Barclays PLC
Annual report 1997

Barclays PLC and Barclays Bank PLC
Annual report on Form 20-F 1997

Contents

Presentation of information 2

Financial data 3

Business description 6

Financial review 12

Analysis of results by business **14**

Results by nature of income and expense **21**

Yields, spreads and margins **23**

Average balance sheet **30**

Capital resources **34**

Deposits **37**

Short-term borrowings **38**

Securities **39**

Risk management **40**

Liquidity risk management **42**

Analysis of loans and advances **44**

Provisions for bad and doubtful debts **50**

Potential credit risk lendings **55**

Cross-border outstandings **57**

Trading activities **58**

Treasury asset and liability management **62**

Other information 66

Economic and monetary environment **66**

Supervision and regulation **67**

Directors and officers 71

Directors' report 73

Report of Remuneration and Nominations Committee on behalf of the Board 78

Corporate governance 85

Auditors' reports 87

Consolidated accounts – Barclays PLC

Accounting policies **89**

Accounting presentation **92**

Consolidated profit and loss account **93**

Statement of total recognised gains and losses **93**

Consolidated balance sheet **94**

Consolidated statement of changes in reserves **96**

Consolidated cash flow statement **97**

Parent company accounts **98**

Notes to the accounts **99**

SEC Form 20-F cross reference and other information 145

Glossary **146**

Barclays Bank PLC data 147

US GAAP financial data 156

Shareholder information 157

Dividends **157**

Trading market for ordinary shares of Barclays PLC **157**

Shareholdings at 31st December 1997 **159**

Taxation **160**

Exchange controls and other limitations affecting security holders **161**

Group senior management and principal offices 162

Registered No. 48839

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of the Group and certain of the plans and objectives of the Group. In particular, among other statements, certain statements in the Financial review with regard to management objectives and trends in results of operations, margins, risk management, and competition are forward looking in nature. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in economic conditions in individual countries in which the Group conducts its business and internationally, fiscal or other policies adopted by various governments and regulatory authorities of the United Kingdom and other jurisdictions, levels of competition from other banks and financial services companies as well as future exchange and interest rates.

This document comprises the 1997 Annual report of Barclays PLC and the 1997 Annual report on Form 20-F to the US Securities and Exchange Commission for Barclays PLC and Barclays Bank PLC. It contains the Directors' report and accounts of Barclays PLC, together with the Auditors' report thereon, as required by the UK Companies Act 1985. The 1997 Annual review and summary financial statement of Barclays PLC is published as a separate document.

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

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

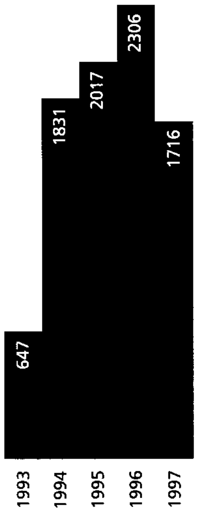
The consolidated accounts of Barclays PLC and its subsidiary undertakings are set out on pages 89 to 97 along with the accounts of Barclays PLC itself on page 98. The consolidated accounts of Barclays Bank PLC and its subsidiary undertakings are set out on pages 147 to154. The accounting policies on pages 89 to 91 and the notes commencing on page 99 apply equally to both sets of accounts unless otherwise stated. The financial data contained in this document reflects changes in the Group's management structure which took place in 1997 and are explained on page 10. The relevant comparative data has been restated.

The term 'Barclays PLC Group' means Barclays PLC together with its subsidiary undertakings and the term 'Barclays Bank PLC Group' refers to Barclays Bank PLC together with its subsidiary undertakings. 'Barclays' and 'Group' are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term 'Company' refers to Barclays PLC and the term 'Bank' refers to Barclays Bank PLC. The term 'UK Bank', however, relates only to the UK branch network and related activities. The term 'BZW' means the Group's investment banking and trading business formerly managed by BZW. The term 'former BZW businesses' means the equities, equity capital markets and mergers and acquisition advisory businesses together with all of the investment banking business in Australasia. Since October 1997, these businesses have either been sold or closed, or are subject to a sale contract or are being restructured.

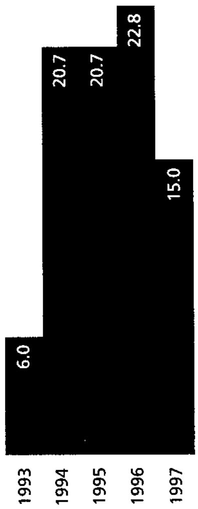
In this report, the abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling respectively and the abbreviations '$m' and '$bn' represent millions and thousands of millions of US dollars respectively.

References to 'the Finance Act' relate to the Finance (No. 2) Act 1997.

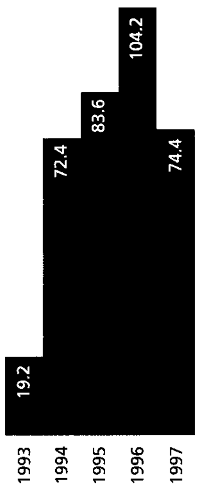
Profit before tax (£m)



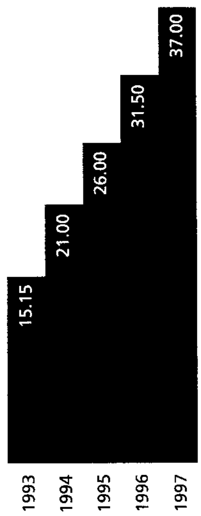
Post-tax return on average shareholders' funds (%)



Earnings per share (pence)



Dividends per share (pence)



Consolidated profit and loss account summary (a)

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Interest receivable	**9,204**	8,730	9,209	8,526	9,603
Interest payable	**5,091**	4,821	5,427	4,833	5,757
Write-down of leases	**(77)**	-	-	-	-
Profit/(loss) on redemption/repurchase of loan capital	**2**	32	-	(60)	22
Net interest income	**4,038**	3,941	3,782	3,633	3,868
Fees and commissions receivable	**3,197**	3,168	2,969	2,986	2,794
Less: fees and commissions payable	**(218)**	(223)	(202)	(196)	(208)
Dealing profits	**374**	414	404	288	657
Other operating income	**228**	248	232	191	276
Life-fund charge	**(28)**	-	-	-	-
Operating income	**7,591**	7,548	7,185	6,902	7,387
Administration expenses - staff costs	**3,035**	2,980	2,907	2,680	2,728
Administration expenses - other	**1,896**	1,807	1,765	1,655	1,772
Depreciation and amortisation	**269**	301	335	241	322
Operating expenses	**5,200**	5,088	5,007	4,576	4,822
Operating profit before provisions	**2,391**	2,460	2,178	2,326	2,565
Provisions for bad and doubtful debts	**227**	215	396	602	1,869
Provisions for contingent liabilities and commitments	**4**	9	3	-	49
Provisions	**231**	224	399	602	1,918
Operating profit	**2,160**	2,236	1,779	1,724	647
Loss on sale or restructuring of BZW	**(469)**	-	-	-	-
Profit on disposal of other Group undertakings	**44**	70	238	107	-
Write-down of fixed asset investments	**(19)**	-	-	-	-
Profit on ordinary activities before tax	**1,716**	2,306	2,017	1,831	647
Tax on profit on ordinary activities	**542**	620	610	580	268
Profit on ordinary activities after tax	**1,174**	1,686	1,407	1,251	379
Profit attributable to minority interests	**(44)**	(47)	(43)	(72)	(69)
Profit for the financial year attributable to the members of Barclays PLC	**1,130**	1,639	1,364	1,179	310
Dividends	**(563)**	(479)	(421)	(343)	(246)
Profit retained for the financial year	**567**	1,160	943	836	64

Selected financial statistics

	1997	1996	1995	1994	1993
Earnings per ordinary share	**74.4p**	104.2p	83.6p	72.4p	19.2p
Dividends per ordinary share	**37.0p**	31.5p	26.0p	21.0p	15.2p
Dividends cover (times)	**2.0**	3.4	3.2	3.4	1.3
Attributable profit before tax as a percentage of average shareholders' funds	**22.1%**	31.3%	29.8%	30.7%	11.0%
Attributable profit after tax as a percentage of average shareholders' funds	**15.0%**	22.8%	20.7%	20.7%	6.0%
average total assets (note (b))	**0.5%**	0.9%	0.8%	0.7%	0.2%
Average US dollar exchange rate used in preparing the accounts	**1.64**	1.56	1.58	1.53	1.50

Consolidated balance sheet summary (a)

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Assets					
Loans and advances to banks and customers	**136,707**	118,441	111,280	112,705	117,078
Other assets	**87,499**	59,480	50,543	44,488	43,794
	224,206	177,921	161,823	157,193	160,872
Infrastructure	**2,264**	2,400	2,361	2,170	2,287
	226,470	180,321	164,184	159,363	163,159
Long-term assurance fund assets attributable to policyholders	**8,187**	5,681	4,642	3,040	2,892
Total assets	**234,657**	186,002	168,826	162,403	166,051
Liabilities					
Deposits by banks, customer accounts and debt securities in issue	**173,283**	142,554	125,361	125,165	133,288
Other liabilities	**42,314**	27,093	27,802	24,046	19,672
	215,597	169,647	153,163	149,211	152,960
Capital resources					
Undated loan capital	**1,657**	1,635	1,989	1,979	2,053
Dated loan capital	**1,211**	1,396	1,571	1,562	2,130
Other subordinated liabilities	**59**	56	91	121	131
Minority interests	**326**	320	343	329	677
Shareholders' funds	**7,620**	7,267	7,027	6,161	5,208
	10,873	10,674	11,021	10,152	10,199
	226,470	180,321	164,184	159,363	163,159
Long-term assurance fund liabilities to policyholders	**8,187**	5,681	4,642	3,040	2,892
Total liabilities and shareholders' funds	**234,657**	186,002	168,826	162,403	166,051

Weighted risk assets and capital ratios

Weighted risk assets	**108,327**	98,391	93,261	93,238	102,428
Tier 1 ratio	**7.3%**	7.6%	7.7%	7.0%	5.9%
Risk asset ratio	**10.0%**	10.4%	10.9%	10.4%	9.7%

Selected financial statistics

Average shareholders' funds as a percentage of average total assets (note (b))	**3.5%**	4.0%	4.0%	3.5%	3.1%
Net asset value per ordinary share	**498p**	472p	433p	377p	321p
Year-end US dollar exchange rates used in preparing the accounts	**1.65**	1.71	1.55	1.56	1.48

Notes

(a) The financial information on pages 4 and 5 is extracted from the published accounts for the last five years, restated where appropriate to accord with the current accounting policies of the Group (see page 89). This information should be read together with, and is qualified by reference to, the accounts and notes included in this report.

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

Introduction

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

On 3rd October 1997, Barclays announced the reorganisation and proposed partial sale of BZW, its investment banking arm. With effect from 1st April 1998 the Group's operations will be reorganised into four business groupings. For a description of these and other changes in the Group structure, see pages 10 and 11.

The results for Barclays for 1997 are reported separately for the following: UK Banking Services - Personal Banking, UK Banking Services - Business Banking, UK Banking Services - Cross-border Services, Barclays Capital, former BZW businesses, Asset Management Group, International and Private Banking, Businesses in Transition, Other operations and Head office functions.

UK Banking Services

UK Banking Services is organised into Personal Banking, Business Banking and Cross-border Services, supported by network and operations, risk management, finance and human resource functions. These business areas provide a broad range of financial services to a diverse corporate and personal customer base, principally in the United Kingdom.

The results for Personal Banking, Business Banking and Cross-border Services are reported separately after allocating the costs of the support functions, a network of 1,975 branches in the United Kingdom and other common infrastructure.

Personal Banking

Personal Banking provides a wide range of services and products including current accounts, savings, deposit and investment products, credit and debit cards, consumer loans, mortgages, pensions, life and general insurance. Barclaycard, the largest credit card business in Europe, offers a full credit card service, with card payment facilities to retailers and other businesses.

Customer choice and flexibility were further enhanced in 1997 with the launch of PC banking and the opening of a second call centre for Barclaycall, the telephone banking operation which now has over 550,000 customers. The success of Barclays Additions, the value-added current account, has continued, supported by a national TV campaign. Almost 500,000 accounts had been opened by the end of 1997. The range of insurance and investment products has been expanded and now includes a postal savings account, whilst BISCO, the general insurance arm, appointed Norwich Union as its preferred supplier for personal insurance products as part of its drive to improve sales and customer service. Barclaycard continues to exploit opportunities in the credit card market, with the introduction of new product and pricing initiatives, and it will be launched in France in 1998.

Business Banking

Business Banking provides services to small, medium and large business customers. Three principal customer business units have been established to meet the needs of these distinct customer groups. Business Banking customers also benefit from an extensive network of relationship managers, operating from specialist business centres around the country.

In addition to a full range of branch-based services, Business Banking provides factoring and invoice discounting through Barclays Commercial Services, asset backed financing through Barclays Mercantile Business Finance and contract car hire through the Dial Group. Business Banking works closely with Barclays Capital to provide investment banking and foreign exchange products and services to medium and large corporate clients.

New services launched during 1997 include PC Banking for some 18,000 small business customers; postal deposit accounts for businesses; and regional treasury centres offering a one-stop service with local access to the world's financial markets for medium-sized companies. Telephone banking now has more than 35,000 registrants since its inception in mid-1996. The introduction of products and services such as Business Master Lite and Business Master Virtual cater for the increasing customer demand for electronic banking services.

Cross-border Services

Cross-border Services has a personal and business client base in the United Kingdom and overseas. Its principal business franchises cover offshore banking, trade finance, institutional banking and retail and wholesale sales of foreign currency bank notes and cross-border paper payments products.

Barclays Offshore Services, through its offices in the Channel Islands, Isle of Man and London, provides specialist banking services for personal customers who are non-UK resident, but require banking services in a sterling territory. Corporate banking facilities are provided for professionals and specialist companies based offshore.

A range of specialised products are managed by Barclays Trade Services to support UK-based customers undertaking international trade.

Institutional Banking provides banking services to both overseas banks requiring a correspondent banking service and UK-based non-bank financial institutions.

As part of the cross-border capability, there are specialist offices in France, Ireland and the United States which service business flows between customers in these countries and both Institutional banking and Business Banking in the United Kingdom.

Barclays Capital

Barclays Capital conducts the Group's international investment banking business. The business aims to focus on areas where it believes it has competitive advantage and which are integral to the Group's broader business strategy. Barclays Capital deals in the wholesale markets with governments, supranational organisations, corporates, banks, insurance companies and other institutional investors. The activities of Barclays Capital, which encompass both developed and emerging markets, are grouped in two principal areas:

Rate sensitive businesses which include sales, trading and research relating to government bonds, money markets, foreign exchange and their related derivative instruments; and credit sensitive businesses which include origination, sales, trading and research relating to loans, securitised assets, bonds, commodities and their related derivative instruments and private equity investment.

Former BZW businesses

In October 1997, the Group announced its decision to reorganise its investment banking businesses and withdraw from the equities, equity capital markets, and mergers and acquisitions advisory businesses, together with all of the investment banking business in Australasia. Since that date the businesses have either been sold or closed, or are subject to a sale contract or are being restructured.

The results for 1997 and 1996 include those parts of the equities derivatives business previously managed by BZW which were transferred to Barclays Capital with effect from 1st January 1998 following the decision to retain this business.

Asset Management Group

Asset Management Group (AMG) is the investment management arm of the Group. It offers asset management services to institutional and retail clients through Barclays Global Investors (BGI), BarclayTrust, Barclays Property Investment and Global Mutual Funds (GMF) which includes Barclays Funds, formerly Barclays Unicorn.

BGI offers advanced active and indexed asset management services. The objective of advanced active management is to outperform benchmarks by the application of disciplined investment processes. The objective of indexed management is to replicate the performance of market benchmarks.

BarclayTrust offers retail fund management, executorship and trustee services through Barclays Bank Trust Company and retail stockbroking and PEP management through Barclays Stockbrokers. GMF provides retail unit trusts and PEPs, primarily through Barclays Funds. Barclays Property Investment manages the property assets of pension funds and securitised property vehicles.

International and Private Banking

International and Private Banking principally comprises retail banking operations outside the United Kingdom, together with private banking and problem country debt management.

In continental Europe, operations include branch networks in Spain, France, Greece and Portugal, primarily providing savings, investment and banking services to the medium and high net worth personal markets, and, in Germany, the private bank Merck Finck.

In Africa and in the Caribbean, retail banking operations serve both the personal and business markets. Trade finance and correspondent banking business in Latin America is conducted from Miami and there are wholesale banking operations serving the Middle East and North Africa in London and in the United Arab Emirates.

Barclays Private Banking serves the needs of private clients with substantial personal wealth. It offers an integrated asset management service, including multi-currency banking, trust and fiduciary services and investment management from offices around the world.

Businesses in Transition

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

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

United States Transition consists principally of non-performing and substandard loans, commercial real estate loans and certain other loans and assets within the United States.

Other Businesses in Transition includes certain activities, primarily in Europe and Asia, which have been transferred from the former Corporate and Institutional Banking Services and BZW.

Other operations

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

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

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

Head office functions

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

Competition

The Group continues to face intense competition in all of its major markets. In national markets, banks and financial services companies are offering innovative products and improved services, including new forms of direct and electronic banking, and new competitors are entering the markets. Internationally, many large financial services groups compete to provide increasingly sophisticated banking and investment services to corporate and institutional customers in the world's financial centres.

Management believes that the Group continues to be well placed to meet such competitive challenges.

Changes in reporting of Group structure in 1997

Since 1st January 1997, a number of changes have been made to the Group's reporting structure. Major changes, for which comparative figures have been restated, as appropriate, are:

The investment banking business formerly conducted by BZW has been reorganised. The markets division and debt related structuring, lending and private equity businesses have been brought together as Barclays Capital. The equities, equity capital markets and mergers and acquisition advisory businesses, together with the investment banking business in Australasia, have either been sold, are subject to a sale contract, or are being restructured or closed, and have been combined under the heading former BZW Businesses.

Barclays Funds (formerly Barclays Unicorn), the unit trust business, has been transferred from Personal Banking to AMG. Certain asset management operations in Europe have been transferred from AMG to International and Private Banking.

The amortisation of goodwill arising on the acquisition of Wells Fargo Nikko Investment Advisors (which now forms part of BGI) formerly reported within AMG, is now shown separately.

Changes in accounting presentation

The presentation of the cash flow statement has been amended to reflect the Accounting Standards Board's revision to FRS1.

Recent developments

BZW reorganisation

On 12th November 1997, Barclays announced that it had reached agreement to sell the UK and European equities, equity capital markets and mergers and acquisition advisory businesses of BZW to Credit Suisse First Boston (CSFB). The sale of these businesses is being completed in a number of stages; completion has already occurred in relation to the equity capital markets and mergers and acquisition advisory businesses and part of the continental European equities business. The aggregate net assets of these businesses, including the parts where sales have already been completed, are expected to total £150m, for which Barclays will receive £100m;

On 28th November 1997 Barclays announced the closure with immediate effect, of BZW's Japanese equities business;

On 21st December 1997 Barclays announced that it had reached agreement to sell the Australian and New Zealand investment banking business to ABN Amro for AU$177m (£71m) representing a premium to net assets of AU$36m (£14m); and

On 12th January 1998 Barclays announced that it had reached agreement to sell parts of the Asian equities, equity capital markets and mergers and acquisition advisory businesses to CSFB. The business being sold had net assets of £14m as at 30th November 1997.

Group structure

With effect from 1st April 1998 the Group's main businesses will be organised in four groupings as follows;

Retail Financial Services will bring together all the Group's retail interests around the world. These comprise Personal Banking within the United Kingdom, the offshore element of Cross-border Services, European Retail Banking Group, the African and the Caribbean operations, private banking, GMF and BarclayTrust. UK small businesses, which shares the Personal Banking infrastructure, will be part of this group.

UK Business Banking, together with the business banking elements of Cross-border Services and the Middle East and Latin American operations, will form a corporate banking group.

The third and fourth groupings are Barclays Capital, the investment banking business, and BGI, the institutional asset management business (currently part of AMG).

Profit/(loss) before tax

	1997 £m	1996 £m	1995 £m
UK Banking Services			
- Personal Banking - before impact of Finance Act	**832**	745	643
- life-fund charge	**(28)**	-	-
	804	745	643
- Business Banking - before impact of Finance Act	**974**	778	731
- write-down of leases	**(77)**	-	-
	897	778	731
- Cross-border Services	**150**	138	126
Barclays Capital	**248**	201	274
Former BZW businesses	**(219)**	(11)	(29)
Asset Management Group	**72**	70	41
International and Private Banking	**229**	242	182
Businesses in Transition	**99**	75	(187)
Other operations	**(56)**	65	50
Head office functions	**(52)**	(54)	(52)
Goodwill amortisation	**(12)**	(13)	-
Operating profit	**2,160**	2,236	1,779
Loss on sale or restructuring of BZW	**(469)**	-	-
Profit on disposal of other Group undertakings	**44**	70	238
Write-down of fixed asset investments	**(19)**	-	-
	1,716	2,306	2,017

Total assets

	1997 £m	1996 £m	1995 £m
UK Banking Services			
- Personal Banking	**28,940**	27,838	26,324
- Business Banking	**32,329**	32,128	30,477
- Cross-border Services	**3,600**	2,787	2,589
Barclays Capital	**134,814**	90,651	81,480
Former BZW businesses	**8,477**	7,521	2,190
Asset Management Group	**253**	166	108
International and Private Banking	**13,242**	12,313	12,944
Businesses in Transition	**637**	1,868	4,842
Other operations and Head Office functions	**4,178**	5,049	3,230
Long-term assurance fund assets attributable to policyholders	**8,187**	5,681	4,642
	234,657	186,002	168,826

Weighted risk assets

	1997 £m	1996 £m	1995 £m
UK Banking Services			
- Personal Banking	**19,723**	18,291	16,910
- Business Banking	**33,208**	32,269	31,969
- Cross-border Services	**2,925**	2,109	1,858
Barclays Capital	**35,084**	28,898	25,835
Former BZW businesses	**4,078**	3,107	876
Asset Management Group	**304**	208	36
International and Private Banking	**7,781**	7,498	8,586
Businesses in Transition	**659**	1,427	3,131
Other operations*	**4,565**	4,584	4,060
	108,327	98,391	93,261

*including supervisory adjustments.

Summary profit and loss account

	1997 £m	1996 £m	1995 £m
Operating income*	**7,696**	7,548	7,185
Impact of Finance Act	**(105)**	-	-
Operating income	**7,591**	7,548	7,185
Operating expenses	**5,200**	5,088	5,007
Operating profit before provisions	**2,391**	2,460	2,178
Credit risk provisions	**(209)**	(277)	(441)
Country risk provisions (charged)/released	**(18)**	62	45
Provisions for contingent liabilities and commitments	**(4)**	(9)	(3)
Operating profit	**2,160**	2,236	1,779
Loss on sale or restructuring of BZW	**(469)**	-	-
Profit on disposal of other Group undertakings	**44**	70	238
Write-down of fixed asset investments	**(19)**	-	-
Profit on ordinary activities before tax	**1,716**	2,306	2,017

* Before the impact of the Finance Act

Introduction

Adjusted Group operating profits rose by £237m or 11% to £2,484m, before the impact on UK Banking Services' results of £105m due to taxation changes made in the Finance Act and also the £219m operating loss in former BZW businesses (1996 £11m operating loss). Including these items, operating profit at £2,160m was £76m lower than in 1996.

The major contributor to profit was UK Banking Services, where operating profit at £1,956m was £295m or 18% higher than in 1996, reflecting strong performances from both Personal and Business Banking. Barclays Capital, the Group's continuing investment banking business, increased profits by 23% to £248m. Profits in Asset Management Group (AMG) were broadly unchanged compared to those in 1996. In International and Private Banking, an improved trading performance was offset by a lower net release of problem country debt management provisions in the year. Businesses in Transition continued to benefit from high levels of provision releases and recoveries. The result of the Group's Other operations was adversely affected by the reduction in the net contribution from the central management of the Group's capital.

Overall, provisions for bad and doubtful debts were at similar levels to 1996, reflecting benign economic conditions and also the impact of the Group's rigorous credit management procedures. Non-performing loans and potential problem loans at £3.3bn were some £1.0bn lower than 1996. At the end of 1997 56% of these loans were covered by bad debt provisions, compared to 50% a year earlier.

After exceptional items, primarily a £469m loss on the sale or restructuring of BZW, and the write-down of fixed asset investments, profit on ordinary activities was £1,716m, compared with £2,306m in 1996.

Shareholders' funds increased by a net £353m to £7,620m. After a 17% increase in dividends, retentions were £567m. A further £351m of share repurchases were made during the year. Risk weighted assets increased by 10% to £108.3bn: the tier 1 ratio of the Group reduced from 7.6% to 7.3% and the risk asset ratio reduced from 10.4% to 10.0%. Total assets increased by 26% to £234.7bn, the majority of the growth arising in Barclays Capital.

The Group is investing significant resources and effort towards providing a superior service to customers and developing its business, particularly in retail and corporate banking. The redefinition of its investment banking business and the recently announced changes to the Group's organisational structure will enhance its ability to achieve these goals through greater focus. The financial services industry as a whole is undergoing considerable change and is an increasingly competitive environment. The Group is well placed to meet the challenges and opportunities of the coming year in order to protect and advance the progress made in 1997.

Analysis of results by business

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

UK Banking Services

Before the impact of the Finance Act, operating profit for 1997 rose by 18%, from £1,661m to £1,956m. This was achieved by continued income growth across UK Banking Services, tight cost control and the low provisioning levels that continue to be experienced by Business Banking.

Profit in UK Banking Services in 1996 was 11% higher than in 1995, as a result of income growth in Personal Banking and tight cost management.

Personal Banking

	1997 £m	1996 £m	1995 £m
Net interest income	**1,808**	1,646	1,546
Net fees and commissions	**1,035**	952	941
Increase in shareholders' interest in the long-term assurance fund	**47**	61	54
Total income	**2,890**	2,659	2,541
Total costs	**(1,699)**	(1,630)	(1,661)
Provisions for bad and doubtful debts	**(359)**	(284)	(237)
Operating profit before impact of Finance Act	**832**	745	643
Life-fund charge	**(28)**	-	-
Operating profit	**804**	745	643

Personal Banking again produced a strong performance with a 12% increase in operating profit before the impact of a £28m one-off reduction to the shareholders' interest in the long-term assurance fund as a consequence of the Finance Act.

Net interest income rose by 10% primarily as a result of strong growth in current account balances, following a successful marketing initiative that resulted in record recruitment of new accounts in the year. The contribution from savings accounts was similar to 1996, with volume growth mainly arising in the more competitively priced products, such as treasury deposits and investment bonds.

Consumer lending volumes, particularly the centrally managed Barclayloan product, were buoyant despite some pressure on margins, more notably in the second half of the year. Barclaycard showed a small improvement in net interest income, with increased levels of outstanding balances in the card issuing business being offset by reduced margins.

Home Finance benefited from a 4% year on year increase in outstanding balances, £3bn of new lending in 1997, a record level for the business, and a reduction in the cost of incentives to £48m (1996 £70m). The business has been particularly successful in focusing on the higher value mortgage market as part of its policy of competing on service quality rather than price.

Fees and commissions improved by 9%. This reflected volume growth in both the card issuing and merchant acquiring businesses of Barclaycard, and increased sales in Barclays Insurance in line with the growth in associated retail lending products. The continued success of Barclays Additions, increased retail foreign exchange transactions and higher debit card volumes also contributed to the growth.

At Barclays Life, sales of life and pension products grew by 17% as a result of increased investment in the sales force and productivity improvements. The increase in the shareholders' interest in the long-term assurance fund was affected by a further £25m provision for the possible cost of redress for personal pension customers (non-priority cases). This was in addition to the £28m one-off reduction as a result of the Finance Act, which included a £10m increase in the provision for redress in priority cases.

The increase in costs was held at 4% despite strong volume growth and considerable new investment in products, systems and delivery channels. Marketing expenditure continued to increase, including national television and cinema campaigns in support of new business development. Other volume related costs and higher investment spend also accounted for the increase in the second half.

The £75m rise in provisions, mainly in respect of Barclaycard and consumer lending, reflects both volume growth and a more cautious economic outlook, resulting in an increased level of general provision.

