1.8
50,001 and over	1,600	1.0	1,279.0	80.6
Totals	156,266	100.0	1,586.2	100.0

Annual General Meeting
Notice of the Annual General Meeting is enclosed as a separate document with copies of this Report sent to shareholders.

Shareholders are invited to complete and return the Form of Proxy which is also enclosed. 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.

Financial Diary for 1991
28th February
Results for year 1990 announced.

27th March
Annual Report posted to shareholders.

25th April
Annual General Meeting at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8AY.

9th May
Second interim dividends for year 1990 paid.

1st August
1991 interim results announced.

10th October
First interim dividends for year 1991 paid.

Registered Office
54 Lombard Street,
London EC3P 3AH.

Head Office
Johnson Smirke Building,
4 Royal Mint Court,
London EC3N 4HJ.

Capital Gains Tax
Since 6th April 1988, the valuation at 31st March 1982 may be substituted for the original cost of shares purchased before that date. The market value of one share in the Company on 31st March 1982, adjusted for capitalisation issues in June 1982 and May 1990, was £2.661. To arrive at the total cost of any holdings, 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 are also entitled to indexation relief, which is calculated on the value at 31st March 1982, on the cost of subsequent purchases from the date of purchase and on the subscription for rights from the date of that payment.

Shareholders are advised to consult an office of Barclays Financial Services Limited if further information regarding possible tax liability in respect of their holdings of Barclays PLC shares is required.

Registrar
Barclays Registrars,
PO Box 34, Octagon House,
Gadbrook Park, Northwich,
Cheshire CW9 7RD.

ADR Depositary
Morgan Guaranty Trust Company of New York,
ADR Administration, 60 Wall Street,
New York, New York 10260, USA.

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