Business Banking

	1997 £m	1996 £m	1995 £m
Net interest income	**1,301**	1,209	1,206
Net fees and commissions	**641**	663	717
Other operating income	**3**	24	25
Total income	**1,945**	1,896	1,948
Total costs	**(1,011)**	(1,010)	(1,033)
Provisions for bad and doubtful debts	**40**	(108)	(184)
Operating profit before impact of Finance Act	**974**	778	731
Write-down of leases	**(77)**	-	-
Operating profit	**897**	778	731

Business Banking profits increased by 25% to £974m before the impact of a £77m write-down of lease receivables as a consequence of the Finance Act.

The net provision credit of £40m (1996 net charge £108m) resulted from reduced new and increased provisions, reflecting the impact of the current benign phase in the economic cycle and the improved asset quality and risk control procedures, and also a release of general provision following the disposal of part of Barclays Mercantile Business Finance's commercial mortgage portfolio.

Specific provision releases and recoveries of £194m (1996 £196m) included a credit of £44m in respect of the sale of part of the assets of Imry and are expected to be lower in 1998.

Net interest income increased by 7% excluding a benefit of £13m from a retrospective adjustment to lease charges. The increase is mainly from higher deposit volumes, as a result of the continuing strength of corporate liquidity, with strong contributions from current accounts, Clients Premium Accounts and treasury deposits.

Overall lending volumes remained flat, although further decreases in the property, construction and hotel lending portfolios offset a 4% increase in other industry sectors. The interest margin fell slightly, reflecting both the improvement in the quality of the lending book and a change in product mix. The use of risk adjusted pricing was further extended during the year and has been a factor in maintaining lending margins year on year, after adjusting for expected credit losses. The Finance Act led to a reduction in overall leasing volumes, although this has been partially offset by an increase in lease purchase finance.

After an 8% fall in 1996, net fees and commissions declined by 3% in 1997 with the fall in money transmission fees levelling off in the year. The improving quality of the lending book has led to a lower incidence of loan default and account control issues, resulting in lower fee income from these sources. This has been partially offset by an increase in new business activity and growth in foreign exchange related income.

Other operating income in 1996 related primarily to Camden Motors which was sold at the end of that year.

Continuing focus is placed on the management of costs and, despite an increase in the second half of the year particularly relating to Year 2000 and euro preparations, overall costs were held at 1996 levels.

Cross-border Services

	1997 £m	1996 £m	1995 £m
Net interest income	**194**	165	144
Net fees and commissions	**108**	106	104
Other operating income	**2**	1	-
Total income	**304**	272	248
Total costs	**(140)**	(132)	(122)
Provisions for bad and doubtful debts	**(14)**	(2)	-
Operating profit	**150**	138	126

Cross-border Services had another strong year with operating profit increasing by 9% to £150m, despite a £12m increase in provisions. The major contribution to profit continues to be the offshore banking business.

Net interest income rose by 18% as a result of higher volumes in the offshore banking business, partly related to the transfer of non-residents' accounts from Personal Banking which was completed in late 1996.

Total costs rose by £8m over 1996, largely as a result of increased business volumes in the offshore banking business and a higher level of investment expenditure across the businesses to improve customer service and further increase back-office processing efficiency.

The higher level of provisions in 1997 was mainly as a result of general provision being raised to cover country transfer risk.

Barclays Capital

	1997 £m	1996 £m	1995 £m
Net fees and commissions	**151**	161	168
Dealing profits	**349**	276	303
Net interest income	**341**	314	274
Other operating income	**50**	31	30
Total income	**891**	782	775
Total costs	**(635)**	(569)	(496)
Provisions for bad and doubtful debts	**(8)**	(12)	(5)
Operating profit	**248**	201	274

Operating profit increased by 23% in 1997 as a result of the improved performance of a number of business areas. Underlying operating profit rose by 29% after adjusting for one-off costs relating to the move to Canary Wharf.

The income growth of 14% was primarily due to the turnaround in foreign exchange, improved performance in the derivatives businesses and a higher level of realisations from investments within Private Equity. The increase in operating income also reflected strong performances in the core sterling government and corporate business and new activities in emerging markets. The derivatives business benefited from a more proactive approach to delivering a broader product range to clients and being more closely integrated with the cash business. The structured finance business was strong, showing a healthy increase in profitability while more active portfolio management reduced the amount of capital deployed in the business. Private Equity benefited from a number of profitable realisations in Europe, including stakes in Eversholt, Autologic and a number of French holdings. The credit businesses were adversely affected in the fourth quarter by the decline in market values and a widening of credit spreads as a result of the impact of turbulence in the Asian markets.

While Barclays maintained its leading position in the UK bond markets, considerable progress was made in diversifying the new issues business. Notable successes included benchmark issues for the European Investment Bank in US dollars and the State of North Rhine-Westphalia in Deutschmarks as well as sterling issues for the World Bank and Fannie Mae.

Costs increased by 12% in 1997. The increase includes £20m (1996 £7m), being Barclays Capital's share of additional one-off costs relating to the relocation of the business to Canary Wharf. There was further investment in systems and staff, including a higher element of performance related pay. The replacement of legacy systems remains a key priority for Barclays Capital.

In 1996, Barclays Capital's results were 27% down on 1995, affected particularly by continued underperformance in both fixed income and foreign exchange.

Former BZW Businesses

	1997 £m	1996 £m	1995 £m
Net fees and commissions	**327**	341	269
Dealing profits	**32**	126	85
Net interest income	**8**	(2)	(7)
Other operating income	**6**	14	26
Total income	**373**	479	373
Total costs	**(592)**	(490)	(402)
Operating loss	**(219)**	(11)	(29)

The operating loss increased to £219m in 1997 from a loss of £11m in 1996. The bulk of the 1997 loss arose in the last quarter, attributable to poor trading results caused by market conditions, the uncertainties surrounding the sale announcement and the impact of the significant additional costs incurred to retain key staff during the sale process.

Dealing profits were lower than in 1996 largely because of poor trading conditions. This was caused by uncertainty in the UK market leading up to the May 1997 general election and the impact of the Finance Act, resulting in some £30m of mark to market losses in equity derivatives, the absence of certain revenues following changes in the tax treatment of trading dividends, and an £8m reduction due to the change in accounting treatment of dividend income.

Fees and commissions were lower compared to the strong performance in 1996, as a result of lower equity commissions affected by uncertainties surrounding the sale announcement and by lower volumes following the introduction of the London Order Driven Market system. Mergers and acquisitions advisory and primary equity revenues were at similar levels to 1996 and included fees related to the successful completion of important mandates such as Endesa and Telecom Italia in the fourth quarter.

Costs rose by 21% in 1997. The increase includes £20m (1996 £7m) of additional costs relating to the relocation to Canary Wharf, as well as staff retention costs associated with the sale process.

In 1996, increased revenue from derivatives products offset an increase in costs.

Asset Management Group

	1997 £m	1996 £m	1995 £m
Net fees and commission	**413**	383	205
Net interest income	**22**	15	9
Other operating income	**9**	13	13
Total income	**444**	411	227
Total costs	**(372)**	(341)	(186)
Operating profit	**72**	70	41

Total income increased by 8% and underlying operating profit rose by 18% after adjusting for the impact of exchange rate movements, integration expenditure in Barclays Global Investors (BGI) of £9m (1996 £11m), rationalisation costs in BarclayTrust of £2m (1996 £13m) and investment expenditure in Global Mutual Funds (GMF) of £24m (1996 £nil).

BGI made a strong contribution to AMG's performance, with a 19% increase in operating profit to £51m (1996 £43m). An 8% increase in revenues was partly offset by increased costs from integration expenditure and infrastructure investment reflecting the global development of the business. Stock lending continued to be a significant source of revenue in 1997. AMG's assets under management and advice grew to £308bn from £237bn at 31st December 1996, of which net growth from new business totalled £22bn, while the remaining growth resulted from market movements. Assets under management comprise £235bn of indexed funds and £73bn under advanced active management.

There was a significant reduction in GMF's profit compared to 1996. Investment expenditure was incurred in the year arising from a major upgrading of Barclays Funds' back office and call centre capability and the launch of a new set of funds for the IFA market and of products for distribution through the Barclays regulated sales force. Sales of unit trusts increased by 17%.

Profits improved significantly in BarclayTrust as a result of increased revenues from participation in the demutualisation of UK building societies and mutual insurers, as well as from cost reductions arising out of rationalisation programmes implemented in 1996 and 1997. Barclays Stockbrokers more than doubled its number of PEP accounts and increased its retail stockbroking volumes substantially.

In 1996 net fees and commissions benefited from continued growth in assets under management and a strong performance by GMF.

International and Private Banking

	1997 £m	1996 £m	1995 £m
Net interest income	**405**	438	451
Net fees and commissions	**375**	368	348
Other operating income	**76**	85	60
Total income	**856**	891	859
Total costs	**(632)**	(678)	(670)
Provisions for bad and doubtful debts	**(23)**	(29)	(59)
	201	184	130
Problem country debt management	**28**	58	52
Operating profit	**229**	242	182

Operating profit before the contribution from problem country debt management was 9% higher than in 1996. Releases of specific provisions on problem country debt were lower as the size of the portfolio reduced.

Profits in the continental European operations were higher than in 1996, despite the strength of sterling, with improved performances in each country. Exchange rate translation differences caused reported income in sterling to fall by some £60m and costs by £55m in comparison with 1996. Customers' funds rose strongly during the year, particularly in Spain, France and Portugal and around two-thirds of these funds comprise investment funds, life and pension products and private portfolios. This growth reflects successful targeting of the premier market in particular.

The Caribbean operations produced a strong performance in 1997, with buoyant expansion in the offshore business and reductions in business-as-usual costs in the onshore business following a significant rationalisation programme.

The African businesses made a good contribution, although this was lower than in 1996 as a result of difficult market conditions and a continued investment programme to improve operational efficiency and customer service.

Barclays Private Banking had a strong year, with increased profitability. The business benefited from strong income growth driven by high levels of new business, new product originations and favourable equity market conditions, despite the strength of sterling. Assets under management were £18bn at 31st December 1997.

In the face of significantly increased competition Latin America recorded strong loan volume growth and broadly maintained profits. The Middle East and North African operation performed well.

Operating profit rose by 33% in 1996, largely as a result of higher income across the range of businesses and lower provisions for bad and doubtful debts, particularly in Merck Finck.

Businesses in Transition

	1997 £m	1996 £m	1995 £m
France in Transition	**14**	(79)	(251)
United States Transition	**62**	85	97
Other Businesses in Transition	**23**	69	(33)
Operating profit/(loss)	**99**	75	(187)

France in Transition principally comprises part of the French corporate banking operations, some surplus premises and an impaired property loan portfolio. In 1997 net provision releases and recoveries, together with a profit on the sale of investments, more than offset the small loss incurred on the sale of the local head office in Paris. The reorganisation costs experienced in 1996 were not repeated.

The surplus in United States Transition is attributable to the continuing release of bad debt provisions as the portfolios are managed down.

Other Businesses in Transition includes certain activities, primarily in Europe and Asia, which have been transferred from the former Corporate and Institutional Banking Services and BZW. The reduction in the surplus for 1997 reflects a reduction in net provision releases and recoveries.

As these businesses continue to be managed down, the operating surplus will also reduce.

In 1995 the loss in France in Transition reflected a high level of bad debt provisions, recognition of a £50m permanent reduction in the value of the Group's Paris head office and additional property expenses, investment write-offs and staff reduction costs. Other businesses in transition recorded higher levels of releases and recoveries and a decrease in staff reduction costs in 1996 compared to 1995.

Other operations

	1997 £m	1996 £m	1995 £m
Barclays Property Holdings	**62**	30	15
Central services	**(94)**	(84)	(95)
Management of Group capital	**(24)**	116	125
UK associated undertakings	**-**	3	5
Operating (loss)/profit	**(56)**	65	50

The improvement in the Barclays Property Holdings result is principally attributable to £29m profit on disposal of properties.

The increase in Central services costs reflects £14m of costs associated with the sub-lease of Ebbgate House, the previous headquarters of BZW. In addition, there were increased systems and consultancy expenditure in the second half of 1997.

The result for Barclays Property Holdings for 1996 was principally attributable to increased rental income and profits on the disposal of properties compared to 1995.

The deficit from the central management of Group capital, compared with the surplus in 1996, is mainly attributable to a fall in gross interest income as a result of lower medium term rates and increased allocations to business groups, largely reflecting higher usage of regulatory capital. The result was also affected by lower one-off gains on redemption of loan capital.

Head office functions

	1997 £m	1996 £m	1995 £m
Operating costs	**(52)**	(54)	(52)

Results by nature of income and expense

Movements in the exchange rates used to translate the results of certain of the Group's overseas businesses impact on the comparison of reported results between 1997 and 1996. The main areas affected are International and Private Banking, AMG, Barclays Capital and the former BZW businesses. Adjusting for the impact of exchange rate translation differences and the Finance Act, income and costs rose by approximately 5% and 6% respectively in 1997. There is no significant impact on operating profit.

Net interest income (£bn)

Interest receivable
Interest payable
Net interest income

Net interest income

	1997 £m	1996 £m	1995 £m
Interest receivable	**9,204**	8,730	9,209
Interest payable	**(5,091)**	(4,821)	(5,427)
Profit on redemption/repurchase of loan capital	**2**	32	-
	4,115	3,941	3,782
Write-down of leases	**(77)**	-	-
	4,038	3,941	3,782

Net interest income rose by £204m or 5%, before one-off profits on redemption/repurchase of loan capital and the write-down of leases following the Finance Act. Adjusting for these, the loss of interest resulting from share repurchases, the impact of exchange rate movements and business disposals, underlying net interest income increased by 9%.

Personal Banking net interest income rose by 10%, reflecting growth in consumer lending and mortgages as well as current accounts and other deposit products. Margins were maintained in the personal sector, in part because of changes in product mix. There was also strong growth in Business Banking interest income mainly because of higher levels of deposits, which more than compensated for a slight decline in overall lending margins.

Adjusted for exchange rate movements, net interest income in International and Private Banking was some 6% higher than in 1996.

Overall banking business net margins rose slightly from 3.33% to 3.42%. There was an improvement in the domestic margin, which rose by 0.15% to 4.48%, largely in the second half of the year. A narrowing in the gap between the managed interest rate earned on Group capital and market rates of interest led to a reduced contribution to the net margin from the central management of Group interest rate exposure of approximately 0.11% (1996: 0.19%). This was compensated for by increases in the domestic benefit of free funds and also a widening of the domestic spread. There was a reduction in the international margin, particularly in the second half year, reflecting changes in the currency mix and volumes.

Interest forgone on non-performing lendings at £147m was £20m lower than in 1996.

In 1996 net interest income included a £32m gain on the redemption of loan capital which offset the loss of interest resulting from the repurchase of shares in 1995 and 1996. Adjusting for these items and the impact of business disposals and acquisitions, underlying net interest income rose by some 5%.

Prevailing average interest rates

	1997 %	1996 %	1995 %
United Kingdom:			
Barclays Bank PLC base rate	**6.6**	6.0	6.7
London Inter-Bank Offered Rate (LIBOR):			
three month sterling	**6.8**	6.1	6.7
three month eurodollar	**5.7**	5.4	6.0
United States prime rate	**8.4**	8.3	8.8

Average interest earning assets and liabilities – banking business

	1997 £m	1996 £m	1995 £m
Average interest earning assets:			
Group	**120,407**	117,518	113,473
Domestic	**79,697**	74,254	68,257
International	**40,710**	43,264	45,216
Average interest bearing liabilities:			
Group	**102,408**	100,728	98,150
Domestic	**62,444**	57,751	54,933
International	**39,964**	42,977	43,217

Yields, spreads and margins – banking business

	1997 %	1996 %	1995 %
Gross yield (a)			
Group	**7.64**	7.43	8.12
Domestic	**8.36**	7.97	8.60
International	**6.24**	6.50	7.39
Interest spread (b)			
Group	**2.67**	2.64	2.59
Domestic	**3.41**	3.29	3.16
International	**1.24**	1.57	1.75
Interest margin (c)			
Group	**3.42**	3.33	3.33
Domestic	**4.48**	4.33	4.22
International	**1.34**	1.61	2.00

Domestic business is transacted by UK Banking Services, Barclays Capital and the Group Treasury operation and is conducted primarily in sterling. International business is transacted by Barclays Capital, mainly with customers domiciled outside the United Kingdom, and by overseas branches and subsidiaries. International business is conducted primarily in foreign currencies and includes foreign currency loan capital.

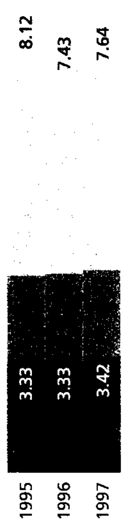
The yields, spreads and margins shown above have been computed on this basis, which generally reflects the domicile of the borrower. They exclude profits on the redemption/repurchase of loan capital and the one-off write-down of leases.

The net interest income and average balances of the trading business are shown separately on the average balance sheet on pages 30 and 31.

Notes

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

Interest yield, spread and margin (%)



Yield
Spread
Margin

Net fees and commissions

	1997 £m	1996 £m	1995 £m
Fees and commissions receivable	**3,197**	3,168	2,969
Less: fees and commissions payable	**(218)**	(223)	(202)
	2,979	2,945	2,767

Fees and commissions includes £327m (1996 £341m) earned by former BZW businesses.

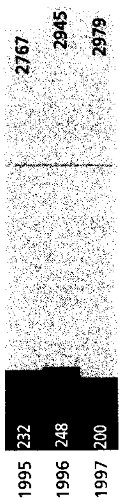
Excluding the impact of exchange rate movements and the contribution from former BZW businesses, fees and commissions grew by some 5%. Growth in retail banking and asset management commissions in both the United Kingdom and overseas compensated for lower levels of commission elsewhere. UK Banking Services fees and commissions includes £71m (1996 £64m) in respect of foreign exchange income on customer transactions with Barclays Capital.

Within Personal Banking, growth related to volume increases in current accounts, credit card and consumer lending products. In AMG, the European Retail Banking Group and Barclays Private Banking, commission levels benefited from increased levels of assets under management as a result of higher volumes of institutional and retail funds and market performance in the year. In Business Banking there was a 3% reduction in fees and commissions largely because of lower money transmission income and lower income from loan default and account control fees. This was partially offset by an increase in new business activity and growth in foreign exchange related income.

Commissions in Barclays Capital were at similar levels to 1996 as was mergers and acquisitions advisory income in the former BZW businesses. Equities commissions were affected by the uncertainty surrounding the sale announcement of certain BZW businesses in the last quarter of the year and by lower volumes following the introduction of the London Order Driven Market system.

Of the £178m increase in net fees and commissions in 1996, £167m was attributable to the business of the former Wells Fargo Nikko Investment Advisors, acquired on 31st December 1995.

Non-interest income (£m)



Dealing profits

	1997 £m	1996 £m	1995 £m
Interest rate related	**187**	202	214
Foreign exchange and commodities	**132**	71	91
Equities and other	**55**	141	99
	374	414	404

Excluding the contribution from former BZW businesses of £32m (1996 £126m), dealing profits increased by 19% or £54m.

In Barclays Capital, dealing profits increased by 26%, primarily as a result of a strong performance in foreign exchange, together with improved results from derivatives and sterling fixed income. The emerging markets business generated strong revenues and there was also a significant improvement in the commodities business. The credit businesses were adversely affected in the final quarter of the year by the widening of credit spreads as a result of the impact of turbulence in the Asian markets.

Equities and other dealing profits were significantly lower than in 1996 largely because of a number of factors creating poor trading conditions during the year. These were uncertainties in the UK market leading up to the May 1997 general election and in anticipation of and following the Budget proposals, resulting in some £30m of mark to market losses in equity derivatives, the absence of certain products following the changes in the tax treatment of trading dividends and an £8m reduction due to a change in accounting treatment of dividend income. Additionally, in the second half of the year, revenues were adversely affected by uncertainties surrounding the sale announcement of certain BZW businesses.

Dealing profits rose by £10m in 1996, with a strong performance in equities and equity derivatives being offset by a reduced contribution from the metals business.

Other operating income

	1997 £m	1996 £m	1995 £m
Income from associated undertakings	**16**	23	26
Dividend income from equity shares	**20**	20	17
Profits on disposal of investment securities	**46**	29	33
Increase in shareholders' interest in the long-term assurance fund	**47**	61	54
Property rentals	**39**	36	29
Other income	**60**	79	73
	228	248	232
Life-fund charge	**(28)**	-	-
	200	248	232

Income from associated undertakings declined as a result of reduced contributions from Korea Merchant Banking Corporation and Malaysian International Merchant Bank. The Group has also written down its investment in these businesses (see Write-down of fixed asset investments on page 28).

The increased profit on the disposal of investment securities arose largely from realisations by Private Equity in the ordinary course of business.

The contribution from the shareholders' interest in the long-term assurance fund declined due to a further £25m provision for the cost of redress for personal pension customers (non-priority cases). There was also a one-off charge of £28m in 1997 arising from changes in economic assumptions relating to the long-term assurance fund as a result of the Finance Act.

The higher level of Other income in 1996 was attributable to Camden Motors, the motor trading business, which was sold in that year.

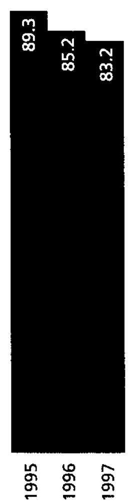
In 1996 the 7% increase in other operating income included a £7m increase in the contribution from the shareholders' interest in the long-term assurance fund.

Administrative expenses – staff costs

	1997 £m	1996 £m	1995 £m
Salaries and accrued incentive payments	**2,380**	2,274	2,140
Social security costs	**200**	214	194
Pension costs	**65**	80	145
Post-retirement health care	**23**	18	22
UK profit sharing	**101**	96	83
Other staff costs	**266**	298	323
	3,035	2,980	2,907
Staff reduction and relocation costs included above	**66**	105	179
Staff numbers (period end)*	**83,200**	85,200	89,300

*Excluding 2,200 (1996 2,000, 1995 2,100) Barclays Life advisers and field sales managers and administrative staff whose costs are borne within the long-term assurance fund and, at 31st December 1995, 800 staff of Wells Fargo Nikko Investment Advisors.

Staff numbers (000s)



Adjusting for changes in exchange rates, staff costs rose by 5% in 1997, largely because of increased salaries and accrued incentive payments in Barclays Capital and former BZW businesses reflecting additional staff retention costs arising from the sale announcement of certain BZW businesses and also the full year's impact of staff recruitment in certain areas made in 1996. Overall, staff costs in the former BZW businesses were some £60m higher than in 1996.

In UK Banking Services, a further fall in average staff numbers and lower staff reduction expenses (mainly reported in other costs) enabled the rise in staff costs to be kept at 3% overall.

Staff reduction and relocation costs reported above do not include costs reported within the exceptional loss on the sale or restructuring of BZW. On this basis, these costs were £39m lower than in 1996, with reductions in UK Banking Services and France in Transition being offset by higher costs in Africa.

The decrease in pension contributions in 1997 mainly reflects reductions in overseas schemes. Following an actuarial review of the surplus in the Group's main UK scheme, contributions to that scheme will be reduced from 2½% of pensionable salaries in 1997 to nil in 1998.

Staff numbers fell by 2,000 in 1997 mainly because of reductions in Africa, the Caribbean and in Businesses in Transition. These were offset by new jobs created in Asset Management Group in response to business growth and investment. There was a small net fall in UK Banking Services numbers in the year, where reductions from further centralisation of back-office support functions were partially offset by the creation of new customer service roles.

The rise in staff costs in 1996 was due to increased salaries and accrued incentive payments which were partly offset by lower pension and staff reduction costs.

Administrative expenses – other

	1997 £m	1996 £m	1995 £m
Property and equipment expenses			
Hire of equipment	**35**	28	33
Property rentals	**217**	199	211
Other property and equipment expenses	**619**	612	589
	871	839	833
Other administrative expenses			
Stationery, postage and telephones	**245**	221	223
Advertising and market promotion	**215**	201	193
Travel, accommodation and entertainment	**133**	140	128
Subscriptions and publications	**37**	34	33
Securities clearing and other operational expenses	**74**	67	42
Sundry losses, provisions and write-offs	**78**	74	80
Statutory and regulatory audit and accountancy fees	**6**	8	9
Consultancy fees	**103**	80	88
Professional fees	**99**	96	89
Other expenses	**35**	47	47
	1,896	1,807	1,765

The rise in administrative costs reflects increases in property and equipment costs of £32m and in other costs of £57m, reflecting in part increased business volumes and higher levels of IT and other project costs. Property and equipment costs increased as a result of the one-off impact of the investment bank's move to Canary Wharf in 1997.

Other property and equipment expenses includes a continuing high level of expenditure on software and systems development in a wide range of customer service and operational areas. Euro implementation and Year 2000 expenditure also contributed to the increase in costs.

The increase in other administrative costs arose largely within UK Banking Services in the second half of the year and reflected increases in advertising, customer communication and investment costs across a number of areas.

The increase in 1996 arose principally from increased costs as a result of consolidating Wells Fargo Nikko Investment Advisors in 1996.

Depreciation and amortisation

	1997 £m	1996 £m	1995 £m
Property depreciation	**99**	107	97
Equipment depreciation	**170**	175	181
Goodwill amortisation	**12**	13	-
Loss on sale of equipment	**3**	6	4
(Write-back)/Write-down of surplus properties	**(22)**	-	3
	262	301	285
Provision for diminution in the value of the local head office in Paris	**7**	-	50
	269	301	335

The write-back of surplus properties represents the recovery of amounts previously written off against certain City of London properties which have now been sold. Other gains on property disposals totalling £13m have been included in other operating income.

Goodwill amortisation in 1997 and 1996 is primarily related to the acquisition of Wells Fargo Nikko Investment Advisors.

Provisions for bad and doubtful debts

	1997 £m	1996 £m	1995 £m
Credit risk provision charge/(release)			
specific	**274**	337	446
general	**(65)**	(60)	(5)
Country risk provision charge/(release)			
specific	**(27)**	(62)	(45)
general	**45**	-	-
	227	215	396

For an explanation of movements in provisions, see page 53.

Loss on sale or restructuring of BZW

	1997 £m	1996 £m	1995 £m
Provision for loss on sale of businesses	**(57)**	-	-
Staff reductions, property and equipment costs, and other costs	**(283)**	-	-
	(340)		
Goodwill written off	**(129)**	-	-
	(469)	-	-

It is expected that tax relief of approximately 24% will be obtained on the £340m loss on sale and restructuring of BZW.

Profit on disposal of other Group undertakings

1997 £m	1996 £m	1995 £m
44	70	238

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

Profits on disposal in 1996 primarily reflected earlier disposals of part of the investment in 3i Group plc and the disposal of the Cyprus onshore banking business.

Write-down of fixed asset investments

	1997 £m	1996 £m	1995 £m
	(19)	-	-

The charge is primarily in respect of the write-down of the cost of investments in certain Asian banking associates, including Korean Merchant Banking Corporation and Malaysian International Merchant Bank (see also Other operating income).

Tax

The overall tax charge is explained in the following table:	1997 £m	1996 £m	1995 £m
Tax charge at average UK corporation tax rate of 31.5% (1996 and 1995 33%)	**541**	761	666
Deferred tax adjustments for the leasing business*	**(32)**	(43)	(15)
Prior year adjustments	**(12)**	-	(30)
Effect of change in non-allowable general provisions	**(6)**	(21)	1
Effect of non-allowable property write-downs and depreciation	**22**	25	35
Net effect of differing tax rates overseas	**1**	1	24
Non-allowable losses	**8**	5	16
Franked investment income	**(11)**	(37)	(47)
Other non-allowable expenses	**11**	6	6
Gains covered by capital losses brought forward	**(16)**	(23)	(14)
Tax free gain on loan stock redemption	**-**	(10)	-
Other items	**(32)**	(44)	(32)
	474	620	610
Loss on sale or restructuring of BZW (including goodwill)	**68**	-	-
Overall tax charge	**542**	620	610
Effective tax rate %	**31.6**	26.9	30.2

* For 1997 the figure shown is principally attributable to future lower tax rates. In prior years the figures relate solely to non-provision of deferred tax.

The increase in the effective rate to 31.6% from 26.9% in 1996 is mainly attributable to relief not being available on the whole of the disposal costs of the former BZW businesses (in particular the goodwill written off), offset by certain other items, including the utilisation of capital gains tax losses brought forward and the deferred tax credit associated with the leasing changes in the Finance Act (£58m).

US GAAP net income

Barclays PLC Group	1997 £m	1996 £m	1995 £m
UK GAAP attributable profit (net income)	**1,130**	1,639	1,364
Approximate US GAAP net income	**1,274**	1,545	1,310

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

Note 60 to the accounts provides a reconciliation of net profit and shareholders' funds between the amounts calculated under UK GAAP and US GAAP, together with a discussion of changes in US GAAP which will apply from 1998 onwards.

Total assets and liabilities

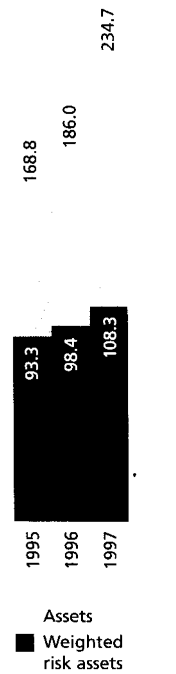
Assets increased by 26% over 1997 with 23% of the growth in the first half of 1997 and 3% in the second half. The majority of the increase is related to Barclays Capital trading activities with increases in the holding of debt securities, lendings to banks, repo activity and the value of off-balance sheet financial instruments (reported within other assets and other liabilities).

The increase in debt securities was predominantly in G7 government bonds and bills and AAA rated securities issued by agencies of G7 governments. A part of this increase was due to the expansion of government bond trading in Japan which commenced in 1996. Inter-bank lending also reflected growth in this business.

The growth in Group assets was funded by a combination of increases in trading related liabilities, in particular repo balances and short positions within Barclays Capital, and growth in customer deposits within UK Banking Services.

In the former BZW businesses, assets and weighted risk assets increased by nearly £1.0bn to £8.5bn and £4.1bn respectively.

Total assets and weighted risk assets (£bn)



Repo transactions

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

The following amounts were included in the balance sheet for repos and reverse repos:

	1997 £m	1996 £m
Reverse repos (assets)		
Loans and advances to banks	**13,627**	11,933
Loans and advances to customers	**23,014**	12,429
	36,641	24,362
Repos (liabilities)		
Deposits by banks	**13,453**	10,949
Customer accounts	**15,227**	5,919
	28,680	16,868

The average and maximum amount of reverse repos for 1997 were £39,977m and £56,300m (1996 £21,687m and £28,448m) respectively. The average and maximum amount of repos for 1997 were £24,195m and £39,775m (1996 £14,963m and £22,472m) respectively.

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

Assets	1997 Average balance £m	1997 Interest £m	1997 Average rate %	1996 Average balance £m	1996 Interest £m	1996 Average rate %	1995 Average balance £m	1995 Interest £m	1995 Average rate %
Treasury bills and other eligible bills:									
in offices in the UK	**2,393**	**154**	**6.4**	4,439	247	5.6	4,996	297	5.9
in offices outside the UK	**1,458**	**134**	**9.2**	1,875	171	9.1	1,600	152	9.5
Loans and advances to banks:									
in offices in the UK	**11,137**	**642**	**5.8**	12,238	601	4.9	11,726	760	6.5
in offices outside the UK	**11,148**	**550**	**4.9**	10,269	622	6.1	10,699	733	6.9
Loans and advances to customers:									
in offices in the UK	**57,280**	**5,051**	**8.8**	54,680	4,567	8.4	52,798	4,599	8.7
in offices outside the UK	**10,706**	**830**	**7.8**	12,513	1,040	8.3	15,231	1,330	8.7
Lease receivables:									
in offices in the UK	**6,088**	**497**	**8.2**	5,736	459	8.0	4,752	410	8.6
in offices outside the UK	**297**	**30**	**10.1**	463	45	9.7	519	61	11.8
Debt securities:									
in offices in the UK	**12,676**	**837**	**6.6**	11,413	740	6.5	8,396	676	8.1
in offices outside the UK	**7,224**	**479**	**6.6**	3,892	238	6.1	2,756	191	6.9
Average assets of banking business	**120,407**	**9,204**	**7.6**	117,518	8,730	7.4	113,473	9,209	8.1
Average assets of trading business	**56,958**	**3,263**	**5.7**	41,488	2,038	4.9	25,467	1,797	7.1
Total average interest earning assets	**177,365**	**12,467**	**7.0**	159,006	10,768	6.8	138,940	11,006	7.9
Allowances	**(1,929)**			(2,518)			(2,971)		
Non-interest earning assets	**38,845**			25,062			28,722		
Total average assets and interest income	**214,281**	**12,467**	**5.8**	181,550	10,768	5.9	164,691	11,006	6.7
Percentage of total average assets in offices outside the UK	**26.7**			24.4			26.0		
Average interest earning assets and net interest income:									
Banking business	**120,407**	**4,113**	**3.4**	117,518	3,909	3.3	113,473	3,782	3.3
Trading business	**56,958**	**(154)**	**(0.3)**	41,488	35	0.1	25,467	(13)	(0.1)
Write-down of leases	**-**	**(77)**	**-**	-	-	-	-	-	-
Profit on redemption/repurchase of loan capital	**-**	**2**	**-**	-	32	-	-	-	-
Total average interest earning assets and net interest income	**177,365**	**3,884**	**2.2**	159,006	3,976	2.5	138,940	3,769	2.7
Total average interest earning assets related to:									
Interest income		**12,467**	**7.0**		10,768	6.8		11,006	7.9
Interest expense		**(8,508)**	**(4.8)**		(6,824)	(4.3)		(7,237)	(5.2)
Write-down of leases		**(77)**	**-**		-	-		-	-
Profit on redemption/repurchase of loan capital		**2**	**-**		32	-		-	-
		3,884	**2.2**		3,976	2.5		3,769	2.7

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

Liabilities and shareholders' funds	1997 Average balance £m	1997 Interest £m	1997 Average rate %	1996 Average balance £m	1996 Interest £m	1996 Average rate %	1995 Average balance £m	1995 Interest £m	1995 Average rate %
Deposits by banks:									
in offices in the UK	**13,058**	**628**	**4.8**	14,131	625	4.4	12,984	752	5.8
in offices outside the UK	**11,621**	**575**	**4.9**	11,567	627	5.4	9,598	636	6.6
Customer accounts - demand accounts:									
in offices in the UK	**10,439**	**163**	**1.6**	8,745	132	1.5	7,213	118	1.6
in offices outside the UK	**1,708**	**39**	**2.3**	1,897	59	3.1	2,071	86	4.2
Customer accounts - savings accounts:									
in offices in the UK	**21,728**	**918**	**4.2**	22,009	813	3.7	21,331	927	4.3
in offices outside the UK	**1,069**	**63**	**5.9**	1,018	66	6.5	950	57	6.0
Customer accounts - other time deposits - retail:									
in offices in the UK	**19,118**	**1,182**	**6.2**	14,592	784	5.4	11,792	659	5.6
in offices outside the UK	**5,547**	**292**	**5.3**	6,014	381	6.3	6,422	434	6.8
Customer accounts - other time deposits - wholesale:									
in offices in the UK	**12,115**	**591**	**4.9**	14,709	887	6.0	16,159	1,123	6.9
in offices outside the UK	**5,768**	**233**	**4.0**	4,243	209	4.9	5,188	320	6.2
Debt securities in issue:									
in offices in the UK	**8,931**	**554**	**6.2**	7,066	392	5.5	5,667	322	5.7
in offices outside the UK	**5,563**	**322**	**5.8**	2,932	148	5.0	2,967	204	6.9
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**3,343**	**265**	**7.9**	3,313	268	8.1	3,680	298	8.1
Internal funding of trading business	**(17,600)**	**(734)**	**4.2**	(11,508)	(570)	5.0	(7,872)	(509)	6.5
Average liabilities of banking business	**102,408**	**5,091**	**5.0**	100,728	4,821	4.8	98,150	5,427	5.5
Average liabilities of trading business	**62,085**	**3,417**	**5.5**	42,335	2,003	4.7	27,539	1,810	6.6
Total average interest bearing liabilities	**164,493**	**8,508**	**5.2**	143,063	6,824	4.8	125,689	7,237	5.8
Interest free customer deposits:									
in offices in the UK	**7,632**			6,917			7,091		
in offices outside the UK	**1,521**			1,500			1,426		
Other non-interest bearing liabilities	**32,778**			22,538			23,550		
Minority interests and shareholders' funds	**7,857**			7,532			6,935		
Total average liabilities, shareholders' funds and interest expense	**214,281**	**8,508**	**4.0**	181,550	6,824	3.8	164,691	7,237	4.4
Percentage of total average non-capital liabilities in offices outside the UK	**28.7**			25.3			26.5		

Notes

(a) Loans and advances to customers and banks include all doubtful lendings, including non-accrual lendings. Interest receivable on such lendings has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Group.

(b) Average balances in 1997 and 1996 were based upon daily averages for most UK banking operations and monthly averages elsewhere. In 1995 average balances of UK banking operations were based on weekly averages.

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

Changes in net interest income – volume and rate analysis

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

	1997/1996 Total change	**1997/1996 Change due to increase/(decrease) in: Volume**	**Rate**	1996/1995 Total change	1996/1995 Change due to increase/(decrease) in: Volume	Rate
		£m	**£m**	£m	£m	£m
Interest receivable						
Treasury bills and other eligible bills:						
in offices in the UK	**(93)**	**(127)**	**34**	(50)	(32)	(18)
in offices outside the UK	**(37)**	**(38)**	**1**	19	25	(6)
	(130)	**(165)**	**35**	(31)	(7)	(24)
Loans and advances to banks:						
in offices in the UK	**41**	**(57)**	**98**	(159)	32	(191)
in offices outside the UK	**(72)**	**50**	**(122)**	(111)	(29)	(82)
	(31)	**(7)**	**(24)**	(270)	3	(273)
Loans and advances to customers:						
in offices in the UK	**484**	**223**	**261**	(32)	161	(193)
in offices outside the UK	**(210)**	**(143)**	**(67)**	(290)	(228)	(62)
	274	**80**	**194**	(322)	(67)	(255)
Lease receivables:						
in offices in the UK	**38**	**29**	**9**	49	80	(31)
in offices outside the UK	**(15)**	**(17)**	**2**	(16)	(6)	(10)
	23	**12**	**11**	33	74	(41)
Debt securities:						
in offices in the UK	**97**	**83**	**14**	64	212	(148)
in offices outside the UK	**241**	**219**	**22**	47	72	(25)
	338	**302**	**36**	111	284	(173)
Total banking business interest receivable:						
in offices in the UK	**567**	**151**	**416**	(128)	453	(581)
in offices outside the UK	**(93)**	**71**	**(164)**	(351)	(166)	(185)
	474	**222**	**252**	(479)	287	(766)
Total trading business interest receivable	**1,225**	**847**	**378**	241	899	(658)
Total interest receivable	**1,699**	**1,069**	**630**	(238)	1,186	(1,424)

Changes in net interest income – volume and rate analysis

	Total change	1997/1996 Change due to increase/(decrease) in: Volume	Rate	Total change	1996/1995 Change due to increase/(decrease) in: Volume	Rate
Interest payable		£m	£m	£m	£m	£m
Deposits by banks:						
in offices in the UK	**3**	**(49)**	**52**	(127)	62	(189)
in offices outside the UK	**(52)**	**3**	**(55)**	(9)	118	(127)
	(49)	**(46)**	**(3)**	(136)	180	(316)
Customer accounts - demand deposits:						
in offices in the UK	**31**	**26**	**5**	14	24	(10)
in offices outside the UK	**(20)**	**(5)**	**(15)**	(27)	(7)	(20)
	11	**21**	**(10)**	(13)	17	(30)
Customer accounts - savings deposits:						
in offices in the UK	**105**	**(11)**	**116**	(114)	29	(143)
in offices outside the UK	**(3)**	**3**	**(6)**	9	4	5
	102	**(8)**	**110**	(105)	33	(138)
Customer accounts - other time deposits - retail:						
in offices in the UK	**398**	**268**	**130**	125	151	(26)
in offices outside the UK	**(89)**	**(28)**	**(61)**	(53)	(27)	(26)
	309	**240**	**69**	72	124	(52)
Customer accounts - other time deposits - wholesale:						
in offices in the UK	**(296)**	**(142)**	**(154)**	(236)	(95)	(141)
in offices outside the UK	**24**	**66**	**(42)**	(111)	(53)	(58)
	(272)	**(76)**	**(196)**	(347)	(148)	(199)
Debt securities in issue:						
in offices in the UK	**162**	**112**	**50**	70	78	(8)
in offices outside the UK	**174**	**150**	**24**	(56)	(2)	(54)
	336	**262**	**74**	14	76	(62)
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**(3)**	**2**	**(5)**	(30)	(30)	-
Internal funding of trading businesses	**(164)**	**(265)**	**101**	(61)	(199)	138
Total banking business interest payable:						
in offices in the UK	**236**	**(90)**	**326**	(359)	107	(466)
in offices outside the UK	**34**	**183**	**(149)**	(247)	30	(277)
	270	**93**	**177**	(606)	137	(743)
Total trading business interest payable	**1,414**	**1,047**	**367**	193	793	(600)
Total interest payable	**1,684**	**1,140**	**544**	(413)	930	(1,343)

Movement in net interest income

Increase/(decrease) in interest receivable	**1,699**	**1,069**	**630**	(238)	1,186	(1,424)
(Increase)/decrease in interest payable	**(1,684)**	**(1,140)**	**(544)**	413	(930)	1,343
	15	**(71)**	**86**	175	256	(81)
Write-down of leases	**(77)**			-		
Movement in profit on redemption/repurchase of loan capital	**(30)**			32		
	(92)			207		

Capital resources

Barclays PLC Group	**1997 £m**	1996 £m	1995 £m
Shareholders' funds	**7,620**	7,267	7,027
Minority interests	**326**	320	343
	7,946	7,587	7,370
Undated loan capital	**1,657**	1,635	1,989
Dated loan capital	**1,211**	1,396	1,571
Other subordinated liabilities	**59**	56	91
Total capital resources	**10,873**	10,674	11,021

Barclays Bank PLC Group	**1996 £m**	1996 £m	1995 £m
Shareholders' funds	**7,885**	7,522	7,308
Minority interests	**61**	65	62
	7,946	7,587	7,370
Undated loan capital	**1,657**	1,635	1,989
Dated loan capital	**1,211**	1,396	1,571
Other subordinated liabilities	**59**	56	91
Total capital resources	**10,873**	10,674	11,021

The Group continues to manage actively both its debt and equity capital. Total capital resources increased in the year by £296m before adverse exchange rate translation differences of £97m.

Shareholders' funds increased by £454m before exchange differences of £101m, with share buy-backs of £351m offsetting profit retentions (excluding goodwill write-backs) of £693m and share issues of £113m.

Loan capital and other subordinated liabilities were £160m lower with redemptions and repurchases of £642m exceeding the level of new issues.

Included in Barclays Bank PLC shareholders' funds are non-cumulative dollar-denominated preference shares which are reported as minority interests of Barclays PLC.

Capital ratios

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

These techniques include the risk asset ratio calculation, which the Bank of England regards as a key supervisory tool. The Bank of England sets individual minimum ratio requirements for banks in the United Kingdom at or above the minimum of 8%. The ratio calculation involves the application of designated risk weightings to reflect an estimate of credit, market and other risks associated with broad categories of transactions and counterparties.

The concept of risk weighting, as applied to banking activities, assumes that such activities generally involve some risk of loss. For risk weighting purposes, commercial lendings are taken as a bench-mark to which a risk weighting of 100% is ascribed. Other transactions, which are considered to generate lower levels of risk than commercial lending, may qualify for reduced weightings. Off-balance sheet items are converted to credit risk equivalents by applying credit conversion factors laid down by the Basle Committee. The resultant amounts are then risk weighted according to the nature of the counterparty.

For trading activities, the EC Capital Adequacy Directive lays down common minimum capital requirements for banks and investment firms for market and other risks. This measure disaggregates the various risks associated with transactions and applies capital requirements to each type of risk separately (the 'building block' approach).

In December 1995, the Basle Committee announced a proposed amendment to the existing guidelines to take account of market risk. The amendment includes a standardised building block approach similar to that permitted under the Capital Adequacy Directive. In addition, it allows banks, under certain conditions, to make greater use of internal models to calculate capital requirements for market risk. The EC is expected to amend the Capital Adequacy Directive during 1998 to bring it in line with the Basle Amendments. The Bank of England has published its draft proposals for implementing this prospective amendment in the United Kingdom.

Regulatory guidelines define three 'tiers' of capital resources. Tier 1 ('core') capital, comprising mainly shareholders' funds, is the highest tier and can be used to meet trading and banking activity requirements. Tier 2 capital includes perpetual and medium and long-term subordinated debt, general provisions for bad and doubtful debts and fixed asset revaluation reserves. Tier 2 capital can be used to support both trading and banking activities. Tier 3 capital comprises short-term subordinated debt and cumulative daily net trading book profits. The use of tier 3 capital is restricted to trading activities only and it is not eligible to support counterparty or settlement risk. The aggregate of tiers 2 and 3 capital included in the calculation may not exceed tier 1 capital.

The following table analyses capital resources at 31st December 1997, as defined for regulatory purposes.

Capital adequacy data

	1997 Barclays PLC Group £m	1997 Barclays Bank PLC Group £m	1996 Barclays PLC Group £m	1996 Barclays Bank PLC Group £m
Tier 1				
Shareholders' funds (as defined for regulatory purposes)	**7,429**	**7,694**	7,006	7,261
Minority interests in tier 1	**444**	**179**	435	180
Total tier 1 capital	**7,873**	**7,873**	7,441	7,441

	1997 £m	1996 £m
Tier 2		
Fixed asset revaluation reserves	**39**	45
Qualifying undated and dated loan capital (a)	**2,811**	2,626
	2,850	2,671
General allowances for bad and doubtful debts	**728**	756
Total tier 2 capital	**3,578**	3,427
Gross capital resources (b)	**11,451**	10,868
Less: supervisory deductions (c)	**(647)**	(679)
Total net capital resources	**10,804**	10,189

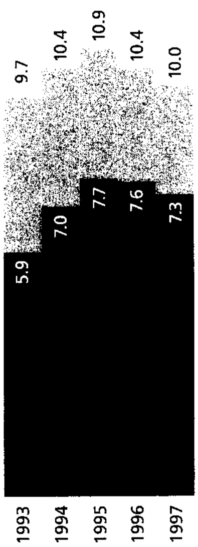
Notes

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

(b) There was no tier 3 subordinated debt capital in issue at 31st December 1997 or 31st December 1996.

(c) Including £460m (1996 £451m) of shareholders' interest in the long-term assurance fund.

Capital ratios (%)



	1997 Barclays PLC Group %	1997 Barclays Bank PLC Group %	1996 Barclays PLC Group %	1996 Barclays Bank PLC Group %
Capital ratios				
Tier 1 ratio	**7.3**	**7.3**	7.6	7.6
Risk asset ratio	**10.0**	**10.0**	10.4	10.4

	1997 £m	1996 £m
Weighted risk assets		
Banking book		
on-balance sheet	**72,677**	71,322
off-balance sheet	**12,691**	10,744
associated undertakings	**2,624**	2,338
Total banking book	**87,992**	84,404
Trading book		
market risks	**13,091**	8,427
counterparty and settlement risks	**7,244**	5,560
Total trading book	**20,335**	13,987
Total risk weighted assets	**108,327**	98,391

The overall risk asset ratio and the tier 1 ratio fell by 0.4% and 0.3% respectively in the year reflecting business driven growth in weighted risk assets, primarily in Barclays Capital, and the impact of reorganising BZW.

Deposits

	Average: year ended 31st December		
	1997	1996	1995
Deposits by banks	**£m**	£m	£m
Offices in the United Kingdom	**13,058**	14,131	12,984
Offices outside the United Kingdom:			
Other European Union	**6,680**	6,417	5,229
United States	**2,487**	2,551	1,842
Rest of the World	**2,454**	2,599	2,527
	24,679	25,698	22,582
Customer accounts			
Offices in the United Kingdom	**71,032**	66,972	63,586
Offices outside the United Kingdom:			
Other European Union	**5,890**	6,723	7,737
United States	**3,493**	2,686	2,290
Rest of the World	**6,230**	5,263	6,030
	86,645	81,644	79,643

Average deposits (excluding trading balances) are analysed by type in the average balance sheet on page 31 and are based on the location of the office in which the deposits are recorded.

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

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

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

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

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

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

Short-term borrowings

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

Deposits by banks (excluding trading business)

	Year ended 31st December		
	1997	1996	1995
	£m	£m	£m
Year-end balance	**30,511**	21,636	24,520
Average balance	**24,679**	25,698	22,582
Maximum balance	**35,228**	34,253	30,556
Average interest rate during year	**4.9%**	4.9%	6.1%
Year-end interest rate	**4.4%**	4.7%	5.7%

Commercial paper

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

	Year ended 31st December		
	1997	1996	1995
	£m	£m	£m
Year-end balance	**1,411**	1,202	1,202
Average balance	**1,411**	976	1,145
Maximum balance	**1,412**	1,386	1,702
Average interest rate during year	**4.9%**	5.4%	6.4%
Year-end interest rate	**5.9%**	5.4%	6.1%

Negotiable certificates of deposit

	Year ended 31st December		
	1997	1996	1995
	£m	£m	£m
Year-end balance	**17,027**	9,771	4,592
Average balance	**11,290**	7,893	6,035
Maximum balance	**18,007**	10,195	9,387
Average interest rate during year	**6.3%**	5.6%	6.8%
Year-end interest rate	**6.3%**	6.0%	6.5%

Securities

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

	1997 Book value £m	1997 Valuation £m	1996 Book value £m	1996 Valuation £m	1995 Book value £m	1995 Valuation £m
Investment securities						
Debt securities:						
UK government	**5,537**	**5,615**	3,023	3,035	2,785	2,795
other government	**7,628**	**7,701**	4,239	4,395	3,267	3,440
other public bodies	**178**	**181**	326	335	318	323
other issuers	**4,357**	**4,407**	3,128	3,171	2,327	2,367
Equity shares	**116**	**170**	164	296	132	260
	17,816	**18,074**	10,880	11,232	8,829	9,185
Other securities						
Debt securities:						
UK government	**1,190**	**1,190**	1,762	1,762	1,478	1,478
other government	**13,301**	**13,301**	5,469	5,469	4,289	4,289
other public bodies	**784**	**784**	133	133	255	255
bank and building society certificates of deposit	**9,384**	**9,384**	8,067	8,067	4,126	4,126
other issuers	**10,222**	**10,222**	5,220	5,220	4,417	4,417
Equity shares	**2,664**	**2,664**	2,649	2,649	1,856	1,856
	55,361	**55,619**	34,180	34,532	25,250	25,606

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

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

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

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

In addition to UK government securities shown above, at 31st December 1997, the Group held the following securities which exceeded 10% of shareholders' funds:

	1997 Book value £m	1997 Valuation £m	1996 Book value £m	1996 Valuation £m
US government securities	**9,035**	**9,035**	1,480	1,480
German government securities	**3,707**	**3,730**	876	960
French government securities	**2,029**	**2,029**	1,698	1,704
Italian government securities	**1,569**	**1,649**	1,187	1,187
Spanish government securities	**1,045**	**1,045**	913	932
Japanese government securities	**1,319**	**1,319**	822	822

Maturities and weighted average yields of investment debt securities

At 31st December 1997	Maturing within one year:		Maturing after one but within five years:		Maturing after five but within ten years:		Maturing after ten years:		Total	
	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %
Government	**1,853**	**6.1**	**10,356**	**6.3**	**951**	**6.6**	**5**	**6.7**	**13,165**	**6.3**
Other public bodies	**69**	**6.8**	**103**	**5.7**	**4**	**7.2**	**2**	**6.5**	**178**	**6.2**
Other issuers	**1,630**	**6.1**	**944**	**6.7**	**1,067**	**6.9**	**716**	**6.9**	**4,357**	**6.6**
Total book value	**3,552**	**6.1**	**11,403**	**6.3**	**2,022**	**6.7**	**723**	**6.9**	**17,700**	**6.4**
Total valuation	**3,535**		**11,527**		**2,070**		**772**		**17,904**	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 1997 by the book value of securities held at that date. Yields on certain US securities, which are exempt from tax, have been calculated using interest income adjusted to reflect a taxable equivalent basis.

Risk management

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

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

Operational risk management

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

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

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

It is recognised that such risks can never be entirely eliminated. Accordingly, the Group continues to invest in risk mitigation approaches such as contingency planning and incident management. Where appropriate this is supported by risk transfer mechanisms such as insurance. In addition to the implementation of the Group's strategy by the business groups, independent checks on operational risk issues are also undertaken by the internal audit function.

Legal risk management

Legal risk is the risk resulting from the legal consequences of a situation, action or investment causing material unexpected negative results. It includes risk arising from inadequate documentation, legal or regulatory incapacity or insufficient authority of a counterparty and the uncertain validity and enforceability of a contract in bankruptcy or insolvency. Barclays seeks to identify and manage legal risk through the effective use of and consultation with its internal and external legal counsel to ensure that legal advice is appropriately taken and implemented across the Group in accordance with established guidelines.

Market risk management

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

The Group uses a daily 'value at risk' (DVAR) measure as the primary mechanism for controlling market risk. DVAR is described on pages 58 to 60.

The market risk management policies of the Group are determined by the Group Risk Policy Committee, which also determines overall market risk appetite. Group Risk Policy Committee allocates a total DVAR limit for the Group and delegates the day to day control and monitoring of market risk to the Group Treasurer, who sets limits for each business area.

The Group's policy is that exposure to market risk arising from trading activities is concentrated in Barclays Capital (formerly in BZW). Trading activities are discussed further on page 58. The Group's banking businesses are also subject to market risk, which arises in relation to non-trading positions, such as capital balances demand deposits and customer originated transactions and flows. The management of market risk in this context is discussed further under Treasury Asset and Liability Management on page 62.

Liquidity risk management

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

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

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

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

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

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

Credit risk management

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

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

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

UK Banking Services and International and Private Banking, which have the majority of the Group's corporate and personal credit exposures, each operate a hierarchy of credit exposure discretions, whereby regional offices, overseas country offices and specialist lending departments are allocated discretionary limits. Branch management are sub-allocated varying levels of discretionary limits, which vary according to their skills, experience, seniority and the quality of the borrower as measured by the credit grading structure. A similar hierarchy exists for provisioning purposes. The application of this structure results in a large proportion of branch lending portfolios being sanctioned and controlled at branch and regional level.

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

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

The Group enters into master agreements whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Concentrations of credit risk, which arise through the Group's trading and non-trading activities, are presented in note 63 to the accounts.

Analysis of loans and advances

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

Loans and advances to banks

The majority of loans and advances to banks are placings, including reverse repo transactions, which amounted to £31,048m at 31st December 1997 (1996 £23,882m, 1995 £25,020m). Also included are loans to banks and building societies, balances with central banks (excluding those balances which can be withdrawn on demand), inter-bank settlement accounts and federal funds sold.

Loans and advances to banks

	1997 £m	1996 £m	1995 £m
Banking business:			
United Kingdom	**8,751**	6,799	11,965
Other European Union	**4,268**	3,484	4,295
United States	**4,349**	2,477	3,233
Rest of the World	**4,383**	3,386	3,581
Total banking business	**21,751**	16,146	23,074
Total trading business	**15,155**	12,898	5,822
	36,906	29,044	28,896

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

Barclays is an active participant in the major inter-bank markets. At 31st December 1997, placings with branches and offices of Japanese banks represented some 13% of the Group total (1996 some 17%, 1995 some 20%).

Maturity analysis of loans and advances to banks

At 31st December 1997	**On demand**	**Not more than three months**	**Over three months but not more than one year**	**Over one year but not more than five years**	**Over five years**	**Total**
Banking business:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
United Kingdom	**370**	**4,738**	**2,726**	**726**	**191**	**8,751**
Other European Union	**337**	**2,742**	**1,029**	**120**	**40**	**4,268**
United States	**32**	**2,436**	**1,662**	**219**	**-**	**4,349**
Rest of the World	**169**	**3,066**	**1,121**	**7**	**20**	**4,383**
Total banking business	**908**	**12,982**	**6,538**	**1,072**	**251**	**21,751**
Total trading business	**-**	**15,153**	**2**	**-**	**-**	**15,155**
	908	**28,135**	**6,540**	**1,072**	**251**	**36,906**

At 31st December 1996	On demand	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom	394	3,420	1,830	920	235	6,799
Other European Union	350	1,889	1,014	180	51	3,484
United States	106	1,280	891	190	10	2,477
Rest of the World	108	2,631	620	8	19	3,386
Total banking business	958	9,220	4,355	1,298	315	16,146
Total trading business	-	12,886	12	-	-	12,898
	958	22,106	4,367	1,298	315	29,044

Interest rate sensitivity of loans and advances to banks

At 31st December 1997	**Fixed rate**	**Variable rate**	**Total**
Banking business:	**£m**	**£m**	**£m**
United Kingdom	**7,785**	**966**	**8,751**
Other European Union	**4,099**	**169**	**4,268**
United States	**4,238**	**111**	**4,349**
Rest of the World	**4,161**	**222**	**4,383**
Total banking business	**20,283**	**1,468**	**21,751**
Total trading business	**11,115**	**4,040**	**15,155**
	31,398	**5,508**	**36,906**

Loans and advances to customers

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

Maturity analysis of loans and advances to customers

At 31st December 1997	**On demand (a)**	**Not more than three months**	**Over three months but not more than one year**	**Over one year but not more than five years**	**Over five years**	**Total**
Banking business:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
United Kingdom						
Property and construction	**761**	**522**	**296**	**1,145**	**1,249**	**3,973**
Other corporate lending	**6,228**	**4,960**	**1,628**	**4,841**	**5,750**	**23,407**
Other lending from UK offices (b)	**1,268**	**6,063**	**3,456**	**6,650**	**19,959**	**37,396**
Total United Kingdom	**8,257**	**11,545**	**5,380**	**12,636**	**26,958**	**64,776**
Other European Union	**598**	**1,519**	**1,043**	**1,156**	**761**	**5,077**
United States	**45**	**582**	**704**	**1,188**	**643**	**3,162**
Rest of the World	**673**	**1,032**	**249**	**503**	**552**	**3,009**
Total banking business	**9,573**	**14,678**	**7,376**	**15,483**	**28,914**	**76,024**
Total trading business	**-**	**25,712**	**-**	**-**	**-**	**25,712**
	9,573	**40,390**	**7,376**	**15,483**	**28,914**	**101,736**

At 31st December 1996	On demand (a)	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom:						
Property and construction	964	458	405	1,471	1,563	4,861
Other corporate lending	5,506	6,740	1,512	6,444	3,945	24,147
Other lending from UK offices (b)	1,399	4,569	2,995	6,617	19,079	34,659
Total United Kingdom	7,869	11,767	4,912	14,532	24,587	63,667
Other European Union	646	1,334	950	1,580	1,163	5,673
United States	198	496	394	962	847	2,897
Rest of the World	849	1,060	390	437	243	2,979
Total banking business	9,562	14,657	6,646	17,511	26,840	75,216
Total trading business	-	16,409	20	12	-	16,441
	9,562	31,066	6,666	17,523	26,840	91,657

Notes

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

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

Interest rate sensitivity of loans and advances to customers

At 31st December 1997	Fixed rate £m	Variable rate £m	Total £m
Banking business:			
United Kingdom	**20,992**	**43,784**	**64,776**
Other European Union	**3,053**	**2,024**	**5,077**
United States	**967**	**2,195**	**3,162**
Rest of the World	**1,365**	**1,644**	**3,009**
Total banking business	**26,377**	**49,647**	**76,024**
Total trading business	**21,855**	**3,857**	**25,712**
	48,232	**53,504**	**101,736**

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

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Financial institutions	**2,258**	2,388	864	2,300	2,056
Agriculture, forestry and fishing	**1,726**	1,768	1,587	1,588	1,634
Manufacturing	**5,556**	5,976	5,412	5,185	5,592
Construction	**1,046**	1,242	1,429	1,545	2,084
Property	**2,927**	3,619	3,867	4,457	4,298
Energy and water	**586**	863	1,107	517	904
Wholesale and retail distribution and leisure	**5,895**	5,553	5,551	5,989	5,941
Transport	**875**	1,320	1,179	1,093	955
Postal and communication	**86**	101	239	51	153
Business and other services	**6,425**	6,178	6,275	4,841	6,160
Home loans	**15,937**	14,958	14,794	14,074	12,988
Other personal	**12,403**	11,315	10,321	9,611	9,687
Overseas customers	**3,421**	2,561	2,617	3,673	3,927
	59,141	57,842	55,242	54,924	56,379
Finance lease receivables	**5,635**	5,825	4,890	4,570	4,665
	64,776	63,667	60,132	59,494	61,044

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

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Financial institutions	**215**	437	532	559	746
Agriculture, forestry and fishing	**19**	14	74	69	84
Manufacturing	**900**	966	1,296	1,363	1,408
Construction	**164**	246	310	339	440
Property	**237**	296	513	571	316
Energy and water	**91**	81	174	195	216
Wholesale and retail distribution and leisure	**378**	349	577	653	735
Transport	**184**	461	612	856	486
Postal and communication	**10**	39	205	4	156
Business and other services	**927**	864	1,173	1,036	1,393
Home loans	**670**	796	964	872	762
Other personal	**352**	313	446	655	360
Overseas customers	**516**	314	541	847	575
	4,663	5,176	7,417	8,019	7,677
Finance lease receivables	**414**	497	709	407	482
	5,077	5,673	8,126	8,426	8,159

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

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Financial institutions	**350**	190	447	524	671
Agriculture, forestry and fishing	**1**	4	2	23	25
Manufacturing	**325**	337	350	1,317	2,074
Construction	**5**	27	28	48	154
Property	**195**	412	660	1,021	1,755
Energy and water	**647**	510	396	516	504
Wholesale and retail distribution and leisure	**76**	97	141	590	711
Transport	**98**	129	155	261	270
Postal and communication	**240**	115	222	374	344
Business and other services	**1,138**	929	573	426	796
Home loans	**3**	12	4	146	558
Other personal	**25**	69	13	20	29
Overseas customers	**15**	24	58	12	54
	3,118	2,855	3,049	5,278	7,945
Finance lease receivables	**44**	42	58	61	159
	3,162	2,897	3,107	5,339	8,104

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

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Loans and advances	**2,980**	2,951	3,948	4,374	5,927
Finance lease receivables	**29**	28	85	99	184
	3,009	2,979	4,033	4,473	6,111

Total loans and advances to customers

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Banking business	**76,024**	75,216	75,398	77,732	83,418
Trading business	**25,712**	16,441	9,884	9,293	14,144
	101,736	91,657	85,282	87,025	97,562

Total loans and advances to customers

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

Loans and advances in offices in the United Kingdom

Loans and advances within banking business activities increased by 2%. Continued growth in the consumer lending businesses and Barclaycard products, together with an increase in home loans, has been partially offset by reductions in construction and finance lease receivables.

Loans and advances in offices in Other European Union countries

Loans in France, Spain and Germany account for some 70% of the total banking business loans and advances in Other European Union countries. Overall, loans and advances fell by 11% to £5,077m in 1997 primarily reflecting exchange rate movements.

Loans and advances in offices in the United States

The 9% increase in the banking business loans and advances in the year largely reflects exchange rate movements.

Exposure to Asian Countries

At 31st December 1997, amounts outstanding and commitments to counterparties in countries which are subject to International Monetary Fund support programmes were as follows:

	£bn
Indonesia	**0.3**
South Korea	**0.6**
Thailand	**0.3**
Total	**1.2**

Of the total of £1.2bn, £0.8bn was related to banks, £0.2bn to governments and £0.2bn to other corporate bodies including project finance companies, and was mainly in respect of loans, off-balance sheet financial instruments and debt securities. Off-balance sheet financial instruments and debt securities are marked to market.

Of the above exposures £10m were non-performing as at 31st December 1997. In 1997 the Group raised a general provision of £45m in respect of country transfer risk arising from its business world wide, including exposure in these countries. This is in addition to £683m of general provision held against credit risk.

Provisions for bad and doubtful debts

Provisioning policy

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

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

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

Analysis of provisions for bad and doubtful debts

	31st December				
	1997	1996	1995	1994	1993
	£m	£m	£m	£m	£m
Specific - credit risk					
United Kingdom	**765**	834	963	1,112	1,415
Other European Union	**245**	353	502	488	411
United States	**27**	59	121	258	479
Rest of the World	**41**	48	115	113	136
	1,078	1,294	1,701	1,971	2,441
Specific - country risk	**44**	80	174	371	534
Total specific provisions	**1,122**	1,374	1,875	2,342	2,975
General provisions - credit risk	**683**	756	853	850	789
General provisions - country risk	**45**	-	-	-	-
	1,850	2,130	2,728	3,192	3,764
Average loans and advances for the year					
(excluding trading business)	**96,656**	95,899	95,725	100,019	107,819
(including trading business)	**136,581**	122,503	113,773	121,573	123,797

Ratios

	31st December				
	1997	1996	1995	1994	1993
	%	%	%	%	%
Provisions at end of year as a percentage of loans and advances at end of year (excluding trading business):					
Specific provision for credit risk	**1.10**	1.41	1.73	1.96	2.34
General provision for credit risk	**0.70**	0.83	0.87	0.84	0.76
	1.80	2.24	2.60	2.80	3.10
Specific provision for country risk	**0.04**	0.09	0.18	0.37	0.51
General provision for country risk	**0.05**	-	-	-	-
	1.89	2.33	2.78	3.17	3.61
Provisions at end of year as a percentage of loans and advances at end of year (including trading business):					
Specific provision for credit risk	**0.78**	1.07	1.49	1.70	2.02
General provision for credit risk	**0.49**	0.63	0.75	0.73	0.65
	1.27	1.70	2.24	2.43	2.67
Specific provision for country risk	**0.03**	0.07	0.15	0.32	0.44
General provision for country risk	**0.03**	-	-	-	-
	1.33	1.77	2.39	2.75	3.11

	Year ended 31st December				
	1997	1996	1995	1994	1993
Provisions as a percentage of average loans and advances for the year (excluding trading business):	**%**	%	%	%	%
Specific provisions for credit risk	**0.28**	0.35	0.47	0.59	1.67
General provisions for credit risk	**(0.07)**	(0.06)	(0.01)	0.07	0.10
	0.21	0.29	0.46	0.66	1.77
Specific provisions for country risk	**(0.03)**	(0.06)	(0.05)	(0.06)	(0.04)
General provisions for country risk	**0.05**	-	-	-	-
	0.23	0.23	0.41	0.60	1.73
Amounts written off (net of recoveries)	**0.47**	0.71	0.92	1.12	1.45
Provisions as a percentage of average loans and advances for the year (including trading business):					
Specific provisions for credit risk	**0.20**	0.28	0.39	0.49	1.46
General provisions for credit risk	**(0.05)**	(0.05)	-	0.06	0.08
	0.15	0.23	0.39	0.55	1.54
Specific provisions for country risk	**(0.02)**	(0.05)	(0.04)	(0.05)	(0.03)
General provisions for country risk	**0.03**	-	-	-	-
	0.16	0.18	0.35	0.50	1.51
Amounts written off (net of recoveries)	**0.33**	0.55	0.77	0.92	1.26

Movements in provisions for bad and doubtful debts

	Year ended 31st December				
	1997	1996	1995	1994	1993
	£m	£m	£m	£m	£m
Provisions for credit risk					
Provision at beginning of year	**2,050**	2,554	2,821	3,230	2,840
Exchange and other adjustments	**(53)**	(124)	17	(68)	(16)
Amounts written off:					
United Kingdom	**(441)**	(593)	(680)	(821)	(1,317)
Other European Union	**(93)**	(138)	(148)	(87)	(77)
United States	**(23)**	(30)	(69)	(205)	(186)
Rest of the World	**(14)**	(61)	(26)	(37)	(34)
	(571)	(822)	(923)	(1,150)	(1,614)
Recoveries (analysed below)	**126**	165	198	146	112
Sub total	**1,552**	1,773	2,113	2,158	1,322
Provisions charged against profit					
New and increased specific provisions:					
United Kingdom	**536**	623	684	791	1,505
Other European Union	**49**	123	169	189	225
United States	**12**	21	28	97	338
Rest of the World	**28**	26	51	50	67
	625	793	932	1,127	2,135
Releases of specific provisions:					
United Kingdom	**(143)**	(164)	(151)	(253)	(148)
Other European Union	**(34)**	(66)	(44)	(44)	(35)
United States	**(33)**	(45)	(71)	(79)	(19)
Rest of the World	**(15)**	(16)	(22)	(16)	(18)
	(225)	(291)	(288)	(392)	(220)
Recoveries:					
United Kingdom	**(111)**	(140)	(176)	(108)	(71)
Other European Union	**(6)**	(8)	(8)	(3)	(5)
United States	**(4)**	(12)	(7)	(30)	(22)
Rest of the World	**(5)**	(5)	(7)	(5)	(14)
	(126)	(165)	(198)	(146)	(112)
Net specific provisions charge	**274**	337	446	589	1,803
General provision (releases)/charges*	**(65)**	(60)	(5)	74	105
Net credit risk charge to profit	**209**	277	441	663	1,908
Provisions at end of year	**1,761**	2,050	2,554	2,821	3,230
Provisions for country risk					
Provision at beginning of year	**80**	174	371	534	605
Exchange and other adjustments	**1**	(12)	3	17	31
Amounts written off (net of recoveries)	**(10)**	(20)	(155)	(119)	(63)
Net specific credit:					
Provisions charges	**7**	3	13	56	57
Releases	**(34)**	(63)	(58)	(106)	(85)
Recoveries	**-**	(2)	-	(11)	(11)
Net specific releases	**(27)**	(62)	(45)	(61)	(39)
General provision charge*	**45**	-	-	-	-
Provision at end of year	**89**	80	174	371	534
Total provisions for bad and doubtful debts	**1,850**	2,130	2,728	3,192	3,764

*An analysis of the movement in general provisions is shown in note 18 to the accounts.

Review of provisions for bad and doubtful debts

The £12m increase in the overall charge was attributable to a net charge of £18m for country risk compared with a release of £62m in 1996. This offset a lower net credit risk charge of £209m (1996 £277m).

Gross new and increased provisions fell by £168m to £625m with further declines in the United Kingdom and other European Union countries as a result of benign economic conditions and improvements in credit quality. Lower releases and recoveries in transition businesses resulted in a £105m reduction overall, despite a £44m release as a result of the sale of part of the assets of Imry. Continuing reductions in non-performing lendings and credit risk provisions are likely to limit the level of future releases and recoveries.

There was a £65m release of credit risk general provision, compared with £60m in 1996. Further releases in the transition portfolios, as these continued to diminish, were offset by a higher charge in Personal Banking to support rising volumes of consumer and credit card lendings and to reflect a more cautious economic outlook.

Country risk specific provision releases continued to decline in line with an overall reduction in exposure, although a general provision of £45m was raised to cover country transfer risks (relating to exposures in non-local currencies - see Cross-border outstandings, page 57) in the major overseas markets in which the Group operates, predominantly Asia.

Total provision coverage of non-performing and potential problem loans rose from 50.4% at 31st December 1996 to 56.3% at 31st December 1997, with the value of these loans falling by some 24% in the year.

The net provision charge for the year as a percentage of average loans and advances was 0.23% (1996 0.23%).

Based upon the composition of the lending portfolio as at 31st December 1997, the underlying level of annual credit losses or Risk Tendency, as described on page 43, averaged across the economic cycle, is estimated at £670m (1996 around £700m).

Credit risk provisions

	Net specific provision for the year					Specific provisions for credit risk at 31st December				
	1997	1996	1995	1994	1993	**1997**	1996	1995	1994	1993
United Kingdom:	**£m**	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
Banks and other financial institutions	**(3)**	6	(32)	(5)	7	**5**	6	7	5	7
Agriculture, forestry and fishing	**-**	1	3	11	17	**5**	6	9	16	19
Manufacturing	**25**	6	14	67	105	**51**	39	43	74	123
Construction	**5**	9	25	40	104	**26**	28	45	53	70
Property	**(66)**	15	(2)	47	168	**29**	92	109	147	192
Energy and water	**3**	6	3	-	-	**2**	6	3	2	1
Wholesale and retail distribution and leisure	**12**	13	51	121	247	**10**	50	88	129	226
Transport	**3**	4	48	(9)	26	**5**	63	68	37	49
Postal and communication	**-**	-	-	1	1	**-**	-	-	1	1
Business and other services	**4**	17	17	16	192	**61**	69	97	154	192
Home loans	**8**	7	49	34	40	**44**	50	59	82	61
Other personal	**281**	237	182	112	323	**522**	414	421	397	404
Overseas residents	**10**	(10)	(4)	(19)	39	**2**	3	4	6	41
Finance lease receivables	**-**	8	3	14	17	**3**	8	10	9	29
	282	319	357	430	1,286	**765**	834	963	1,112	1,415
Foreign	**(8)**	18	89	159	517	**313**	460	738	859	1,026
	274	337	446	589	1,803	**1,078**	1,294	1,701	1,971	2,441

Analysis of amounts written off and recovered – credit risk

	Amounts written off for the year					Recoveries of amounts previously written off		
	1997	1996	1995	1994	1993	**1997**	1996	1995
United Kingdom:	**£m**	£m	£m	£m	£m	**£m**	£m	£m
Banks and other financial institutions	**1**	10	2	4	7	**3**	3	34
Agriculture, forestry and fishing	**4**	5	10	12	20	**3**	-	-
Manufacturing	**20**	22	33	83	95	**7**	13	8
Construction	**12**	38	47	76	122	**7**	16	9
Property	**28**	61	107	110	236	**31**	29	60
Energy and water	**8**	3	5	1	21	**-**	1	3
Wholesale and retail distribution and leisure	**48**	74	102	203	254	**15**	22	12
Transport	**63**	17	22	7	12	**3**	3	6
Business and communication	**-**	-	1	2	1	**-**	-	-
Business and other services	**32**	79	88	132	179	**16**	21	8
Home loans	**19**	21	34	18	33	**4**	4	8
Other personal	**193**	260	226	146	316	**20**	21	24
Overseas residents	**11**	-	2	19	3	**-**	5	3
Finance lease receivables	**2**	3	1	8	18	**2**	2	1
	441	593	680	821	1,317	**111**	140	176
Foreign	**130**	229	243	329	297	**15**	25	22
	571	822	923	1,150	1,614	**126**	165	198

Interest in suspense

Movements in interest in suspense	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
	Year ended 31st December				
At beginning of year	**130**	170	143	161	168
Net interest suspended during year	**13**	50	52	20	36
	143	220	195	181	204
Interest written off	**(49)**	(79)	(24)	(41)	(41)
Exchange and other adjustments	**(9)**	(11)	(1)	3	(2)
At end of year	**85**	130	170	143	161

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

All interest in suspense at 31st December 1997, 1996 and 1995 was in respect of loans and advances to customers.

Potential credit risk lendings

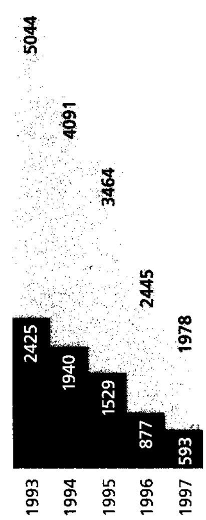
The US Securities and Exchange Commission (SEC) requires potential credit risk lendings to be analysed by categories which reflect US lending and accounting practices. These differ to some extent from those employed in the United Kingdom. In particular:

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

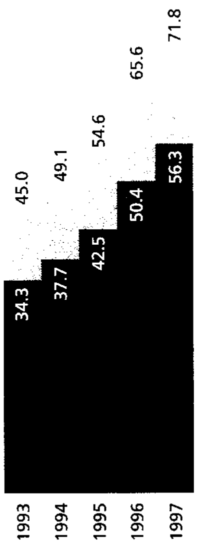
2 US banks typically stop accruing interest when loans are overdue by 90 days or more, or when recovery is doubtful. In accordance with the UK Statement of Recommended Practice on Advances, Barclays continues to charge interest to a doubtful customer's account for collection purposes, but the interest is suspended and excluded from interest income in the profit and loss account. This addition of interest continues until such time as its recovery is considered to be unlikely. While such practice does not affect net income in comparison with that followed in the United States, it again has the effect of increasing the reported level of potential credit risk lendings. The amount of this difference at 31st December 1997 was £85m (1996 £130m).

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

Credit risk non-performing lendings (£m)



Provision ratios (%)



Total provisions/credit risk non-performing lendings
■ Total provisions/ potential credit risk lendings

Non-performing lendings

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Non-accrual lendings:					
United Kingdom	**911**	1,084	1,498	1,990	2,906
Foreign - credit risk	**309**	455	723	896	1,185
Accruing lendings where interest is being suspended:					
United Kingdom	**234**	358	396	327	388
Foreign - credit risk	**153**	170	337	382	435
Foreign - country risk	**-**	-	-	-	194
Other accruing lendings against which provisions have been made:					
United Kingdom	**408**	492	976	1,258	1,200
Foreign - credit risk	**117**	232	419	544	729
Sub totals:					
United Kingdom	**1,553**	1,934	2,870	3,575	4,494
Foreign - credit risk	**579**	857	1,479	1,822	2,349
Foreign - country risk	**-**	-	-	-	194
Accruing lendings 90 days overdue, against which no provisions have been made:					
United Kingdom	**388**	473	534	470	497
Foreign - credit risk	**14**	20	47	110	69
Reduced rate lendings:					
United Kingdom	**37**	38	60	46	53
Foreign - credit risk	**-**	-	3	8	7
Total non-performing lendings:					
United Kingdom	**1,978**	2,445	3,464	4,091	5,044
Foreign - credit risk	**593**	877	1,529	1,940	2,425
Foreign - country risk	**-**	-	-	-	194
	2,571	3,322	4,993	6,031	7,663

Potential problem lendings

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

	1997 £bn	1996 £bn	1995 £bn	1994 £bn	1993 £bn
United Kingdom	**0.6**	0.9	1.2	1.5	1.8
Foreign	**0.1**	0.1	0.2	0.3	0.5
	0.7	1.0	1.4	1.8	2.3

Total provision coverage of:	**%**	%	%	%	%
credit risk non-performing lendings	**71.8**	65.6	54.6	49.1	45.0
total potential credit risk lendings	**56.3**	50.4	42.5	37.7	34.3

Non-performing lendings decreased by £0.75bn, or one-fifth, in 1997 of which £0.57bn related to write-offs. This follows a net reduction of £1.67bn in 1996, when write-offs were £0.79bn. In the United Kingdom, non-performing lendings were £0.47bn lower, primarily as a result of write-offs. Outside the United Kingdom, non-performing lendings fell by £0.28bn as a result of repayments and write-offs.

Interest forgone on non-performing lendings

	1997 £m	1996 £m	1995 £m
Interest income that would have been recognised under original contractual terms	**218**	215	315
Interest income included in profit	**(71)**	(48)	(60)
Interest forgone	**147**	167	255

The decline in interest forgone reflected the reduction in non-performing lendings.

Cross-border outstandings

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

Cross-border outstandings, which exclude finance provided within the Group, are based on the country of domicile of the borrower or guarantor of ultimate risk and comprise loans and advances to customers and banks (including placings), finance lease receivables, interest bearing investments, acceptances, other monetary assets and on-balance sheet amounts arising from off-balance sheet financial instruments, denominated in currencies other than the borrower's local currency.

At 31st December 1997, the countries where Barclays cross-border outstandings exceeded 1% of assets were Japan, the United States, France and Germany and consisted substantially of placings with banks due within one year. In this context, assets comprise total assets, as presented in the consolidated balance sheet, and include acceptances. On this basis, assets amounted to £236,130m at 31st December 1997 (1996 £186,510m, 1995 £169,671m).

Cross-border outstandings exceeding 1% of assets

	As % of assets	Total	Banks and other financial institutions	Governments and official institutions	Commercial industrial and other private sector
At 31st December 1997	%	£m	£m	£m	£m
Japan	**2.6**	**6,224**	**5,877**	**45**	**302**
United States	**2.0**	**4,680**	**2,408**	**62**	**2,210**
France	**1.9**	**4,546**	**3,890**	**72**	**584**
Germany	**1.6**	**3,835**	**3,627**	**56**	**152**
At 31st December 1996					
Japan	3.0	5,542	5,129	143	270
United States	2.3	4,280	2,599	419	1,262
Germany	1.9	3,499	3,273	21	205
France	1.7	3,139	2,446	434	259
At 31st December 1995					
Japan	3.6	6,121	5,778	21	322
France	1.9	3,188	2,952	45	191
United States	1.3	2,217	1,058	11	1,148
Germany	1.0	1,778	1,676	8	94

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

At 31st December 1997, the Netherlands, Switzerland and Canada had cross-border outstandings of between 0.75% and 1% of total Group assets amounting to £6,057m. At 31st December 1996, the aggregate outstandings in this category were £1,495m and related to Switzerland. At 31st December 1995, the corresponding aggregate outstandings reported were £3,160m and related to the Netherlands and Switzerland.

Trading activities

Most of the Group's trading activities are customer oriented. In anticipation of future customer demand, the Group maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital market and treasury instruments including a broad range of cash securities and derivatives. Positions are also taken in the interest rate, foreign exchange, debt, equity and commodity markets based on expectations of future market conditions. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, options and combinations of these instruments. Trading strategies in 1997 included the use of both market-making and proprietary positions, which are managed together for maximum efficiency. Trading positions and any offsetting hedges are established as appropriate to accommodate customer or Group requirements. For a description of the nature of derivative instruments, see page 60.

Dealing profits

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

Market risk

The Group's policy is that exposure to market risk arising from trading activities is concentrated in Barclays Capital. Market risk arising in businesses other than Barclays Capital is discussed under Treasury Asset and Liability Management on page 62.

In Barclays Capital, market risk is the responsibility of the Chief Executive. The formal process for the management of risk is through the Barclays Capital Risk Management Committee, chaired by the Vice Chairman of Barclays Capital. The policies for market risk management have been encapsulated in a 'Market Risk Management Charter', which is a code of conduct for all of those involved in market risk. A dedicated global market risk management unit, which has regional risk managers and which is completely independent of the business areas, operates as a core feature of Barclays Capital's management structure.

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

The Group Treasurer allocates a DVAR limit to the Barclays Capital market risk management unit, which in turn sets, subject to endorsement by the Group Treasurer and Barclays Capital Risk Management Committee, market risk limits for each trading business area and produces daily risk utilisation reports across four main risk categories namely interest, currency, equity and commodity risk. Since DVAR provides only an indication of the frequency and not the potential size of losses that could arise in extreme conditions, regular stress tests are also performed to simulate the impact on trading portfolios of extreme market movements.

Special attention is paid to option portfolios, where the relationship between the value of the portfolio and the price of the underlying instruments can be highly complex and where portfolio values are also affected by changes in market volatility. For interest rate and equity options portfolios, the DVAR measure only includes the sensitivity of options prices to incremental changes in the price of the underlying instrument (the 'delta' risk). However, for currency and commodity portfolios, a more comprehensive DVAR methodology is applied which takes into account the sensitivity both to larger movements in the underlying instrument and to changes in volatility. This methodology will be extended to interest rate and equity options during 1998. For all options portfolios the DVAR measure is supplemented by other techniques including sensitivity analysis and option stress tests based on scenario matrices.

Estimates of volatilities and correlations of rates and prices are revised daily by Barclays Capital using a method of estimation which gives greater weight to more recent observations. Where the statistically estimated volatilities are considered to be imprudently low, for example in the case of pegged currencies, they are replaced by subjectively estimated volatilities based on option prices where available.

The Group generally uses a variance/covariance model for calculating DVAR, although for some portfolios, primarily those containing options, a historical simulation model is used. The calculations take into account the benefits of diversification and correlation across all risk and product groups on a consistent basis. As a result of research undertaken into the stability of correlations, during 1997 Barclays Capital chose to use more prudent assumptions for the correlation of risks between the main risk categories. The impact of this change is to increase the reported total DVAR by approximately 20% from the amounts previously reported. DVAR exposures in 1996 calculated under the new method are included in the table on page 60.

On average, Barclays Capital incurred greater market risk in 1997 than in 1996, reflecting increased activity across a broad range of markets and instruments. Peak exposures were also higher, although this was due in part to prudent assumptions used for volatilities for the turbulent Asian markets in the latter half of the year. As at 31st December 1997, the DVAR for Barclays Capital and the former BZW businesses was £17.3m (1996 £7.3m). The daily average, maximum and minimum values of DVAR were estimated as overleaf.

DVAR - Barclays Capital/Former BZW businesses

	Twelve months to 31st December 1997			Twelve months to 31st December 1996		
	Average £m	High* £m	Low* £m	Average £m	High* £m	Low* £m
Interest rate risk	**10.2**	**18.4**	**4.7**	9.7	21.1	3.3
Foreign exchange risk	**5.4**	**21.9**	**0.7**	1.6	4.5	0.3
Equities risk	**2.3**	**3.4**	**1.5**	1.8	3.1	1.2
Commodities risk	**1.4**	**2.9**	**0.4**	1.1	2.0	0.6
Diversification effect	**(3.6)**			(2.0)		
Total Barclays Capital/former BZW businesses DVAR	**15.7**	**35.1**	**7.0**	12.2	24.6	5.9

*The High and Low DVAR figures reported for each risk category did not occur on the same day. A corresponding diversification effect cannot be calculated and is therefore omitted from the above table.

The above table includes market risk taken by the former BZW businesses that have been sold (or are subject to a sale contract). The calculation of the market risk relating to Barclays Capital and the former BZW businesses cannot be precisely separated, but, based on assumptions that Barclays believes are reasonable, Barclays estimates that the DVAR in Barclays Capital businesses would have accounted for the substantial majority of the total DVAR for the combined businesses as detailed above.

Derivatives

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

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

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

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

OTC traded derivatives The Group buys and sells financial instruments that are traded 'over-the-counter', rather than on a recognised exchange. In general, the terms and conditions of these transactions are tailored to the requirements of the Group's customers, although the majority conform to normal market practice. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give the Group protection in situations where a counterparty is in default, including the ability to net outstanding balances where the rules of offset are legally enforceable. For further explanation of the Group's policies on netting, see page 90.

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

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

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

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

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

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

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

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

An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. No principal amounts are exchanged.

An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

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

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

Credit derivatives Credit derivatives are financial instruments that enable banks to manage credit risk without reducing their underlying loan portfolios. A total rate of return swap is an agreement where one party makes periodic interest payments based on a reference security in return for a coupon plus any change in the price of the security over the life of the swap.

Treasury asset and liability management

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

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

Interest rate exposure

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

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

The total Group exposure, excluding Barclays Capital trading risk, is summarised in the form of an interest rate repricing table, reproduced below. This summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures at 31st December 1997 and also reflects the non-trading hedges referred to above. This table is used as the basis for the assessment of the sensitivity of the Group's earnings to interest rate movements, although allowance is also made for other factors such as anticipated early repayment profiles for loan portfolios. It is estimated that as at 31st December 1997 a hypothetical immediate and sustained increase of 1% in interest rates would result in an expected reduction of about £30m in the Group's earnings over the following year.

Interest rate repricing

	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Non interest bearing £m	Total £m
Assets:									
Treasury bills and other eligible bills	**5,135**	**87**	**359**	**224**	**298**	**3**	**-**	**-**	**6,106**
Loans & advances to banks	**34,600**	**977**	**917**	**33**	**53**	**7**	**-**	**297**	**36,884**
Loans & advances to customers	**77,213**	**4,110**	**3,813**	**7,233**	**4,005**	**2,301**	**1,016**	**132**	**99,823**
Debt securities & equity shares	**52,242**	**124**	**111**	**411**	**1,188**	**1,054**	**103**	**128**	**55,361**
Other assets	**596**	**1**	**-**	**-**	**-**	**-**	**-**	**27,699**	**28,296**
Total assets	**169,786**	**5,299**	**5,200**	**7,901**	**5,544**	**3,365**	**1,119**	**28,256**	**226,470**
Liabilities:									
Deposits by banks	**43,446**	**52**	**128**	**129**	**96**	**365**	**-**	**263**	**44,479**
Customer accounts	**94,796**	**1,419**	**1,228**	**1,070**	**519**	**51**	**162**	**9,193**	**108,438**
Debt securities in issue	**18,958**	**19**	**33**	**220**	**3**	**1,133**	**-**	**-**	**20,366**
Other liabilities	**13,170**	**-**	**-**	**-**	**-**	**-**	**-**	**29,144**	**42,314**
Loan capital & other subordinated liabilities	**1,287**	**73**	**119**	**-**	**35**	**324**	**1,089**	**-**	**2,927**
Minority interests & shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,946**	**7,946**
Total liabilities	**171,657**	**1,563**	**1,508**	**1,419**	**653**	**1,873**	**1,251**	**46,546**	**226,470**
Off-balance sheet items	**(3,079)**	**(940)**	**656**	**781**	**1,214**	**1,291**	**77**	**-**	**-**
Interest rate repricing gap	**(4,950)**	**2,796**	**4,348**	**7,263**	**6,105**	**2,783**	**(55)**	**(18,290)**	**-**

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

Foreign exchange exposure

The retail banking businesses incur foreign exchange risk in the course of providing services to their customers. The part of this risk which arises in UK Banking Services operations is transferred to and managed by Barclays Capital. In the case of the International and Private Banking businesses, Group Treasury allocates modest foreign exchange open position limits or, where more appropriate, value at risk limits, to facilitate the management of customer oriented flows. Exposures are reported daily to Group Treasury in London and regular contact is maintained on risk management and control issues. As at 31st December 1997, aggregate DVAR of these businesses for foreign exchange rate risk was £0.2m (1996 £0.3m).

Management of foreign currency investments

Non-trading positions in foreign currencies arise from the currency investments which the Group makes in its overseas businesses. The Group's policy is to manage the currency balance of the funding, financing these investments so as to limit the effect of exchange rate movements on the Group's risk asset ratios (see page 36). Management of the funding of investments in overseas branches and subsidiary and associated undertakings is carried out by Group Treasury, where the operation of the funding policy is frequently reviewed. Regular reports are made to Group Treasury Committee.

These positions, together with the currency composition of tier 2 capital and minority interests in tier 1 capital, ensure that movements in exchange rates have little impact on the Group's risk asset ratios. Such movements have an impact on reserves (see exchange rate translation differences on page 100). With the positions in place at the 31st December 1997, a hypothetical increase of 10% in the value of sterling against all currencies would lead to a fall of some £150m in reserves.

Hedging

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

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

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

The hedge transactions which are linked to the above activities are centralised within Group Treasury and the net exposure is then passed to the market via independently managed dealing units within Barclays Capital, who treat these transactions as part of their normal trading activities, and third parties. Risks arising in the Group's other banking operations are managed in a similar way. The disclosure that follows relates to derivative components of the Group's hedging programme transferred to the market via internal or external counterparties.

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

For interest rate swaps and cross currency interest rate swaps that are used in the management of the non-trading exposures, the weighted average pay fixed rates and receive fixed rates by maturity date and nominal amount at 31st December 1997 were as follows:

	Sterling denominated contracts				Non-sterling denominated contracts			
	Pay fixed		Receive fixed		Pay fixed		Receive fixed	
	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate
Maturity date:	£m	%	£m	%	£m	%	£m	%
Not more than three months	**3,432**	**6.59**	**5,572**	**6.63**	**1,806**	**6.53**	**3,436**	**6.28**
Over three months but not more than six months	**832**	**7.33**	**546**	**7.64**	**694**	**6.47**	**1,206**	**6.26**
Over six months but not more than one year	**1,771**	**6.98**	**3,320**	**7.50**	**1,082**	**5.90**	**1,679**	**5.51**
Over one year but not more than five years	**11,332**	**7.03**	**14,096**	**6.95**	**2,339**	**7.80**	**1,301**	**6.65**
Over five years	**2,287**	**8.25**	**2,495**	**7.13**	**657**	**6.89**	**1,052**	**6.50**
	19,654	**7.10**	**26,029**	**6.98**	**6,578**	**6.91**	**8,674**	**6.21**

The weighted average receive variable and pay variable rates by reset maturity date and nominal amount at 31st December 1997 were as follows.

	Sterling denominated contracts				Non-sterling denominated contracts			
	Receive variable		Pay variable		Receive variable		Pay variable	
	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate	Nominal amount	Average rate
Reset maturity date:	£m	%	£m	%	£m	%	£m	%
Not more than three months	**19,819**	**7.15**	**24,665**	**6.65**	**6,855**	**5.88**	**8,720**	**6.16**
Over three months but not more than six months	**3,179**	**6.96**	**4,708**	**6.91**	**678**	**4.65**	**909**	**4.69**
	22,998	**7.12**	**29,373**	**6.69**	**7,533**	**5.77**	**9,629**	**6.02**

The nominal amounts above include £3,344m and £955m, in respect of sterling and non-sterling basis swaps respectively. Basis swaps are swaps where both payable and receivable legs are variable.

In managing the non-trading exposures relating to capital balances and demand deposits, both on-balance sheet and derivative positions are held. The net effect of the derivative positions, in isolation, on net interest income resulted in a credit of £37m (1996 debit £52m). This included debits of £45m (1996 £57m) and credits of £82m (1996 £5m) for interest rate and exchange rate derivatives respectively.

Deferred profits and losses on hedging activities

Derivative instruments used to manage risk on transactions which are superseded, cease to be effective, or are terminated prior to the end of the life of the asset, liability, position or cashflow being hedged, are measured at fair value. Any profit or loss arising is deferred and amortised into interest income or expense over the remaining life of the item previously being hedged. The table below summarises the deferred profits and losses, all of which are in respect of interest rate derivatives, at 31st December 1997:

	Under one year	One to five years	Over five years	Total
	£m	£m	£m	£m
Deferred profits being amortised	**17**	**5**	**-**	**22**
Deferred losses being amortised	**18**	**1**	**1**	**20**

Economic and monetary environment

The earnings of Barclays are affected by general domestic and overseas economic conditions and, in the United Kingdom, by the monetary and fiscal policies of the British government and regulatory authorities. The Bank of England, the government-owned central bank, has been given operational independence for setting interest rates so as to achieve the Government's inflation target over the medium term.

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

European Economic and Monetary Union

European Economic and Monetary Union (EMU) will have a far reaching effect on all financial institutions operating within the European Union. Whether or not the United Kingdom decides to participate in the single currency, Barclays and its customers will be affected and the Group therefore needs to be prepared.

Barclays has had a full time euro programme preparing for EMU since early 1996 and planning and preparations for the introduction of a single currency are at an advanced stage.

The current work is based on the assumption that EMU will proceed from 1st January 1999 without the initial participation of the United Kingdom. Accordingly, the Group's focus has been on meeting the needs of those customers who will be affected by EMU, even if the United Kingdom does not participate, including:

* Business clients in the United Kingdom, France, Germany, Spain, Portugal and Ireland
* Institutional banking customers active in Europe
* Large corporates with multi-currency needs
* Retail banking and asset management clients in those countries adopting the euro from the outset.

The Group has been working with these customers to understand their euro needs and will be offering a range of products and services in the period up to 1st January 1999 and beyond. These include treasury and cash management products, hedging products and account services. Also, the Group will be a member of each of the key payment and settlement systems that enable it to facilitate customer service requirements.

The related systems requirements are now understood and detailed development work is under way. IT development is on schedule to deliver a series of staged implementations during the second half of 1998 and beyond, including testing the Group's interfaces with external systems (such as the UK euro clearing system - CHAPS Euro). In addition, synergies between the EMU systems requirements and the Year 2000 programme have been identified to ensure a co-ordinated approach to development.

Assuming the United Kingdom does not participate in the first wave, the cost of preparing for EMU (not including the cost of preparing retail systems in the United Kingdom) is estimated at some £150m.

Although a planning study is being carried out on how to convert the UK retail network to accommodate UK entry, Barclays believes it is premature to commit to implementation before the likely date for UK entry becomes more certain.

Supervision and regulation

United Kingdom

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

Banking business in the United Kingdom has been supervised by the Bank of England for many years, under the authority of various statutes, the most important of which is the Banking Act 1987 (the 1987 Act). Securities business and other investment services are supervised within a framework established under the authority of the Financial Services Act 1986. Responsibility for exercising the regulatory powers under this Act is vested in HM Treasury but these powers have been largely delegated to the Securities and Investments Board, recently renamed the Financial Services Authority (FSA). The FSA has conferred certain powers on a number of self-regulatory organisations (SROs) and recognised professional bodies, which authorise and supervise individual securities and investment businesses.

The main provisions of the 1987 Act include a requirement for deposit-taking businesses to be licensed by the Bank of England, detailed criteria for the authorisation of banking institutions and a requirement to report large exposures. The 1987 Act also defines the roles in the supervisory framework for a Board of Banking Supervision and for auditors. The latter are empowered to provide the Bank of England with independent confirmation of the adequacy of accounting and other records, systems of control and the accuracy of supervisory information.

The requirements of the 1987 Act have been greatly supplemented by the implementation of EC directives. Under the EC directive on deposit protection schemes, depositors with a failed institution are entitled to receive 90% of their protected deposits, subject to a maximum payment to any one depositor of £18,000 (or ECU 20,000 if greater). Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA), which are denominated in sterling, EEA currencies and ECU, are covered. This scheme is similar in concept to the US Federal Deposit Insurance Corporation system. Protection of private investors against default by firms authorised by an SRO or directly by the FSA for securities or investment business is provided up to a limit of £48,000 per investor by the Investors Compensation Scheme, which is financed by levies on SRO members and firms authorised by the FSA. An EC directive on investors' compensation schemes was adopted in 1997 and must be implemented by member states by September 1998. The level of cover available under the existing UK scheme exceeds the minimum specified in the directive.

Other directives issued by the EC include: the Second Banking Co-ordination Directive and the Investment Services Directive, which provide a framework for the mutual recognition of the European Union's (EU) member state supervision of banks and investment firms, enabling a bank or investment firm authorised in one member state to carry out banking and investment business on a branch or service basis in other EU member states; the Solvency Ratio, Own Funds and the Capital Adequacy Directives, which establish minimum capital standards for the banking and investment businesses; the Consolidated Supervision Directive, which widened the scope of the Bank of England's supervision to include UK securities and investment businesses within banking groups; and the Large Exposures Directive which requires banking supervisors to limit the risk exposures incurred by a bank or banking groups to individual counterparties and groups of closely related counterparties in proportion to the capital base of the bank or banking group concerned. A number of other proposals for directives are being considered at the EU level.

Barclays Bank PLC as an authorised institution is lead regulated by the Bank of England which also supervises the Group on a consolidated basis. In order to co-ordinate regulatory coverage, a series of lead regulator agreements have been entered into between the Bank of England on one hand and the FSA and SROs on the other. The Group submits regular reports to the regulators on, inter alia, capital adequacy (see capital resources on page 34), large exposures and the adequacy of accounting and other records and control systems. The senior executives from key business areas of the bank also hold regular meetings with the Bank of England to discuss issues such as performance, risk management and strategy.

In May 1997, the new government announced fundamental changes to the supervision and regulation of financial services within the United Kingdom. The reforms involve the creation of a single regulator, based on an expanded FSA, for the full range of financial business. The reforms will be introduced in three phases.

The first stage will involve the enactment of the Bank of England Bill, which will transfer the responsibility for the supervision of banks, including the Bank of England's functions under the 1987 Act, to the FSA. The FSA is expected to receive its new powers to supervise banks within the next few months. The Bank of England will, however, retain responsibility for the overall stability of the financial system as a whole. A Memorandum of Understanding between HM Treasury, the Bank of England and the FSA has been established. This sets out the framework of co-operation between the three institutions towards the common goal of financial stability.

The second stage will see the publication of a financial regulatory reform bill to create a new statutory regime under which the FSA will acquire the regulatory and registration functions currently undertaken by the SROs, the Department of Trade and Industry Insurance Directorate, the Building Societies Commission, the Registry of Friendly Societies and recognised professional bodies.

The financial regulatory reform bill is planned to come into force towards the end of 1999. During the interim period between the first and second stages, the constituent bodies will continue to have legal responsibility for regulating their firms but the FSA will undertake most of the functions of the SROs under the terms of contractual arrangements.

During the third phase, the FSA will become fully operational and the SROs will be wound up.

In 1997, the Bank of England introduced proposals for a risk based approach to the supervision of banks (the RATE framework). The new framework, which builds on the Bank of England's existing methods of supervision and work undertaken by Arthur Andersen during their review of supervision in 1996, will be applied to all UK banks from 1998 onwards.

Rest of the World

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

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

Year 2000

Barclays, in common with all other financial services institutions and many other businesses, faces a significant organisational and technological challenge in ensuring that its systems can deal satisfactorily with the Year 2000. In the past it was widespread practice in the development of computer software to represent and manipulate data as two digits rather than four. If not corrected, systems may confuse the year 2000 with the year 1900. As well as impacting computer software, embedded micro-chips, for example in lifts and office equipment, may also malfunction.

All areas in the Barclays Group use information technology and may be affected, including wholesale and retail banking operations, ATMs, front and back office systems. Barclays may also be affected by failures in business partners' systems or banking industry networks.

Barclays has been treating the issue seriously for some time

* A Barclays Group Year 2000 programme was initiated in early 1996 with compliance projects in place across the whole Group world wide. The programme is directed by a Steering Committee of senior executives.
* All business units have completed assessments and planning and are actively undertaking the necessary corrective action. Testing processes, which are a large part of the work, began early in 1998.
* The Year 2000 programme plan envisages achieving compliance in all continuing core systems by early 1999.
* Priority is being given to areas identified as critical and other areas will be dealt with subsequently.

It is difficult to estimate precisely the costs involved because of the scale and complexity of the issue and the work necessary to complete it. About £30m has been spent to date. Over a four year period ending December 2000 total costs are expected to be around £250m, with expenditure peaking in 1998. Much of this cost will be met by redeploying existing resources.

Directors and officers of Barclays PLC and Barclays Bank PLC

Chairman

Andrew Robert Fowell Buxton (age 58) was appointed Chairman in January 1993. He joined Barclays in 1963 and was appointed to the Board in 1984. He became Chief Executive in May 1992. He is a non-executive director of the Bank of England and chairman of the British Bankers Association.

Deputy Chairman and Chairman, Barclays Capital

Sir Peter Middleton GCB (age 63) joined the Board in 1991 as a Deputy Chairman and Chairman of BZW. Prior to joining Barclays, he was Permanent Secretary to HM Treasury. He is a non-executive director of Bass PLC, General Accident plc and United Utilities PLC and was appointed as a member of the Financial Reporting Council on 10th January 1997.

Chief Executive

John Martin Taylor (age 45) was appointed to the Board in 1993 and became Chief Executive in January 1994. Before joining Barclays, he was Chairman and Chief Executive of Courtaulds Textiles plc. He is a non-executive director of WH Smith Group plc.

Chief Executive, UK Banking Services

William John Gordon (age 58) joined the Board on 1st July 1995. He joined Barclays Bank in 1955 and has been Chief Executive of UK Banking Services since 1992, having held a number of senior positions in the Group prior to that date.

Finance Director

Oliver Henry James Stocken (age 56) joined Barclays Merchant Bank in 1979 and held a number of senior positions in BZW before joining the Board in 1993 as Finance Director. He is a non-executive director of MEPC plc.

Non-executive Directors

Thomas David Guy Arculus (age 51) joined the Board on 1st February 1997. He is a director of United News and Media plc and a non-executive director of Severn Trent plc. He is a member of the Remuneration and Nominations Committee.

Mary Elizabeth Baker (age 61) joined the Board in 1988, having served on the Board of Barclays Bank U.K. Limited since 1983. She is Past President of Women in Management, a non-executive director of Avon Cosmetics Ltd, Camelot Group PLC, MFI Furniture Group Plc and Chair of the Camelot Foundation. She is a member of the Audit Committee and is on the board of Barclays Pension Fund Trustees Limited.

Peter Jack Jarvis CBE (age 56) joined the Board on 1st August 1995. He is Chairman of Debenhams PLC and was Deputy Chairman of Burton Group plc up to 26th January 1998. He is a non-executive director of The Rank Group Plc and was Chief Executive of Whitbread plc from 1985 to 1997. He is Chairman of the Remuneration and Nominations Committee.

Lord Lawson of Blaby PC (age 65) joined the Board in 1990. He was Chancellor of the Exchequer from 1983 to 1989, previously Secretary of State for Energy, and is Chairman of Central Europe Trust Company Ltd. He is a member of the Audit Committee and is on the board of Barclays Pension Fund Trustees Limited.

Sir Nigel Mobbs JP (age 60) joined the Board in 1979. He is Chairman of Slough Estates plc, and his other directorships include Aims of Industry, Charterhouse Holdings Ltd (USA), Bovis Homes Group PLC and Howard de Walden Estates. He is Lord-Lieutenant of Buckinghamshire. He is Chairman of the Audit Committee and is also a member of the Remuneration and Nominations Committee.

Jan Peelen (age 57) joined the Board in 1991. He is a director of Unilever, a former Chairman of Van den Bergh en Jurgens in Holland and a former President of Industrias Gessy Lever in Brazil. He is a member of the Remuneration and Nominations Committee.

Sir Nigel Rudd DL (age 51) joined the Board on 1st February 1996. He is Chairman of Williams Holdings PLC and non-executive Chairman of Pilkington plc and Pendragon plc. He is a member of the Audit Committee.

Recent changes

On 23rd February 1998 Barclays announced that Sir Andrew Large will join the Group on 1st May 1998 as Deputy Chairman on the retirement of Sir Peter Middleton. Sir Peter Middleton will relinquish his executive responsibilities but will remain a Director of the Group.

Executive Committee members	**Appointed**
Sally Bott – Group Human Resources Director	1997
Bob Diamond – Chief Executive, Barclays Capital	1997
Chris Lendrum – Managing Director - Business Banking, UK Banking Services	1996
Carlos Martinez de Campos – Chief Executive - International and Private Banking	1992
Graham Pimlott – Director - Planning, Operations and Technology	1994
Mike Pitcher – Chief Operating Officer - UK Banking Services	1996
Richard Reay-Smith – Managing Director - Personal Banking, UK Banking Services	1996
John Varley – Chairman - Asset Management Group	1996

Officers

Geoffrey Mitchell – Chief Accountant	1996
Howard Trust – Group General Counsel and Group Secretary	1995

Profit attributable
The profit attributable to shareholders for the year amounted to £1,130 million, compared with £1,639 million in 1996.

Final dividends
Final dividends for the year ended 31st December 1997 of 23.5p per ordinary share and of 7p per staff share have been declared by the Directors. The final dividends will be paid on 5th May 1998 in respect of the ordinary shares registered at the close of business on 27th February 1998 and in respect of the staff shares so registered on 31st December 1997.

With the interim dividends of 13.5p per ordinary share and of 7p per staff share that were paid on 2nd October 1997, the total distribution for 1997 is 37.0p (1996 31.5p) per ordinary share and 14p (1996 14p) per staff share. The dividends for the year absorb a total of £563 million (1996 £479 million).

Share dividends
Share dividends were offered in place of the cash dividends on the basis of one new ordinary share at 1116.2p for approximately every 55.81 ordinary shares held in respect of the final dividend for 1996 paid on 29th April 1997 and one new ordinary share at 1403.5p for approximately every 103.96 ordinary shares held in respect of the interim dividend for 1997 paid on 2nd October 1997.

One effect of the changes to the taxation of dividends announced in last July's Budget was to increase significantly the number of new shares issued under the Share Dividend Scheme when the interim dividend was paid in October. As it is Barclays preferred approach, where practicable, to avoid issuing new shares, it was considered inappropriate to continue with the Share Dividend Scheme which has accordingly been suspended. An alternative arrangement, the Dividend Reinvestment Plan, has been introduced to enable participating shareholders to increase their shareholding in Barclays PLC. Unlike the Share Dividend Scheme, the Dividend Reinvestment Plan uses cash dividends reinvested by shareholders to purchase shares in Barclays PLC; no new shares are issued. The Plan will initially be available to UK resident shareholders only.

Full details of the Plan are contained in the letter and accompanying brochure despatched to all shareholders in February 1998.

Share capital
During the year, Barclays PLC purchased in the market for cancellation 30,350,000 of its £1 ordinary shares at a total cost of £351 million as part of its programme of returning excess capital to shareholders. These transactions represented some 2% of the issued ordinary share capital at 1st January 1997. As at 16th February 1998, the Company has an unexpired authority to repurchase further shares up to a maximum of 194,650,000 ordinary shares.

Ordinary share capital was increased by 13,178,409 shares during the year as a result of the exercise of options under the SAYE and Executive Share Option Schemes, and at 31st December 1997 totalled 1,529,143,771 shares.

Barclays PLC acquired 18,500,000 new £1 ordinary shares in Barclays Bank PLC during 1997 at a cost of £113 million.

Group Share Schemes

The trustees of the Group's share schemes may make purchases of Barclays PLC ordinary shares in the market following the announcement of the Group's results in February 1998 for the purposes of those schemes' current and future requirements. The total number of ordinary shares purchased would not be material in relation to the issued share capital of Barclays PLC.

Substantial shareholdings

The following substantial shareholdings were notified to the Company as at 16th February 1998: the Prudential Corporation plc group's interests in 50,562,453 ordinary shares (3.31% of the outstanding ordinary shares) and Barclays Pension Funds Trustees Limited's non-beneficial interest, as trustee of the Group's main pension fund, in 816,375 staff shares (93.30% of the outstanding staff shares).

Share register

Barclays ordinary shares entered the CREST system for electronic settlement of purchases and sales of shares on 10th February 1997. Shareholders may keep their paper certificates if they wish.

Information about CREST may be obtained from the Group Secretary.

Board membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical, and is set out on pages 71 and 72.

David Arculus was appointed a non-executive Director from 1st February 1997 and was re-elected at the 1997 annual general meeting.

Sir Denys Henderson retired from the Board on 30th April 1997.

Bill Harrison, Chief Executive of BZW, resigned from the Board on 3rd October 1997.

Retirement and re-election of Directors

One-third (or the nearest whole number below one-third) of the Directors of Barclays PLC are required to retire by rotation at each annual general meeting, together with Directors appointed by the Board since the previous annual general meeting. The retiring Directors are eligible to stand for re-election. The Directors retiring by rotation at the 1998 annual general meeting are Mary Baker, Andrew Buxton, Peter Jarvis and Sir Nigel Rudd and they offer themselves for re-election.

Directors' interests

Directors' interests in the shares of the Group on 31st December 1997, according to the register maintained under the Companies Act 1985, are shown in note 57 to the accounts. The register is available for inspection during business hours at the Group's Head Office and will be available for inspection at the 1998 annual general meeting. At no time during the year did any Director of the Company have an interest in a contract entered into by a Group company which was significant to the Group's business.

Directors' emoluments and options

Information on emoluments and options of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the London Stock Exchange requirements, is given in the report by the Remuneration and Nominations Committee on behalf of the Board on pages 78 to 84 and in notes 56 and 57 to the accounts.

For US disclosure purposes, the aggregate emoluments of all Directors and officers of Barclays PLC (1997 24 persons, 1996 27 persons) for the year ended 31st December 1997 amounted to £12,884,000 (1996 £10,545,000). In addition, the aggregate amount set aside, for the year ended 31st December 1997, to provide pension benefits for the Directors and officers amounted to £782,000 (1996 £427,000). The aggregate emoluments of all Directors and officers of Barclays Bank PLC (1997 24 persons, 1996 27 persons) for the year ended 31st December 1997 amounted to £12,695,000 (1996 £10,373,000). In addition, the aggregate amount set aside by the Bank and its subsidiary undertakings, for the year ended 31st December 1997, to provide pension benefits for the Directors and officers amounted to £782,000 (1996 £427,000).

Executive Committee

The Executive Committee meets weekly and performs Group management functions. It comprises Martin Taylor (Chairman), Sally Bott, Bob Diamond, Bill Gordon, Chris Lendrum, Carlos Martinez de Campos, Graham Pimlott, Mike Pitcher, Richard Reay-Smith, Oliver Stocken and John Varley.

Audit Committee

Sir Nigel Mobbs, *Chairman*
Mary Baker
Lord Lawson of Blaby PC
Sir Nigel Rudd DL

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

Remuneration and Nominations Committee
Peter Jarvis CBE, *Chairman*
David Arculus
Sir Nigel Mobbs
Jan Peelen

The Remuneration and Nominations Committee, comprising non-executive Directors of Barclays PLC, is a committee of the Board. Its role as a remuneration committee is described further in its report on behalf of the Board on pages 78 to 84. In addition, the committee may consider and make recommendations on the composition of the Board of Barclays PLC. The committee also acts as a committee of the Board of Barclays Bank PLC to approve any distribution under the Company's profit sharing schemes to eligible UK employees. When the committee meets to consider the nomination of prospective Directors, the Chairman of Barclays PLC and one other executive Director may attend.

Activities

The activities of the Group are described on pages 6 to 11 and the developments of the Group's business during the year are analysed in the Financial review on pages 12 to 65.

Community involvement

The Group's community support totalled £15.1 million (1996 £12.0 million). This includes £3.3 million in respect of secondments to the community. Barclays gave £13.5 million in support of the community in the United Kingdom (1996 £10.0 million) and £1.6 million through its local offices overseas (1996 £1.5 million). UK community support includes £4.4 million of charitable donations (1996 £4.4 million). The Group made no political donations in the United Kingdom during 1997.

Employee involvement

Employees share in the success of the Group through the profit sharing and Save as You Earn share option schemes, as well as through profit-related pay. 83% of eligible staff participate in the UK SAYE share option scheme.

Communication and consultation with employees is extremely important. In the United Kingdom, there are regular exchanges through staff consultative committees and an annual staff meeting where there is an opportunity for staff to discuss issues of concern to them with central management.

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

Creditors' payment policy

Barclays policy is to follow the CBI Prompt Payers' Code of Good Practice which states that a company should have a clear, consistent policy adhered to by the finance and purchasing departments, to settle bills in accordance with payment terms agreed with suppliers, dealing quickly with complaints and advising suppliers of disputes.

Paragraph 12(3) of Schedule 7 to the Companies Act 1985 requires disclosure of trade creditor payment days. Disclosure is required in terms of a company rather than a group as a whole. Barclays PLC is a holding company and does not of itself have any trade creditors. The Group's principal trading subsidiary in the UK is Barclays Bank PLC. The components of the calculation specified under the Act are not readily identifiable from the Bank's accounts which are prepared under Schedule 9 to the Companies Act 1985. However, by identifying as closely as possible the amounts that would equate to trade creditors and purchases and using the calculation specified in the Act, the trade creditor payment days for Barclays Bank PLC for 1997 were 24 days.

Equal opportunities

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

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

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

The auditors

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

The annual general meeting

The annual general meeting will be held at The Queen Elizabeth II Conference Centre on 28th April 1998 and a notice convening the meeting will be included in a separate letter to shareholders. In addition to the regular business concerning the annual accounts, the re-election of directors and the re-appointment of the auditors, shareholder consent for other proposals will be sought, including authority for the Company to purchase its own shares and the renewal of the Board's authority to allot shares.

Further details regarding the arrangements for the annual general meeting are contained in the letter to shareholders which includes the notice of meeting and form of proxy.

By order of the Board
Howard Trust Group Secretary
16th February 1998

Members of the committee as at 31st December 1997
Peter Jarvis CBE, Chairman
David Arculus
Sir Nigel Mobbs
Jan Peelen

This report to shareholders is made on behalf of the Board by the Company's Remuneration and Nominations Committee. The Remuneration and Nominations Committee is made up entirely of non-executive Directors of the Company and reports to the Board of the Company. During the year, Sir Denys Henderson resigned his chairmanship of the committee on his retirement from the Board on 30th April 1997 and Peter Jarvis assumed the role of chairman of the Committee on 1st May 1997. David Arculus joined the Committee on 1st September 1997.

The Committee operates within terms of reference agreed by the Board and in consultation with the Chairman and the Chief Executive. The composition and responsibilities of the Committee complied in full throughout the year with the best practice provisions contained in the Listing Rules of the London Stock Exchange.

The Committee determines:

* Group policy on executive remuneration;

* the remuneration of executive Directors and other senior Group employees;

* Group policy relating to all employee benefit and long term incentive schemes.

Executive remuneration policy
Overall objective The Group's executive remuneration policy has been designed to support Barclays mission to become one of the best financial services groups in the eyes of customers, staff and shareholders. To this end, the following principles guide Barclays approach to reward:

* to deliver improved shareholder value by ensuring individual performance and reward reflect and reinforce the business objectives of the Barclays Group;

* to support the recruitment, motivation and retention of high quality senior executives;

* to ensure that performance is the key factor in determining individual reward within a market pay context;

* to communicate the reward structure clearly and effectively to executives and shareholders.

In framing the Group's executive remuneration policy the Committee has given full consideration to the best practice provisions on remuneration policy, service contracts and compensation contained in the Listing Rules.

Remuneration structure
The remuneration structure is designed to meet the objectives of the executive remuneration policy. In addition to a basic salary and bonus award, executives may be invited to participate in a range of schemes which are described below and their awards are detailed in the tables on pages 84 and 130.

The remuneration of all executives is reviewed annually.

In determining the various elements of the package, the Committee takes account of:

* the operational and strategic responsibilities of each individual's position;

* individual and corporate performance;

* recognised market data surveys of comparator groups in the financial and non-financial sectors; and

* internal relativities.

Annual bonus scheme and Executive Share Award Scheme (ESAS)
Eligible senior executives qualify for an annual award of cash and shares, generally up to 50% of basic salary which, in 1997, takes into account both individual and team performance related to the Group's profitability. Details of awards made to Directors are set out in the table of Directors' emoluments on page 82. Normally, 60% of any award is paid as cash, and the balance as a provisional allocation of shares under the ESAS by the independent trustee of a discretionary trust (the Barclays Group Employees' Benefit Trust). The proportion of the award under the ESAS takes into account factors including current levels of deferred award and years remaining to retirement. This allocation does not give rise to any entitlement. In normal circumstances the trustee will permit the executive to call for the release of the shares from the end of the third year. If the shares are not released until the end of the fifth year, a share bonus of 30% of the provisional allocation portion of the award would generally also be released. If the release is made prior to the end of the fifth year, the share bonus would be reduced. These vesting arrangements have been modified for this year's award to align the scheme more closely with current market practice.

UK profit sharing schemes Directors on Barclays Bank PLC service contracts participate in the UK profit sharing schemes, as described on page 100, on the same terms as other eligible UK employees.

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

Barclays Group Performance Share Plan (PSP) This plan, introduced in 1996, links the number of shares received by participants to Barclays total shareholder return (TSR) over a three year period. TSR represents share price growth plus dividends. Annual awards made under the plan have a maximum value of 100% of the executive's salary at the time of the grant.

Executives participating in the plan are awarded rights (exercisable three years after the date of grant) to acquire a number of shares. The percentage of shares which executives may actually acquire is based on Barclays TSR relative to other companies in the FT-SE 100 index over a three year performance period and is as follows:

* 100% of shares if Barclays is ranked in the top 25 positions;

* from 100% to 20% of shares if ranked between 25th and 60th positions;

* no shares if below 60th position.

Shares acquired under the plan must normally be held for a further year, subject to meeting any tax liability.

Since the plan was established, Barclays TSR has been in the top 25 positions. In 1997, 33 executives were awarded rights to shares with a value of up to 90% of the individual's salary at the time of the grant. The performance measurement period for PSP awards granted in 1997 is three years from 30th June 1997. During the six month period to 31st December 1997, the TSR of Barclays shares was +31.95%, ranking it in 9th place within the comparator group. For PSP awards in 1996, Barclays TSR for the 18 month period to 31st December 1997 was 104.43%, ranking it in 3rd place. If this performance was maintained, participants would be awarded their full entitlement to shares at the end of the period.

Executive Share Option Scheme (ESOS) Options are granted at the market price at the time of grant, with no discount. These options are normally exercisable between three and ten years from the date of grant. Executive Directors and senior executives who receive an award in any year under the Barclays Group Performance Share Plan will not normally be granted options under the Executive Share Option Scheme in that year.

From 1996, options granted under the Executive Share Option Scheme are exercisable only if the growth in the Company's earnings per share over the relevant three year period exceeds the growth in the Retail Prices Index over the same period by at least two percentage points per annum.

SAYE Share Option Scheme In common with other eligible UK employees, executive Directors may participate in an SAYE Share Option Scheme. Under this scheme, employees may enter into contracts to save up to £250 each month and, at the expiry of a fixed term of three, five or seven years, have the option to use these savings to purchase shares in the Company at a discount calculated in accordance with the rules of the scheme. The discount is currently 10% of the market price at the time options are granted.

Other long term incentive plans
Where appropriate, the Group operates other long term incentive plans which are designed to align the interests of executives within the businesses with those of the Group as a whole. No executive Director currently participates in these plans. Mr Harrison was a member of the BZW long term incentive plan up to the date of his resignation but did not earn any entitlements.

Barclays Capital Following approval at the annual general meeting on 22nd April 1997, a long term incentive plan for certain BZW executives was introduced. This plan will continue for Barclays Capital. Participants in the plan in any year are not normally eligible for awards under the Barclays Group Performance Share Plan or the Executive Share Option Scheme.

Asset Management Group An equity appreciation plan exists for certain executives in Barclays Global Investors linked to growth in earnings before bonus, interest and tax. It is a five year plan using three, four and five year performance periods over the plan's life cycle.

Employment contracts
The Group currently has service agreements with its executive Directors and senior executives. None of those contracts relating to Directors are for a specific term, but they provide for a notice period from the Group of one year and normally for retirement on the sixtieth birthday of the individual involved. Non-executive Directors do not have service contracts with the Group. Their fees are determined by the Board and reflect their responsibilities, including membership of Board committees. Non-executive Directors normally retire at the first annual general meeting following their sixty-fifth birthday.

	Salary & fees £000	Benefits & Other £000	Annual bonus £000	Profit share £000	1997 Total £000	1996 Total £000	Executive Share Award Scheme 1997 £000	Executive Share Award Scheme 1996 £000
Executive								
ARF Buxton	**380**	**8**	**154**	**37**	**579**	506	**-**	68
WJ Gordon	**244**	**7**	**100**	**24**	**375**	304	**-**	40
Sir Peter Middleton	**296**	**10**	**120**	**29**	**455**	389	**-**	49
OHJ Stocken	**291**	**6**	**105**	**29**	**431**	361	**-**	46
JM Taylor	**543**	**11**	**132**	**52**	**738**	820	**238**	97
Non-executive								
TDG Arculus	**26**	**-**	**-**	**-**	**26**	-	**-**	-
ME Baker	**37**	**-**	**-**	**-**	**37**	32	**-**	-
PJ Jarvis	**36**	**-**	**-**	**-**	**36**	28	**-**	-
Lord Lawson	**36**	**-**	**-**	**-**	**36**	31	**-**	-
Sir Nigel Mobbs	**48**	**-**	**-**	**-**	**48**	46	**-**	-
J Peelen	**31**	**-**	**-**	**-**	**31**	28	**-**	-
Sir Nigel Rudd	**31**	**-**	**-**	**-**	**31**	26	**-**	-
Former Directors								
D Band	**-**	**-**	**-**	**-**	**-**	58	**-**	-
WR Harrison	**250**	**946**	**-**	**-**	**1,196**	2,852	**-**	150
Sir Denys Henderson	**13**	**-**	**-**	**-**	**13**	34	**-**	-
FAL Robinson	**-**	**-**	**-**	**-**	**-**	338	**-**	-
Lord Wright	**-**	**-**	**-**	**-**	**-**	16	**-**	-

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

(b) The amounts shown for the Executive Share Award Scheme in 1997 represent payments which are expected to be made to the trustee to fund the provisional allocation of shares in 1998. Potential share bonuses are not included; 1996 figures have been restated accordingly.

(c) Mr Harrison's salary, benefits and other remuneration reflect the arrangements for his departure from the Group in October 1997. A recommendation will be made to the trustee under the Executive Share Award Scheme to release to Mr Harrison his 1996 award of 13,592 shares on the release dates as originally specified.

Annual pension accrued assuming retirement at contractual date The amounts shown in the table below represent the annual pension accrued to date within the main Group pension scheme or the BZW scheme and are payable on retirement at contractual retirement date (normally 60), based on each Director's service to date and current pensionable salary.

	Age	Years of Service At 31st December 1997	Pension accrued during the year £000	At 31st December 1997 £000	At 31st December 1996 £000
Executive					
ARF Buxton	58	**34**	**12**	**246**	229
WJ Gordon	58	**42**	**14**	**165**	148
Sir Peter Middleton	63	**6**	**26**	**64**	38
OHJ Stocken	56	**18**	**22**	**160**	135
JM Taylor	45	**4**	**2**	**6**	4

(a) Pension accrued during the year represents the increase in accrued pension during the year after discounting for inflation at the prescribed rate. All pensions are reviewed annually, with a guaranteed increase in line with retail price inflation up to a maximum of 5%, although the Group has the discretion to award increases above this level.

(b) For death before retirement, a capital sum equal to four times salary is payable, together with a spouse's pension of 50% of the member's prospective pension at retirement. For death in retirement, a spouse's pension of approximately 50% of the member's pre-commutation pension is payable. If a Director granted a deferred pension dies before his pension comes into payment, his widow will be paid immediately a pension of 50% of his deferred pension. In all circumstances, children's allowances are payable, usually up to the age of 18. Enhanced benefits are payable if Directors are unable to continue to work as a result of serious ill-health.

(c) Mr Buxton, Mr Gordon and Mr Stocken are entitled to pensions of two-thirds of their pensionable salary at retirement at age 60. For Mr Buxton and Mr Gordon, the pensions are funded from the Group's main pension scheme. Mr Stocken's pension is funded from the BZW scheme. During the year, Mr Taylor's pension arrangements were adjusted to bring them into line with other executive Directors.

(d) Sir Peter Middleton is entitled to a pension on retirement of one-sixtieth of his final pensionable salary for each year of service together with a fixed sum of £32,322 per annum as included in the table above. Part of his entitlement is being funded by the Group's main scheme up to the level of the earnings cap, with the balance of his entitlement being provided on his behalf outside the pension scheme.

(e) Mr Taylor accrues benefits in the Group's main pension scheme at the rate of one-sixtieth of the Inland Revenue earnings cap for each year of service. In addition, a notional contribution (1997 £202,216, 1996 £75,897) of 22.5% of the earnings cap plus 40% of the balance of his pensionable salary in excess of the earnings cap (1996 17.5% of the balance of his pensionable salary in excess of the earnings cap) is accrued on his behalf outside the pension scheme and is payable as a lump sum.

(f) Mr Harrison was not a member of the Group or BZW schemes. His pension arrangement involved a notional contribution of £330,000 per annum accruing on a monthly basis on his behalf outside the pension scheme. The cost in 1997 was £275,000 (1996 £110,000). Since his departure from the Group all amounts due to him under this arrangement have been settled.

Directors: details of shares under option or provisionally awarded under Group incentive schemes (excluding ESAS)

Directors	Number at 1st January 1997	Awards made and options exercised during the year Number	Exercise price £	Market price at exercise date £	Number at 31st December 1997	Weighted average exercise price £	Date from which exercisable	Latest expiry date
ARF Buxton								
ESOS	190,100	(70,100)	3.71	12.74	120,000	6.14	31/08/97	29/08/05
PSP	25,810	20,515	-	-	46,325	-	05/09/99	08/08/04
SAYE	4,462	(969)	3.25	15.30	3,493	3.99	01/11/98	30/04/01
WJ Gordon								
ESOS	99,100	(49,100)	4.46	15.18	50,000	6.27	31/08/97	29/08/05
PSP	15,910	10,657	-	-	26,567	-	05/09/99	08/08/04
SAYE	2,034	(932)	3.62	11.42	1,102	2.72	01/11/97	30/04/98
Sir Peter Middleton								
ESOS	32,000	-	-	-	32,000	-	31/08/97	30/08/04
PSP	20,153	-	-	-	20,153	-	05/09/99	05/09/03
OHJ Stocken								
ESOS	174,022	(89,322)	4.94	10.24	84,700	6.11	31/03/97	29/08/05
PSP	18,739	12,789	-	-	31,528	-	05/09/99	08/08/04
SAYE	4,281	246	12.67					
		(683)	3.62	11.42	3,844	5.85	01/11/97	30/04/05
JM Taylor								
ESOS	196,900	(115,000)	5.44	10.13	81,900	5.44	31/03/97	30/03/04
PSP	36,771	35,169	-	-	71,940	-	05/09/99	08/08/04
SAYE	-	1,361	12.67	-	1,361	12.67	01/11/02	30/04/03
Former Directors								
WR Harrison								
ESOS	132,304	-	9.07		132,304	9.07	31/03/98	16/03/00

Notes

ESOS Executive Share Option Scheme, see page 80

PSP Barclays Group Performance Share Plan, see page 80

SAYE Save As You Earn Share Option Scheme, see page 80

a) In 1994 Mr Taylor was granted the right to a bonus to be paid at a date between 1997 and 2004 related to the excess over 619p of the market price of 150,000 Barclays PLC ordinary shares in lieu of part of an entitlement to participate in the Executive Share Option Scheme. On 26th February 1997, Mr Taylor exercised his right and was paid a bonus amounting to £762,000, which, net of tax, was used to fund the exercise of ESOS options noted in the table above.

b) Mr Harrison's 1996 award under the PSP lapsed on his departure from the Group in October 1997.

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

On behalf of the Board
Peter Jarvis Chairman, Remuneration and Nominations Committee
16th February 1998

Introduction

Corporate governance, the system by which companies are managed and controlled, is a topic of increasing importance, both to the directors of a company and its shareholders. Over the last few years, guidelines and codes have been developed by the Cadbury and Greenbury Committees and, most recently, the Hampel Committee, which recommend best practice to be adopted by companies. Parts of the Cadbury and Greenbury codes are re-enforced by the rules of the London Stock Exchange, which is currently also considering the impact of the Hampel recommendations.

This section of the Annual report sets out Barclays policy in relation to these codes and summaries of the Directors' responsibilities for maintaining systems of internal control (on page 86). A report from the Remuneration and Nominations Committee is on page 78. Barclays approach to corporate governance is to develop best practice and, to this end, Barclays is currently considering the adoption of internal guidelines covering areas such as Board responsibilities and processes; and Board composition, selection and evaluation.

Cadbury Code of Best Practice

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

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

Going concern

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

Internal control

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

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

The Directors have established an organisational structure with defined responsibility for internal control in each of the Group's businesses and this, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally acknowledged by each business group chief executive once a year. Responsibilities and authorities are set out in the Group controls manual. There are established procedures and information systems in place for regular budgeting and reporting of financial information and for risk management. Further details of risk management procedures are given in the Financial review on pages 40 to 65.

The system of internal financial and operational controls is also subject to regulatory supervision in the United Kingdom and overseas, as explained under Supervision and regulation on pages 67 to 69.

The effectiveness of the Group's internal control and internal financial control systems is reviewed periodically on behalf of the Directors by the Audit Committee, whose membership and main activities are set out on page 75. Separate audit committees are also established in UK Banking Services, Barclays Capital, Asset Management Group, International and Private Banking and in North America, Japan, Australia and South East Asia.

The following statement, which should be read in conjunction with the Auditors' reports set out on page 88, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

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

The Directors consider that, in preparing the accounts on pages 89 to 144 and 147 to 154, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

In addition to our audit of the accounts, we have reviewed your statements on pages 85 and 87 concerning the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

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

Opinion In our opinion, your statements on internal financial controls on page 86 and on going concern on page 85, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain Directors and officers of the Company and examination of relevant documents, your statements on page 85 appropriately reflect the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Price Waterhouse
Chartered Accountants
London, England, 16th February 1998

UK audit report to the members of Barclays PLC

We have audited the accounts on pages 89 to 144 which have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and the accounting policies set out on pages 89 to 91 and the additional information contained on pages 82 and 84.

Respective responsibilities of Directors and auditors As described on page 87, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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

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

Opinion In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1997 and of the profit of the Company and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Registered Auditors
London, England, 16th February 1998

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

We have audited the consolidated financial statements of Barclays PLC and its subsidiary undertakings on pages 89 to 144 and Barclays Bank PLC and its subsidiary undertakings on pages 89 to 144 and 147 to 154 inclusive. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Barclays PLC and its subsidiary undertakings and Barclays Bank PLC and its subsidiary undertakings at 31st December 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 1997, in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income for each of the three years in the period ended 31st December 1997 and the determination of the consolidated shareholders' equity at 31st December 1997 and 1996 to the extent summarised in note 60 and note g to the consolidated financial statements.

Price Waterhouse
Registered Auditors
London, England, 16th February 1998

Summary of significant accounting policies

a Accounting convention
The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments. They are prepared in accordance with applicable accounting standards of the Accounting Standards Board (ASB) and pronouncements of its Urgent Issues Task Force and with the Statements of Recommended Accounting Practice (SORPs) issued by the British Bankers' Association. Changes to the accounting policies described in the 1996 annual report are set out on page 94.

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

The consolidated accounts include the accounts of Barclays PLC and its subsidiary undertakings made up to 31st December. Details of the principal subsidiary undertakings are given in note 46. As the consolidated accounts include partnerships where a Group member is a partner, advantage has been taken of the exemption by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

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

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

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

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

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

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

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

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

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

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

(i) the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cashflows being hedged and which results from potential movements in interest rates, exchange rates and market values; and

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

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

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

Hedging transactions which are superseded, cease to be effective or are terminated prior to the end of the life of the asset, liability position or cashflow being hedged are measured at fair value. Any profit or loss arising is deferred and amortised into interest income or expense over the remaining life of the item previously being hedged.

When the underlying asset, liability position or cashflow is terminated prior to the hedging transaction, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured on a fair value accounting basis prior to being transferred to the trading portfolio. The profit or loss arising from the fair value measurement prior to the transfer to the trading portfolio is included in the category of income or expense relating to the previously hedged transaction.

Derivatives used for trading purposes
Derivative instruments which do not meet the criteria to be designated as a hedge are deemed to be trading transactions. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivatives entered into as trading transactions, together with any associated hedging thereof, are measured at fair value and the resultant profits and losses are included in dealing profits, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains or losses on derivative and foreign exchange contracts are reported gross in other assets or liabilities, reduced by the effects of qualifying netting agreements with counterparties. The Group establishes provisions for credit risk. Associated costs of dealing are recognised when incurred. Where the market price may not be achievable, as a result of significant positions held or operating in illiquid markets, appropriate adjustments to the market value are made.

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

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

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

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

The Group's main pension scheme covers some 70% of the Group's employees and comprises a funded defined benefit scheme and a money purchase scheme for new joiners since July 1997. Staff do not make contributions for basic pensions. The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Variations from the regular cost are allocated over the expected average service lives of current employees.

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

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

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

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.

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

In November 1997 and December 1997, the ASB issued FRS 9 'Associates and Joint Ventures' and FRS 10 'Goodwill and Intangible Assets' respectively. These standards will be effective for the year ended 31st December 1998. Implementation of FRS 9 is not anticipated to have a material effect on the reporting of associates and joint ventures. Implementation of FRS 10 will require the Group to adopt a policy of capitalisation and amortisation of all purchased goodwill. Current Group policy is to capitalise and amortise although as permitted under the current standard selected goodwill is written off directly to reserves on acquisition.

Additionally, in November 1997, the British Bankers Association released a revised Statement of Recommended Practice on Advances. This is effective for accounting periods beginning on or after 23rd December 1997 and will be implemented in the 1998 accounts. The SORP will not materially change the reporting of advances.

Significant differences exist between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States and the approximate effect on attributable profit and shareholders' funds of Barclays PLC is set out in note 60.

Under the Urgent Issues Task Force abstract 16 (UITF 16), profit before tax and the tax charge no longer include notional tax on certain structured product and leasing transactions. For certain other transactions, grossing up, where appropriate, is required to be made at the underlying rate of tax, rather than the standard rate. Comparative figures have been restated, reducing both profit before tax and the tax charge by £50m in 1996 and £66m in 1995. The restatements include £8m in 1996 and £8m in 1995 arising from changes to the profit profile on certain leases as a consequence of implementing UITF 16. Profit after tax and shareholders' funds are unchanged.

There have been no other changes to the accounting policies as described in the 1996 Annual report.

Accounting presentation

Changes in accounting presentation
The presentation of the cash flow statement has been amended to reflect the Accounting Standards Board's revision to FRS 1.

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

Analyses by geographical segments and classes of business
The analyses by geographical segment are generally based on the location of the office recording the transaction.

In note 59, the global swaps business is included within the United Kingdom segment. Foreign UK-based comprises activities in the United Kingdom with overseas customers, including sovereign lendings, and the main foreign exchange trading business arising in the United Kingdom. Of the £18bn of assets reported under this heading in 1997, it is estimated that £8bn relates to customers domiciled in Other European Union countries and £3bn relates to customers domiciled in the United States.

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

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

Note 59 to the accounts also presents an analysis of the results by classes of business representing the main groups of products and services supplied by the Group.

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

In 1997, only the United Kingdom accounted for more than 10% of the total profit before tax or total gross income and at 31st December 1997 only the United Kingdom and the United States accounted for more than 10% of the total assets. In 1996, and for the year ended 31st December 1996, only the United Kingdom accounted for more than 10% of the total profit before tax, total assets or total gross income. In 1995 only the United Kingdom and the United States accounted for more than 10% of the total profit before tax, and as at 31st December 1995 only the United Kingdom accounted for more than 10% of the total assets and total gross income. Losses before tax in France in 1995 were £227m.

Disposals
The Group made the following significant disposals of interests in subsidiary and associated undertakings in 1997:

	Date
Barclays Global Securities Services	3rd April 1997
Masterworks (a division of Barclays Global Investors)	29th August 1997

In addition, the Group sold its remaining shares in 3i Group plc in January 1997.

The effect of these disposals on the profit for the year is shown in note 9 to the accounts. The impact of the sale or restructuring of BZW is shown in note 8 to the accounts.

	Note	1997 £m	1996 £m	1995 £m
Interest receivable:				
Interest receivable and similar income arising from debt securities		**1,305**	976	867
Other interest receivable and similar income		**7,822**	7,754	8,342
		9,127	8,730	9,209
Interest payable		**5,091**	4,821	5,427
Profit on redemption/repurchase of loan capital	1	**2**	32	-
Net interest income		**4,038**	3,941	3,782
Fees and commissions receivable		**3,197**	3,168	2,969
Less: fees and commissions payable		**(218)**	(223)	(202)
Dealing profits	2	**374**	414	404
Other operating income	3	**200**	248	232
Operating income		**7,591**	7,548	7,185
Administrative expenses - staff costs	4	**3,035**	2,980	2,907
Administrative expenses - other	6	**1,896**	1,807	1,765
Depreciation and amortisation	7	**269**	301	335
Operating expenses		**5,200**	5,088	5,007
Operating profit before provisions		**2,391**	2,460	2,178
Provisions for bad and doubtful debts	18	**227**	215	396
Provisions for contingent liabilities and commitments	35	**4**	9	3
Provisions		**231**	224	399
Operating profit		**2,160**	2,236	1,779
Loss on sale or restructuring of BZW	8	**(469)**	-	-
Profit on disposal of other Group undertakings	9	**44**	70	238
Write-down of fixed asset investments	10	**(19)**	-	-
Profit on ordinary activities before tax		**1,716**	2,306	2,017
Tax on profit on ordinary activities	11	**542**	620	610
Profit on ordinary activities after tax		**1,174**	1,686	1,407
Minority interests - equity		**(20)**	(22)	(18)
Minority interests - non-equity	12	**(24)**	(25)	(25)
Profit for the financial year attributable to the members of Barclays PLC (Net income)		**1,130**	1,639	1,364
Dividends	13	**(563)**	(479)	(421)
Profit retained for the financial year		**567**	1,160	943
Earnings per £1 ordinary share	14	**74.4p**	104.2p	83.6p

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

The Board of Directors approved the accounts set out on pages 89 to 144 on 16th February 1998.

Statement of total recognised gains and losses

For the year ended 31st December 1997

	1997 £m	1996 £m	1995 £m
Profit for the financial year attributable to the members of Barclays PLC	**1,130**	1,639	1,364
Exchange rate translation differences	**(101)**	(209)	52
Total recognised gains relating to the year	**1,029**	1,430	1,416

	Note	1997 £m	1997 £m	1996 £m	1996 £m
Assets					
Cash and balances at central banks			**750**		729
Items in course of collection from other banks			**2,564**		3,021
Treasury bills and other eligible bills	15		**6,106**		4,472
Loans and advances to banks - banking		**21,729**		16,125	
- trading		**15,155**		12,898	
	16		**36,884**		29,023
Loans and advances to customers - banking		**74,111**		72,977	
- trading		**25,712**		16,441	
	17		**99,823**		89,418
Debt securities	20		**52,581**		31,367
Equity shares	21		**2,780**		2,813
Interests in associated undertakings	22		**57**		86
Intangible fixed assets	23		**191**		222
Tangible fixed assets	24		**2,016**		2,092
Other assets	26		**20,413**		15,194
Prepayments and accrued income	28		**2,305**		1,884
			226,470		180,321
Long-term assurance fund assets attributable to policyholders	27		**8,187**		5,681
Total assets			**234,657**		186,002

Andrew Buxton Chairman

Martin Taylor Chief Executive

Oliver Stocken Finance Director

	Note	1997 £m	1997 £m	1996 £m	1996 £m
Liabilities					
Deposits by banks - banking		**30,511**		21,636	
- trading		**13,968**		12,520	
	29		**44,479**		34,156
Customer accounts - banking		**89,647**		83,421	
- trading		**18,791**		13,143	
	30		**108,438**		96,564
Debt securities in issue	31		**20,366**		11,834
Items in course of collection due to other banks			**1,676**		1,596
Other liabilities	32		**35,268**		21,779
Accruals and deferred income	33		**3,557**		2,285
Provisions for liabilities and charges - deferred tax	34		**758**		725
Provisions for liabilities and charges - other	35		**696**		399
Dividend	13		**359**		309
Subordinated liabilities:					
Undated loan capital - convertible to preference shares	36		**304**		292
Undated loan capital - non-convertible	36		**1,353**		1,343
Dated loan capital - non-convertible	37		**1,211**		1,396
Other subordinated liabilities - non-convertible	38		**59**		56
			218,524		172,734
Minority interests and shareholders' funds					
Minority interests - equity		**61**		65	
Minority interests - non-equity	12	**265**		255	
Total minority interests			**326**		320
Called up share capital	39	**1,530**		1,542	
Share premium account		**1,281**		1,186	
Capital redemption reserve		**150**		120	
Other capital reserve		**320**		320	
Revaluation reserve		**35**		44	
Profit and loss account		**4,304**		4,055	
Shareholders' funds - equity	40		**7,620**		7,267
			7,946		7,587
			226,470		180,321
Long-term assurance fund liabilities to policyholders	27		**8,187**		5,681
Total liabilities and shareholders' funds			**234,657**		186,002

	Note	1997 £m	1996 £m
Memorandum items	47		
Contingent liabilities:			
Acceptances and endorsements		**1,602**	647
Guarantees and assets pledged as collateral security		**6,623**	5,425
Other contingent liabilities		**5,123**	4,741
		13,348	10,813
Commitments - sale and option to resell transactions		**-**	2
Commitments - standby facilities, credit lines and other		**59,121**	47,143
		59,121	47,145

	1997 £m	1996 £m	1995 £m
Share premium account			
At beginning of year	**1,186**	1,136	1,098
Premium arising on shares issued	**95**	50	38
At end of year	**1,281**	1,186	1,136
Capital redemption reserve			
At beginning of year	**120**	25	-
Repurchase of ordinary shares	**30**	95	25
At end of year	**150**	120	25
Other capital reserve			
At beginning and end of year	**320**	320	320
Revaluation reserve			
At beginning of year	**44**	57	62
Exchange rate translation differences	**(3)**	(6)	-
Realisation of revaluation surplus	**(5)**	(7)	(7)
Other items	**(1)**	-	2
At end of year	**35**	44	57
Profit and loss account			
At beginning of year	**4,055**	3,866	3,045
Profit retained	**567**	1,160	943
Exchange rate translation differences	**(98)**	(203)	52
Repurchase of ordinary shares	**(321)**	(686)	(156)
Transfer to capital redemption reserve	**(30)**	(95)	(25)
Goodwill arising on acquisitions	**-**	(3)	(2)
Goodwill written back on disposals	**126**	-	5
Realisation of revaluation surplus	**5**	7	7
Other items	**-**	9	(3)
At end of year	**4,304**	4,055	3,866
Total reserves	**6,090**	5,725	5,404

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the net consolidated profit retained and other reserves of overseas subsidiary and associated undertakings at 31st December 1997 totalled £2m (1996 £243m, 1995 £328m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Goodwill amounting to £363m (1996 £489m, 1995 £486m) has been charged directly against reserves in the current and prior years in respect of acquisitions. This amount is net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

	Note	1997 £m	1997 £m	1996 £m	1996 £m	1995 £m	1995 £m
Net cash inflow/(outflow) from							
operating activities	49		**8,986**		4,714		(228)
Returns on investments and servicing of finance:							
Interest paid on loan capital and other							
subordinated liabilities		**(270)**		(278)		(296)	
Preference dividends paid by subsidiary undertaking		**(24)**		(25)		(25)	
Dividends paid to minority shareholders		**(9)**		(8)		(10)	
Net cash outflow from returns on							
investment and servicing of finance			**(303)**		(311)		(331)
Tax paid			**(263)**		(519)		(633)
Capital expenditure and financial investment:							
Capital expenditure		**(342)**		(444)		(325)	
Sale of property and equipment		**159**		67		74	
Purchase of investment securities		**(11,942)**		(7,431)		(6,900)	
Redemption of investment securities		**1,481**		1,043		1,625	
Sale of investment securities		**3,131**		3,566		2,173	
Net cash outflow from capital expenditure							
and financial investment			**(7,513)**		(3,199)		(3,353)
Acquisitions and disposals:							
Acquisition of subsidiary undertakings	53	**-**		(13)		(251)	
Acquisition of associated undertakings		**-**		(15)		-	
Sale of group undertakings	50	**50**		47		1,812	
Net cash inflow from acquisitions and disposals			**50**		19		1,561
Equity dividend paid			**(445)**		(438)		(366)
Net cash inflow/(outflow) before financing			**512**		266		(3,350)
Financing:	51						
Issue of loan capital and other subordinated liabilities							
(net of expenses)		**478**		318		-	
Redemption/repurchase of loan capital and other							
subordinated liabilities		**(640)**		(631)		(31)	
Repurchase of ordinary shares		**(351)**		(781)		(181)	
Issue of ordinary shares		**45**		64		50	
Net cash outflow from financing			**(468)**		(1,030)		(162)
Increase/(decrease) in cash	52		**44**		(764)		(3,512)

Profit and loss account and changes in reserves	1997 £m	1996 £m	1995 £m
Interest income	**1**	2	2
Operating expenses:			
Management charge from subsidiary undertaking	**1**	2	2
Operating profit	**-**	-	-
Dividends from subsidiary undertaking	**914**	1,260	602
Profit on ordinary activities before tax	**914**	1,260	602
Tax on profit on ordinary activities	**-**	-	-
Profit on ordinary activities after tax	**914**	1,260	602
Dividends	**(563)**	(479)	(421)
Profit retained by Barclays PLC	**351**	781	181
Profit retained by subsidiary undertakings	**212**	372	755
Profit retained by associated undertakings	**4**	7	7
Profit retained for the financial year	**567**	1,160	943
Premium arising on shares issued	**95**	50	38
Reduction in reserves arising from repurchase of shares	**(321)**	(686)	(156)
Other movements in investment in Barclays Bank PLC	**24**	(203)	54
Profit and loss account and other reserves brought forward	**5,725**	5,404	4,525
Profit and loss account and other reserves carried forward	**6,090**	5,725	5,404

Balance sheet	Note	1997 £m	1996 £m
Fixed assets			
Investment in Barclays Bank PLC	41	**7,620**	7,267
Current assets			
Amounts falling due within one year:			
Due from subsidiary undertaking		**19**	28
Cash at bank and in hand - balance with subsidiary undertaking		**340**	281
		359	309
Current liabilities			
Amounts falling due within one year - dividend		**(359)**	(309)
Net current assets		**-**	-
Assets less current liabilities		**7,620**	7,267
Capital and reserves			
Called up share capital	39	**1,530**	1,542
Share premium account		**1,281**	1,186
Capital redemption reserve		**150**	120
Revaluation reserve		**3,778**	3,538
Profit and loss account		**881**	881
Shareholders' funds - equity	40	**7,620**	7,267

Andrew Buxton Chairman
Martin Taylor Chief Executive
Oliver Stocken Finance Director

Profit on redemption/repurchase of loan capital

The profit of £2m in 1997 is attributable to the repurchase of $101m and £55m of undated loan capital at a discount of £6m and the redemption of $123m of dated loan capital at a premium of £4m.

The profit of £32m in 1996 was attributable to the repurchase of $400m of undated loan capital.

Dealing profits

	1997	1996	1995
	£m	£m	£m
Interest rate related	**187**	202	214
Foreign exchange and commodities	**132**	71	91
Equities and other	**55**	141	99
	374	414	404

Of the total dealing profits, £288m was earned from securities (1996 £259m, 1995 £204m).

3 Other operating income

	1997	1996	1995
	£m	£m	£m
Income from associated undertakings	**16**	23	26
Dividend income from equity shares	**20**	20	17
Profits on disposal of investment securities	**46**	29	33
Increase in shareholders' interest in the long-term assurance fund	**19**	61	54
Property rentals	**39**	36	29
Other income	**60**	79	73
	200	248	232

4 Administrative expenses – staff costs

	1997	1996	1995
	£m	£m	£m
Salaries and accrued incentive payments	**2,380**	2,274	2,140
Social security costs	**200**	214	194
Pension costs	**65**	80	145
Post-retirement health care	**23**	18	22
UK profit sharing	**101**	96	83
Other staff costs	**266**	298	323
	3,035	2,980	2,907

Staff costs reported above include £66m (1996 £105m, 1995 £179m) relating to staff reductions and relocations.

Average number of employees

The average number of persons employed by the Group world wide during the year, excluding temporary staff, was 84,300 (1996 87,400, 1995 92,100). Following changes to the Group's staff policies during the year, all staff now fall within a single structure.

In addition, the average number of advisers and administration staff of Barclays Life Assurance Company, whose remuneration is reflected in the valuation of the long-term assurance fund, was 2,100 (1996 2,000, 1995 2,100).

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

Pensions

Barclays maintains occupational pension plans for its employees in most parts of the world. The schemes vary in design to reflect local regulation and practice. The majority of UK employees are members of the Barclays Bank UK Retirement Fund (previously known as the Barclays Bank (1964) Pension Fund) which comprises two sections:

The Retirement Investment Scheme - a money purchase pension plan for new joiners established in July 1997. Barclays contributes 5.5% of pensionable pay. For members who choose to make regular contributions, Barclays makes additional contributions which result in a total contribution from the Bank of between 6.5% and 13.5% of pensionable pay (exclusive of ill-health and death in service benefits, the costs of which are borne by the Retirement Fund). The introduction of this Scheme is not expected to have any significant impact on the long-term pension costs of the Barclays Group.

The 1964 Pension Scheme - most current staff in the UK are members of this funded non-contributory defined benefit scheme which provides a pension (in most cases from age 60) based on length of service and salary at or close to retirement. The maximum pension is two-thirds of pensionable salary after completion of 40 years service. On death, the Scheme provides a spouse's pension of approximately 50% of the member's pension (or prospective pension in the case of death before retirement). Pensions in payment are reviewed annually and are guaranteed to increase by the lesser of the annual increase in the Index of Retail Prices or 5%.

Both schemes offer members the opportunity to secure additional benefits by making voluntary contributions.

Formal actuarial valuations of the UK Retirement Fund are carried out triennially. The most recent was conducted as at 30th September 1995. The market value of the assets at the valuation date was £7,703m and the valuation revealed a surplus of assets over accrued liabilities of 25% after allowing for expected future earnings increases. The principal financial assumptions underlying the valuation were:

Price inflation	3.0%	Earnings growth	5.0%
Dividend growth	3.0%	Return on new investments	7.5%
Pensions increases	3.0%		

The contribution rate paid by the Bank in 1997 was 2.5% (1996 2.5%) of pensionable salaries. As investment returns have continued to exceed significantly the rate assumed for the valuation, the actuary advised that the surplus will erode more slowly than anticipated at the time of the last valuation. Therefore, with effect from 1st January 1998 the Bank will reduce the contribution rate to nil (other than the payment of protected rights contributions in respect of members of the Retirement Investment Scheme). The pension charge in the accounts will also be reduced over the remaining service lives of the members of the scheme to take account of the increase in the surplus. Without the benefit of the surplus, the 1964 Pension Scheme charge would be some 19% of pensionable salaries and contributions to the Retirement Investment Scheme would be equal to the contributions set out in the Scheme rules plus the costs of ill-health and death in service benefits.

Most other Group schemes are defined benefit schemes, but, where local regulations permit, money purchase plans either have been, or will be, introduced over the next few years.

Total pension costs of the Group are summarised as follows:

	1997 £m	1996 £m	1995 £m
The Barclays Bank UK Retirement Fund - 1964 Pension Scheme	**24.9**	25.0	75.0
- Retirement Investment Scheme	**0.1**	-	-
Other UK pension schemes	**20.0**	22.0	25.0
Overseas pension schemes	**20.1**	33.0	45.0
Totals	**65.1**	80.0	145.0

Note 60 provides additional disclosures required by US Statement of Financial Accounting Standards No. 87.

Post-retirement benefits

Some 9,100 UK and US pensioners are provided with private health care on similar terms to eligible staff. Additionally 8,500 members of staff in the United Kingdom who had, at 1st January 1991, satisfied the qualification criteria may also become eligible for this benefit on retirement.

Profit sharing scheme

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

Other staff costs

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

6 Administrative expenses – other

	1997	1996	1995
Property and equipment expenses	**£m**	£m	£m
Hire of equipment	**35**	28	33
Property rentals	**217**	199	211
Other property and equipment expenses	**619**	612	589
Other administrative expenses	**1,025**	968	932
	1,896	1,807	1,765

The statutory and regulatory audit and accountancy fees paid to the Group's main auditors comprised £4.4m (1996 £4.8m, 1995 £4.6m) in respect of the Group's audit and £3.8m (1996 £3.1m, 1995 £4.2m) relating to other accounting and regulatory work required of them. Of total consultancy fees of £103m (1996 £80m, 1995 £88m) included in Other administrative expenses above, the Group's main auditors received £5.9m (1996 £3.8m, 1995 £4.6m).

Of the fees for regulatory and other non-audit work paid to the Group's main auditors, £7.7m (1996 £3.1m, 1995 £5.6m) related to the United Kingdom

7 Depreciation and amortisation

	1997	1996	1995
	£m	£m	£m
Property depreciation	**99**	107	97
Equipment depreciation	**170**	175	181
Goodwill amortisation	**12**	13	-
Loss on sale of equipment	**3**	6	4
Write-down of surplus properties	**(22)**	-	3
	262	301	285
Provision for diminution in the value of the local head office in Paris	**7**	-	50
	269	301	335

8 Loss on sale or restructuring of BZW

	1997	1996	1995
	£m	£m	£m
Provision for loss on sale of businesses	**(57)**	-	-
Staff reductions, property and equipment costs and other costs	**(283)**	-	-
	(340)	-	-
Goodwill written off	**(129)**	-	-
	(469)	-	-

The loss relates to the reorganisation of the Group's investment banking business and the withdrawal from the equities, equities capital markets and mergers and acquisition advisory business, together with all of the investment banking business in Australasia.

The provision for loss on sale of businesses of £57m has arisen in respect of the disposal of these businesses in the UK, continental Europe and Asia. Further details of these disposals and that of the Australasian investment banking business, the effect of which is not significant and will be accounted for in 1998, are provided under "Recent developments" on page 11.

It is expected that tax relief of approximately 24% will be obtained on the £340m loss on sale and restructuring of BZW.

9 Profit on disposal of other Group undertakings

	1997 £m	1996 £m	1995 £m
Net profit on disposal of Group undertakings	**44**	70	238

The net profit on disposal of Group undertakings comprised £50m of profits on disposal (1996 £74m) and losses on disposal of £6m (1996 £4m).

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

Goodwill previously written off to reserves on these disposals amounted to £nil (1996 £nil, 1995 £5m). £3m of tax credit is attributable to the losses on disposal in 1997. No tax was payable on the 1997 gains (1996 £nil, 1995 £84m tax charge on gains).

Up to the date of sale, the businesses sold in 1997 contributed £12m to Group profit before tax (1996 £1m, 1995 £7m).

The profits on disposal of Group undertakings in 1996 included £61m on the disposal of a further part of the Group's investment in 3i Group plc and a gain of £12m on the disposal of the Cyprus onshore banking business. There was a loss on disposal of Barclays Bank of Canada of £3m.

In 1995, the Group sold the businesses of Barclays Business Credit, the mortgage origination and servicing businesses of Barclays American/Mortgage, part of the Group's interest in 3i Group plc and the equities business of BZW Canada.

10 Write-down of fixed asset investments

	1997 £m	1996 £m	1995 £m
	(19)	-	-

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

11 Tax

The charge for tax assumes an effective UK corporation tax rate of 31.5% (1996 and 1995 33%) and comprises:	1997 £m	1996 £m	1995 £m
Current tax:			
United Kingdom	**436**	291	318
Overseas	**114**	151	192
Total current tax	**550**	442	510
Deferred tax charge/(credit):			
United Kingdom	**1**	169	62
Overseas	**(14)**	(1)	29
Total deferred tax	**(13)**	168	91
Associated undertakings, including overseas tax of £5m (1996 £5m, 1995 £7m)	**5**	10	9
Total charge	**542**	620	610

Analysis of deferred tax charge/(credit):			
Leasing transactions	**15**	125	(6)
Short-term and other timing differences	**(28)**	43	97
	(13)	168	91

Current tax includes £20m (1996 £57m, 1995 £41m) in respect of advance corporation tax on franked investment income, together with notional tax of £10m (1996 £16m, 1995 £17m) on the shareholders' interest in the long-term assurance fund.

Available overseas tax credits of £64m (1996 £81m, 1995 £63m) have been applied to reduce UK tax in accordance with UK legislation.

Further information is provided in the tax section on page 28 of the Financial review.

12 Minority interests (non-equity) – Barclays PLC

Non-equity minority interests in the balance sheet comprise non-cumulative dollar-denominated preference shares issued by Barclays Bank PLC of $437m (1996 and 1995 $437m). Further details of the rights of holders of preference shares are given in note a to the accounts of Barclays Bank PLC on page 152.

13 Dividends – Barclays PLC

Dividends per ordinary share	1997 £m	1996 £m	1995 £m
Interim	**204**	176	153
Final	**359**	309	268
	563	485	421
Over-accrual in prior periods	**-**	(6)	-
	563	479	421
	(pence per share)		
Interim	**13.50**	11.50	9.50
Final	**23.50**	20.00	16.50
	37.00	31.50	26.00

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

The over-accrual in 1996 resulted from repurchases and cancellation of shares, which took place subsequent to the dividends being accrued but before payment.

14 Earnings per £1 ordinary share – Barclays PLC

Earnings per £1 ordinary share is based upon the results after deducting tax, profit attributable to minority interests and dividends on staff shares. Earnings amounted to £1,130m (1996 £1,639m, 1995 £1,364m) and are related to the weighted average of ordinary shares in issue during the year of 1,519 million (1996 1,573 million, 1995 1,632 million). Certain incentive plan shares have been excluded from the calculation of earnings per share in line with UITF13, on the grounds that the trustee has waived all dividend and voting rights. The exercise of existing options granted under the Executive and SAYE Share Option Schemes would not have a material effect on earnings per ordinary share.

See note 60 for approximate earnings per £1 ordinary share calculated in accordance with the accounting principles generally accepted in the United States.

15 Treasury bills and other eligible bills

	1997 £m	1996 £m
Treasury bills	**4,238**	2,770
Other eligible bills	**1,868**	1,702
	6,106	4,472
Treasury bills and other eligible bills comprise:		
Banking business	**3,889**	3,768
Trading business	**2,217**	704
	6,106	4,472

Treasury bills and other eligible bills are mainly short term in maturity with a book value not materially different from market value.

The total amount of treasury bills and other eligible bills included above, which are subject to sale and repurchase agreements, was £929m at 31st December 1997 (1996 £36m).

16 Loans and advances to banks

Repayable	1997 £m	1996 £m
on demand	**908**	958
not more than three months	**28,135**	22,106
over three months but not more than one year	**6,540**	4,367
over one year but not more than five years	**1,072**	1,298
over five years	**251**	315
	36,906	29,044
Less:		
Provisions (including country risk)	**(22)**	(21)
	36,884	29,023

16 Loans and advances to banks (continued)

By geographical area	1997 £m	1996 £m
Banking business:		
United Kingdom	**8,751**	6,799
Other European Union	**4,268**	3,484
United States	**4,349**	2,477
Rest of the World	**4,383**	3,386
Total banking business	**21,751**	16,146
Total trading business	**15,155**	12,898
	36,906	29,044

At 31st December 1997 and 1996, there were no loans and advances to banks outstanding from associated undertakings.

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £697m at 31st December 1997 (1996 £687m).

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 44 to 57 of the Financial review.

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

17 Loans and advances to customers

	1997 £m	1997 £m	1996 £m	1996 £m
Repayable				
on demand		**9,573**		9,562
not more than three months		**40,390**		31,066
over three months but not more than one year		**7,376**		6,666
over one year but not more than five years		**15,483**		17,523
over five years		**28,914**		26,840
		101,736		91,657
Less:				
Provisions	**(1,828)**		(2,109)	
Interest in suspense	**(85)**		(130)	
		(1,913)		(2,239)
		99,823		89,418

By geographical area	1997 £m	1996 £m
Banking business:		
United Kingdom	**64,776**	63,667
Other European Union	**5,077**	5,673
United States	**3,162**	2,897
Rest of the World	**3,009**	2,979
Total banking business	**76,024**	75,216
Total trading business	**25,712**	16,441
	101,736	91,657

At 31st December 1997, there were loans and advances to customers of £581m (1996 £479m) outstanding from associated undertakings and joint ventures.

Banking business loans and advances to customers include finance lease receivables of £6,122m (1996 £6,392m) which are stated in the balance sheet after deducting £4,685m (1996 £4,802m) of unearned charges and interest.

Assets acquired in the year for letting under finance leases amounted to £1,127m (1996 £1,686m).

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 44 to 57 of the Financial review.

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

Loans and advances to customers (continued)

Loans subject to non-recourse finance arrangements

Banking business loans and advances to customers also include loans subject to non-recourse finance arrangements which at 31st December 1997 and 1996 comprised portfolios of mortgage loans. The principal benefits of these loans were acquired from the Bank by special purpose securitisation companies which were funded primarily through the issue of floating rate notes. No gain or loss was recognised on the transfer.

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

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

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

The securitisations involved were as follows:

			Outstanding at 31st December 1997			Outstanding at 31st December 1996		
	Type of loans	**Date of securitisation**	**Customer loans**	**Non-returnable finance**	**Subordinated loans made by the Bank**	Customer loans	Non-returnable finance	Subordinated loans made by the Bank
Securitisation company			**£m**	**£m**	**£m**	£m	£m	£m
Gracechurch Mortgage Finance (No. 2) PLC	Personal mortgages	28/4/94	**151**	**146**	**5**	178	173	5
Gracechurch Mortgage Finance (No. 3) PLC	Personal mortgages	14/7/94	**176**	**173**	**3**	209	206	3
			327	**319**	**8**	387	379	8

All the shares in Gracechurch Mortgage Finance (No. 2) PLC and Gracechurch Mortgage Finance (No. 3) PLC are held beneficially by Gracechurch Mortgage (Holdings) Limited. All the shares in Gracechurch Mortgage (Holdings) Limited are held by Royal Exchange Trust Company Limited. The Group does not own, directly or indirectly, any of the share capital of the securitisation companies or their parent companies.

18 Provisions for bad and doubtful debts

Movements in provisions for bad and doubtful debts	1997 Specific £m	1997 General £m	1997 Total £m	1996 Specific £m	1996 General £m	1996 Total £m
Provisions at beginning of year	**1,374**	**756**	**2,130**	1,875	853	2,728
Acquisitions and disposals	**(14)**	**-**	**(14)**	(13)	(11)	(24)
Exchange and other adjustments	**(30)**	**(8)**	**(38)**	(86)	(26)	(112)
	1,330	**748**	**2,078**	1,776	816	2,592
Provision for the year, net of recoveries of £126m (1996 £167m)	**247**	**(20)**	**227**	275	(60)	215
Amounts written off, net of recoveries	**(455)**	**-**	**(455)**	(677)	-	(677)
Provisions at end of year	**1,122**	**728**	**1,850**	1,374	756	2,130

Provisions at 31st December	1997 £m	1996 £m
Specific provisions - credit risk:		
United Kingdom	**765**	834
Other European Union	**245**	353
United States	**27**	59
Rest of the World	**41**	48
	1,078	1,294
Specific provisions - country risk	**44**	80
	1,122	1,374
General provisions - credit risk	**683**	756
- country risk	**45**	-
	1,850	2,130

19 Interest in suspense

Movement in interest in suspense	1997 £m	1996 £m
At beginning of year	**130**	170
Net interest suspended during year	**13**	50
	143	220
Interest written off	**(49)**	(79)
Exchange and other adjustments	**(9)**	(11)
At end of year	**85**	130

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

Loans and advances where interest is being suspended at end of year		
Before provisions	**387**	528
After provisions	**145**	260

Debt securities

Investment securities:	1997 Balance Sheet £m	Gross unrealised gains £m	Gross unrealised losses £m	1997 Valuation £m	1996 Balance Sheet £m	Gross unrealised gains £m	Gross unrealised losses £m	1996 Valuation £m
UK government	**5,537**	**78**	**-**	**5,615**	3,023	12	-	3,035
other government	**7,628**	**86**	**(13)**	**7,701**	4,239	157	(1)	4,395
other public bodies	**178**	**3**	**-**	**181**	326	9	-	335
other issuers	**4,357**	**55**	**(5)**	**4,407**	3,128	47	(4)	3,171
	17,700	**222**	**(18)**	**17,904**	10,716	225	(5)	10,936
Other debt securities:								
UK government	**1,190**	**-**	**-**	**1,190**	1,762	-	-	1,762
other government	**13,301**	**-**	**-**	**13,301**	5,469	-	-	5,469
other public bodies	**784**	**-**	**-**	**784**	133	-	-	133
bank and building society certificates of deposit	**9,384**	**-**	**-**	**9,384**	8,067	-	-	8,067
other issuers	**10,222**	**-**	**-**	**10,222**	5,220	-	-	5,220
	52,581	**222**	**(18)**	**52,785**	31,367	225	(5)	31,587

Debt securities comprise:	1997 Balance Sheet £m	1997 Valuation £m	1996 Balance Sheet £m	1996 Valuation £m
Banking business	**26,608**	**26,812**	17,775	17,995
Trading business	**25,973**	**25,973**	13,592	13,592
	52,581	**52,785**	31,367	31,587

Movements in Investment securities	1997 Cost £m	1997 Provisions £m	1997 Balance Sheet £m
At beginning of year	**10,735**	**(19)**	**10,716**
Exchange adjustments	**(413)**	**2**	**(411)**
Acquisitions	**11,889**	**-**	**11,889**
Redemption of Investment securities	**(1,481)**	**-**	**(1,481)**
Sale of Investment securities	**(2,897)**	**-**	**(2,897)**
Provisions raised	**-**	**(6)**	**(6)**
Transfers	**(79)**	**2**	**(77)**
Write-offs	**(3)**	**3**	**-**
Amortisation of discounts and premiums	**(33)**	**-**	**(33)**
At end of year	**17,718**	**(18)**	**17,700**

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

The total value of debt securities at 31st December 1997 includes securities which are subject to sale and repurchase agreements of £12,754m (1996 £6,311m), and unamortised net premium on available for sale securities of £72m (1996 £90m). The value of securities due within one year at 31st December 1997 was £12,665m (1996 £11,366m). The Group had no holdings of securities issued by associated undertakings at 31st December 1997 or 31st December 1996.

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m (1996 £0.1m). As part of its normal market making activities, Barclays Capital holds positions in Barclays Bank PLC's loan capital.

Gross gains of £37m (1996 £1m) and gross losses of £nil (1996 £nil) were realised on the sale and redemption of Investment securities. Other debt securities are marked to market and all profits and losses are deemed realised.

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

Of the total debt securities disclosed above, £37,138m (1996 £21,698m) were listed on a recognised exchange. These listed debt securities had a market value of £37,258m (1996 £21,881m).

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

See pages 39 and 40 of the Financial review for the valuation and maturity analysis of Investment securities.

21 Equity shares

	1997 Balance Sheet £m	1997 Valuation £m	1996 Balance Sheet £m	1996 Valuation £m
Investment securities	**116**	**170**	164	296
Other securities	**2,664**	**2,664**	2,649	2,649
	2,780	**2,834**	2,813	2,945

Movements in Investment securities	1997 Cost £m	1997 Provisions £m	1997 Balance Sheet £m
At beginning of year	**170**	**(6)**	**164**
Exchange adjustments	**7**	**-**	**7**
Acquisitions	**53**	**-**	**53**
Sale of Investment securities	**(108)**	**-**	**(108)**
Provisions raised	**-**	**-**	**-**
Provisions written off	**(1)**	**1**	**-**
At end of year	**121**	**(5)**	**116**

The total value of equity shares included above, which are subject to sale and repurchase agreements, was £781m at 31st December 1997 (1996 £489m).

Gross unrealised gains on equity shares amounted to £54m (1996 £132m). There were no unrealised losses in either year.

Gross gains of £92m (1996 £89m) and gross losses of £3m (1996 £Nil) were realised on the sale of investment securities. Investment securities represent those equity shares held within the banking business.

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

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

As part of their normal market making activities, former BZW businesses hold positions in Barclays PLC's ordinary shares.

Of the total equity securities disclosed above, £2,695m (1996 £2,709m) were listed on a recognised exchange. These listed equity securities had a market value of £2,712m (1996 £2,754m).

22 Interests in associated undertakings

Share of net assets	1997 £m	1996 £m
At beginning of year	**86**	69
Write-down of fixed asset investments	**(13)**	-
Exchange and other adjustments	**(20)**	(5)
Acquisitions	**-**	15
Disposals	**-**	(1)
Transfers	**-**	1
Profit retained	**4**	7
At end of year	**57**	86

Associated undertakings included £34m in respect of banks (1996 £62m).

Dividend income from associated undertakings amounted to £7m (1996 £6m).

On an historical cost basis, the Group's interests in associated undertakings at 31st December 1997 amounted to £30m (1996 £50m).

Of the above interests in associates, £21m (1996 £41m) are listed on a recognised exchange and these shares had a market value of £22m (1996 £31m).

23 Intangible fixed assets

Goodwill	1997 £m	1996 £m
At beginning of year	**222**	229
Additions	**-**	28
Disposals	**(26)**	-
Amortisation charge for year	**(12)**	(13)
Exchange and other adjustments	**7**	(22)
At end of year	**191**	222

24 Tangible fixed assets

Cost or valuation	Property 1997 £m	Equipment 1997 £m	Property 1996 £m	Equipment 1996 £m
At beginning of year	**2,297**	**1,435**	2,218	1,469
Acquisitions and disposals of Group undertakings	**(3)**	**(2)**	(19)	(7)
Exchange and other adjustments	**(34)**	**(14)**	(94)	(53)
Additions at cost	**146**	**202**	245	229
Sale of assets	**(226)**	**(175)**	(52)	(179)
Fully depreciated assets written off	**(39)**	**(30)**	(1)	(24)
At end of year	**2,141**	**1,416**	2,297	1,435
Accumulated depreciation and diminution in value				
At beginning of year	**679**	**961**	640	984
Acquisitions and disposals of Group undertakings	**-**	**(2)**	(2)	(6)
Exchange and other adjustments	**(8)**	**(22)**	(44)	(34)
Charge for year	**106**	**170**	107	175
Sale of assets	**(135)**	**(139)**	(21)	(134)
Fully depreciated assets written off	**(39)**	**(30)**	(1)	(24)
At end of year	**603**	**938**	679	961
Cost or valuation				
At valuation				
1979 to 1993	**953**	**-**	997	-
At cost	**1,188**	**1,416**	1,300	1,435
	2,141	**1,416**	2,297	1,435
Accumulated depreciation	**(603)**	**(938)**	(679)	(961)
Net book value	**1,538**	**478**	1,618	474

Balance sheet value of property	1997 £m	1996 £m
Freehold	**950**	1,025
Leasehold over 50 years unexpired	**70**	63
Leasehold up to 50 years unexpired	**475**	428
Assets in the course of construction	**43**	102
	1,538	1,618
Historical cost of property		
At cost	**1,804**	1,971
Accumulated depreciation and diminution in value	**(587)**	(669)
Net book value	**1,217**	1,302

24 Tangible fixed assets (continued)

The net book value of property occupied by the Group for its own use was £1,445m at 31st December 1997 (1996 £1,594m). The net book value included £30m (1996 £31m) in respect of property held under finance leases, on which the depreciation charge was £2m (1996 £2m, 1995 £2m). The book value of property at 31st December 1997 included £294m (1996 £323m) in respect of land.

25 Commitments for capital expenditure not provided in these accounts

At 31st December 1997, commitments for capital expenditure under contract amounted to £33m (1996 £39m).

26 Other assets

	1997 £m	1996 £m
Own shares	**43**	-
Balances arising from off-balance sheet financial instruments	**17,124**	11,671
Items in transit	**592**	729
Shareholders' interest in the long-term assurance fund	**460**	451
London Metal Exchange warrants and other metals trading positions	**665**	714
Sundry debtors	**1,529**	1,629
	20,413	15,194

'Own shares' represent Barclays PLC shares held in employee benefit trusts that have not yet vested unconditionally with the eligible employees.

27 Long-term assurance fund

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

	1997 £m	1996 £m
Value of the shareholders' interest at beginning of year	**451**	406
Value of the shareholders' interest at end of year	**460**	451
Increase for the year after tax	**9**	45
Increase before tax	**19**	61

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

	%	%
Risk discount rate (net of tax)	**12.5**	12.5
Gross equities returns for unit linked business	**9.5***	9.5
Gross fixed interest returns for unit linked business	**7.0**	7.0
Renewal expense inflation	**6.0**	6.0

*The assumption used for UK equities is 9.5% less the unrecoverable tax credit of 0.8%, derived as 20% of the assumed dividend yield of 4%. This reflects changes brought about by the Finance Act.

The long-term assurance fund assets attributable to policyholders comprise:	**£m**	£m
Assets:		
Investments	**8,156**	5,597
Group undertakings	**-**	50
Other debtors	**72**	70
	8,228	5,717
Current liabilities	**41**	36
	8,187	5,681

28 Prepayments and accrued income

	1997 £m	1996 £m
Accrued interest and commission	**2,205**	1,790
Prepayments	**100**	94
	2,305	1,884

29 Deposits by banks

	1997 £m	1996 £m
Repayable		
on demand	**2,061**	1,999
not more than three months	**37,930**	28,018
over three months but not more than six months	**1,852**	2,458
over six months but not more than one year	**1,757**	794
over one year but not more than five years	**402**	247
over five years	**477**	640
	44,479	34,156
By geographical area		
Banking business:		
United Kingdom	**16,028**	10,276
Other European Union	**7,713**	6,126
United States	**3,910**	2,324
Rest of the World	**2,860**	2,910
Total banking business	**30,511**	21,636
Total trading business	**13,968**	12,520
	44,479	34,156

Deposits by banks at 31st December 1997 included £nil due to associated undertakings (1996 £2m). Deposits by banks are mostly over £25,000.

A further analysis of deposits by banks is given within the Deposits section on pages 37 and 38 of the Financial review.

30 Customer accounts

Repayable	1997 £m	1996 £m
on demand	**41,549**	39,192
not more than three months	**59,774**	48,767
over three months but not more than six months	**2,015**	2,782
over six months but not more than one year	**1,527**	1,631
over one year but not more than five years	**2,314**	2,901
over five years	**1,259**	1,291
	108,438	96,564
By geographical area		
Banking business:		
United Kingdom	**76,292**	68,620
Other European Union	**5,230**	6,108
United States	**1,774**	3,384
Rest of the World	**6,351**	5,309
Total banking business	**89,647**	83,421
Total trading business	**18,791**	13,143
	108,438	96,564

By type	1997 £m	1996 £m
In offices in the United Kingdom:		
current and demand accounts - interest free	**8,317**	8,526
current and demand accounts - interest bearing	**10,275**	9,388
savings accounts	**21,802**	21,935
other time deposits - retail	**21,388**	15,776
other time deposits - wholesale	**25,510**	23,085
In offices outside the United Kingdom:		
current and demand accounts - interest free	**1,505**	1,576
current and demand accounts - interest bearing	**1,647**	1,966
savings accounts	**1,067**	958
other time deposits	**16,927**	13,354
	108,438	96,564

There were no balances due to associated undertakings at 31st December 1997 or 31st December 1996.

Deposits in offices in the United Kingdom received from non-residents amounted to £9,914m (1996 £18,185m).

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

A further analysis of customer accounts is provided within the Deposits section on page 37 of the Financial review.

31 Debt securities in issue

	1997 £m	1996 £m
Bonds and medium term notes repayable:		
within one year	**323**	259
one year and over	**1,363**	1,361
	1,686	1,620
Other debt securities in issue repayable:		
not more than three months	**12,077**	7,245
over three months but not more than one year	**5,089**	2,287
over one year but not more than five years	**1,329**	361
over five years	**185**	321
	20,366	11,834

Debt securities at 31st December 1997 included certificates of deposit of £17,027m (1996 £9,771m) and commercial paper of £1,411m (1996 £1,202m). There were no balances due to associated undertakings at 31st December 1997 or 31st December 1996.

32 Other liabilities

	1997 £m	1996 £m
Obligations under finance leases payable:		
not more than one year	**25**	34
over one year but not more than five years	**77**	87
over five years	**189**	203
	291	324
Less: future finance charges	**134**	146
	157	178
Balances arising from off-balance sheet financial instruments	**18,703**	12,341
Short positions in securities	**13,170**	5,526
Current tax	**509**	397
Sundry creditors	**2,448**	2,999
Items in transit	**281**	338
	35,268	21,779

	1997 £m	1996 £m
Short positions in securities comprise:		
Treasury bills and other eligible bills	**987**	1,553
Debt securities - government	**9,449**	3,174
Debt securities - other	**1,321**	257
Equity shares	**1,413**	542
	13,170	5,526

33 Accruals and deferred income

	1997 £m	1996 £m
Accrued interest and commission	**1,643**	1,147
Other accruals and deferred income	**1,914**	1,138
	3,557	2,285

34 Deferred tax

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

	1997 £m	1996 £m
At beginning of year	**725**	617
Exchange and other adjustments	**46**	(68)
Charge to profit and loss account	**(13)**	176
At end of year	**758**	725

Deferred tax at 31st December:		
Leasing transactions	**769**	830
Other timing differences	**(11)**	(105)
	758	725

Potential tax liabilities not provided in the accounts in respect of leasing transactions are computed at estimated future tax rates and amounted to £235m (1996 £252m). No tax is provided on capital gains which might arise on the disposal of Group subsidiary or associated undertakings at their balance sheet amounts. Furthermore, no provision is made for tax on capital gains which might arise on the disposal of properties at their balance sheet amounts, as the Directors are of the opinion that, in view of the substantial number of properties involved and the law relating to rollover relief, the likelihood of any such material tax liability arising is remote and no useful purpose would be served by attempting to quantify it.

35 Other provisions for liabilities and charges

	Contingent liabilities and commitments £m	**Employee pension obligations £m**	**Other £m**	**Total £m**
At beginning of year	**30**	**72**	**297**	**399**
Exchange and other adjustments	**(6)**	**(3)**	**(9)**	**(18)**
Charge to profit and loss account	**4**	**21**	**405**	**430**
Amounts utilised or written off	**(1)**	**(17)**	**(97)**	**(115)**
At end of year	**27**	**73**	**596**	**696**

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

Other provisions include a provision for loss on sale or restructuring of BZW of £283m (1996 nil) and accrued post-retirement health care liabilities of £89m (1996 £71m).

36 Undated loan capital

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

	1997 £m	1996 £m
Convertible to preference shares		
8% Convertible Capital Notes, Series E ($500m)	**304**	292
Non-convertible		
Junior Undated Floating Rate Notes ($170m, 1996 $215m)	**103**	125
Undated Floating Rate Primary Capital Notes Series 1 ($382m, 1996 $403m)	**232**	236
Undated Floating Rate Primary Capital Notes Series 2 ($447m, 1996 $483m)	**272**	282
Undated Floating Rate Primary Capital Notes Series 3	**145**	200
9.875% Undated Subordinated Notes	**300**	300
9% Permanent Interest Bearing Capital Bonds	**100**	100
7.875% Undated Subordinated Notes	**100**	100
6.5% Undated Subordinated Notes (FFr 1,000m)	**101**	-
	1,353	1,343

Security and subordination

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

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

Interest

The Junior Notes, the Undated Floating Rate Primary Capital Notes Series 1 (the Series 1 Notes) and the Undated Floating Rate Primary Capital Notes Series 2 (the Series 2 Notes), bear interest at rates fixed in advance for periods of six months. At 31st December 1997, the rates were $6\frac{1}{16}$% (1996 $5\frac{13}{16}$%) on the Junior Notes, $6\frac{1}{16}$% (1996 $6\frac{1}{8}$%) on the Series 1 Notes and $5\frac{15}{16}$% (1996 $5\frac{13}{16}$%) on the Series 2 Notes. The Undated Floating Rate Primary Capital Notes Series 3 (the Series 3 Notes) bear interest at rates fixed in advance for periods of three months and, at 31st December 1997, the rate was $7\frac{7}{8}$% (1996 $6\frac{9}{16}$%). In each case, interest is fixed at $\frac{1}{4}$% or $\frac{1}{2}$% above rates determined by reference to the London inter-bank market for each interest period. In the case of the Series 3 Notes, the rate will rise to LIBOR plus 70 basis points in October 1999 and LIBOR plus 100 basis points in October 2009.

The interest rates on the 9.875% Undated Subordinated Notes (the 9.875% Notes) and the 7.875% Undated Subordinated Notes (the 7.875% Notes) are fixed until May 2008 and October 2003 respectively. The 6.5% Undated Subordinated Notes (the 6.5% Notes) bear interest at 6.5% until July 2009. After that date the coupon will be FFr PIBOR plus 142 basis points and the rate will be fixed in advance for periods of three months. The interest rates on the 9% Permanent Interest Bearing Capital Bonds (the 9% Bonds) and the 8% Convertible Capital Notes, Series E (the Series E Notes) are fixed for the life of those issues.

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

Interest payable on undated loan capital amounted to £125m (1996 £129m, 1995 £148m).

Repayment and conversion

The Junior Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date. The Series 1 Notes, the Series 2 Notes and the Series 3 Notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The 9.875% Notes are repayable, at the option of the Bank, in whole in May 2008, or on any fifth anniversary thereafter. The 6.5% Notes are repayable, at the option of the Bank, in whole in July 2009, or on any fifth anniversary thereafter. The 9% Bonds are repayable, at the option of the Bank, in whole at any time and the 7.875% Notes are so repayable at any time up to and including October 2003, or on any tenth anniversary thereafter.

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

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

36 Undated loan capital (continued)

During the year, the Bank repurchased £55m of Series 3 Notes and a subsidiary of the Bank purchased $101m of Junior Notes, Series 1 Notes and Series 2 Notes at a discount of $9m (£6m).

A subsidiary of the Bank has contracted to purchase $32m (£19m at 1997 year end exchange rate) of the Junior Notes, Series 1 Notes and Series 2 Notes at a discount of $4m (£3m at 1997 year end exchange rate) for settlement on 27th February 1998.

Closing is expected to take place on 27th February 1998 of an issue by the Bank of Yen 8,000m (£37m at 1997 year end exchange rate) 5.03% Reverse Dual Currency Undated Subordinated Notes. These Notes bear interest until April 2028 at 5.03% based on a US dollar principal amount of $62,992,000 but the coupons have been swapped until then, resulting in an interest rate payable of Yen LIBOR plus 40 basis points and the rate will be fixed in advance for periods of three months. After April 2028 the coupons will be Yen LIBOR plus 132 basis points and the rate will be fixed in advance for periods of six months. These Notes are repayable, at the option of the Bank, in whole in April 2028, or on any fifth anniversary thereafter.

37 Dated loan capital – non-convertible

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

	Repayment terms	1997 £m	1996 £m
The Bank			
10¼% Senior Subordinated Bonds 1997		-	250
12¾% Senior Subordinated Bonds 1997		-	200
8.8% Subordinated Redeemable Bonds 1998 (FFr 600m)		**61**	68
9.5% Subordinated Redeemable Bonds 2001 (FFr 350m)		**35**	39
Floating Rate Unsecured Capital Loan Stock 2006	(a, b)	**4**	4
Floating Rate Subordinated Notes 2006 (DM 350m)	(a)	**118**	132
Floating Rate Subordinated Notes 2006 (Yen 20,000m)	(a)	**93**	101
16% Unsecured Capital Loan Stock 2002/07	(a)	**100**	100
Variable Floating Rate Subordinated Notes 2009 (Yen 5,000m)	(a)	**23**	25
12% Unsecured Capital Loan Stock 2010		**25**	25
Floating Rate Unsecured Capital Loan Stock 2010	(a, c)	**1**	1
Fixed/Floating Rate Subordinated Notes 2011 (Yen 5,000m)	(a)	**23**	25
Floating Rate Subordinated Notes 2012	(a)	**298**	-
Reverse Dual Currency Subordinated Yen Notes 2027 (Yen 15,000m)		**70**	-
Barclays Overseas Investment Company B.V. (BOIC)			
Guaranteed Notes 2007 (Yen 15,000m)	(a)	**70**	76
Barclays North American Capital Corporation (BNACC)			
11⅝% Guaranteed Capital Notes 2003 ($165m)	(a)	**101**	96
10½% Guaranteed Capital Notes 2017		-	72
9¾% Guaranteed Capital Notes 2021 ($311m)	(a)	**189**	182
		1,211	1,396

	1997 £m	1996 £m
Repayable		
not more than one year	**66**	450
over one year but not more than two years	-	68
over two years but not more than five years	**35**	39
over five years	**1,110**	839
	1,211	1,396

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

The Floating Rate Unsecured Capital Loan Stock 2006 bears interest at rates fixed in advance for periods of six months. The Floating Rate Subordinated Notes 2006 (DM), the Floating Rate Subordinated Notes 2006 (Yen), the Variable Floating Rate Subordinated Notes 2009, the Floating Rate Unsecured Capital Loan Stock 2010 and the Floating Rate Subordinated Notes 2012 bear interest at rates fixed in advance for periods of three months.

37 Dated loan capital – non-convertible (continued)

At 31st December 1997, the rates in force were $7^1/_2$% (1996 $6^1/_2$%) on the Floating Rate Unsecured Capital Loan Stock 2006, 3.825% (1996 3.325%) on the Floating Rate Subordinated Notes 2006 (DM), 0.63125% (1996 0.58828%) on the Floating Rate Subordinated Notes 2006 (Yen), 0.7875% (1996 0.60098%) on the Variable Floating Rate Subordinated Notes 2009, $7^1/_2$% (1996 $6^7/_{16}$%) on the Floating Rate Unsecured Capital Loan Stock 2010 and 7.92656% on the Floating Rate Subordinated Notes 2012. The coupon on the Floating Rate Subordinated Notes 2006 (DM) is DM LIBOR plus 20 basis points, increasing in July 2001 to DM LIBOR plus 70 basis points. The coupon on the Floating Rate Subordinated Notes 2006 (Yen) is Yen LIBOR plus 10 basis points, increasing in October 2001 to Yen LIBOR plus 60 basis points. The coupon on the Variable Floating Rate Subordinated Notes 2009 is Yen LIBOR plus 10 basis points, increasing in September 2004 to Yen LIBOR plus 60 basis points and further increasing in December 2006 to Yen LIBOR plus 110 basis points. The Fixed/Floating Rate Subordinated Notes 2011 bear interest at 3.09% until 5th December 2006. After that date the coupon will be Yen LIBOR plus 110 basis points and the rate will be fixed in advance for periods of six months.

The Reverse Dual Currency Subordinated Yen Notes 2027 bear interest at 5.4% based on a US dollar principal amount of $130,867,222.22 but the coupons have been swapped, resulting in an interest rate payable of Yen LIBOR plus 10 basis points (0.60781% at 31st December 1997) and the rate is fixed in advance for periods of three months.

The coupons of the Guaranteed Notes 2007 have been swapped until March 2002, resulting in an interest rate payable until then of Yen LIBOR plus 40 basis points (1.15% at 31st December 1997, 0.83359% at 31st December 1996). After that date, the coupon will be Yen LIBOR plus 115 basis points. Both rates are fixed in advance for periods of three months.

Interest payable on loan capital with a final maturity within five years amounted to £56m (1996 £66m, 1995 £67m).

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

During the year, the Bank repaid all the $10^1/_4$% Senior Subordinated Bonds 1997 and the $12^3/_4$% Senior Subordinated Bonds 1997 upon maturity and BNACC redeemed all the $10^1/_2$% Guaranteed Capital Notes 2017 at a premium of $6m (£4m).

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 1997 is redeemable only on maturity subject, in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law.

(a) Repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole.
(b) Holders of the Floating Rate Unsecured Capital Loan Stock 2006 have certain cumulative rights to call for redemption of their holdings.
(c) Holders of the Floating Rate Unsecured Capital Loan Stock 2010 have certain rights to call for the redemption of their holdings.

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

38 Other subordinated liabilities – non-convertible

Repayable	1997 £m	1996 £m
over two years but not more than five years	**59**	56

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

39 Called up share capital

The authorised share capital of Barclays PLC is £2,000m (1996 £2,000m), comprising 1,999 million (1996 1,999 million) ordinary shares of £1 each and 1 million (1996 1 million) staff shares of £1 each.

Called up share capital, allotted and fully paid	1997 £m	1996 £m	1995 £m
Ordinary shares:			
At beginning of year	**1,541**	1,622	1,635
Issued to staff under the SAYE Share Option Scheme (see below)	**12**	10	7
Issued under Share Dividend Scheme	**5**	3	4
Issued under Executive Share Option Scheme	**1**	1	1
Repurchase of shares	**(30)**	(95)	(25)
At end of year	**1,529**	1,541	1,622
Staff shares	**1**	1	1
	1,530	1,542	1,623

39 Called up share capital (continued)

49.3 million (1996 56.8 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.2 million (1996 3.7 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for ordinary shares between 1998 and 2007, at prices ranging from 272p to 1388p per share.

In 1997, the Company repurchased ordinary shares with a nominal value of £30m at a total cost of £351m. In 1996, ordinary shares with a nominal value of £95m were repurchased at a total cost of £781m.

40 Shareholders' funds

	Consolidated	Barclays PLC	Associated undertakings
	£m	£m	£m
At beginning of year	**7,267**	**7,267**	**36**
Proceeds of shares issued (net of expenses)	**113**	**113**	**-**
Exchange rate translation differences	**(101)**	**-**	**(19)**
Repurchase of ordinary shares	**(351)**	**(351)**	**-**
Goodwill written back on disposals	**126**	**-**	**-**
Revaluation of investment in subsidiary undertaking	**-**	**240**	**-**
Other items	**(1)**	**-**	**5**
Profit retained	**567**	**351**	**4**
At end of year	**7,620**	**7,620**	**26**

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

The reduction in consolidated shareholders' funds of £101m arising from exchange rate translation differences is net of a related tax credit of £25m.

41 Investment in Barclays Bank PLC

The investment in Barclays Bank PLC is stated in the balance sheet at Barclays PLC's share of the book value of the net assets of Barclays Bank PLC. The net increase of £353m during the year comprised the cost of additional shares of £113m and an increase of £240m in other net assets of Barclays Bank PLC. The cost of the investment was £3,393m (1996 £3,280m).

Details of principal subsidiary undertakings, held through Barclays Bank PLC, are shown in note 46.

42 Leasing activities

Aggregate amounts received and receivable during the year under finance leases were £824m (1996 £944m, 1995 £1,151m), including interest income of £527m (1996 £512m, 1995 £480m).

43 Assets and liabilities denominated in sterling and foreign currencies

	1997	1996
	£m	£m
Denominated in sterling	**106,673**	111,175
Denominated in currencies other than sterling	**127,984**	74,827
Total assets	**234,657**	186,002
Denominated in sterling	**107,936**	115,311
Denominated in currencies other than sterling	**126,721**	70,691
Total liabilities	**234,657**	186,002

44 Assets pledged to secure liabilities

At 31st December 1997, the amount of assets pledged to secure liabilities, primarily in respect of settlement and payment systems, was £1,515m (1996 £999m). The secured liabilities outstanding amounted to £8,091m (1996 £2,821m).

45 Future rental commitments under operating leases

At 31st December 1997, the Group held various leases on land and buildings, many for extended periods, and other leases for equipment.

	1997 Property £m	1997 Equipment £m	1996 Property £m	1996 Equipment £m
Annual commitments under non-cancellable operating leases expiring:				
not more than one year	**4**	**-**	3	1
over one year but not more than five years	**23**	**2**	18	-
over five years	**135**	**-**	141	-
	162	**2**	162	1

The following aggregate rental payments outstanding at 31st December 1997 fall due as follows:

	Year ended 31st December 1998 £m	1999 £m	2000 £m	2001 £m	2002 £m	Total thereafter £m
Aggregate rental payments	162	160	166	168	167	1,936

The rentals for leasehold land, buildings and equipment, included in operating expenses for the year ended 31st December 1997, amounted to £252m (1996 £227m, 1995 £244m).

46 Principal subsidiary undertakings

Country of registration or incorporation		Percentage of equity capital held
England	Barclays Bank PLC - ordinary shares	100*
England	Barclays Private Bank Limited	100*
England	Barclays Mercantile Business Finance Limited	100
England	Barclays Asset Management Limited	100*
England	Barclays Global Investors Limited	100*
Guernsey	Barclays Finance Company (Guernsey) Limited	100
Jersey	Barclays Bank Finance Company (Jersey) Limited	100
Jersey	Barclays Private Bank and Trust Limited	100*
Isle of Man	Barclays Finance Company (Isle of Man) Limited	100
Italy	Barclays Financial Services Italia SpA	100
France	BZW France SA	100
Spain	Barclays Bank SA	99.6
Botswana	Barclays Bank of Botswana Limited	74.9
Kenya	Barclays Bank of Kenya Limited	68.5
Zimbabwe	Barclays Bank of Zimbabwe Limited	65.7*
USA	BZW Securities, Inc.	100*
Switzerland	Barclays Bank (Suisse) SA	100*
Japan	Barclays Capital Japan Limited	50*

The country of registration or incorporation is also the principal area of operation for each of the above undertakings. Investments in these undertakings are held directly by Barclays Bank PLC except where marked *. Barclays Bank PLC also has in issue 34,920,000 (1996 34,920,000) non-cumulative dollar-denominated preference shares of $0.01 each, none of which are held by Barclays PLC.

In 1992, the Group acquired a 100% interest in Imry Holdings Limited (Imry), a company registered in England, as a result of enforcing security against a loan to Chester Holdings (UK) Limited, the parent company of Imry. The interest was held exclusively with a view to subsequent resale and therefore was not consolidated. The assets of Imry Holdings Limited have been sold in two parts. The first resulted in a provision release of £25m in March 1997, which was reported in the first half results. A second sale was agreed in December 1997 and is due to be completed in February 1998. This transfers Imry's remaining significant assets to a joint venture in which the Group has a 50% interest. This transaction resulted in a provision release of £19m in December 1997. The companies which own the assets were still within the ownership of the Group at 31st December 1997 but have not been consolidated pending disposal or liquidation. Had Imry been consolidated in 1996 or 1997, there would have been no material effect on total assets, shareholders' funds or profit before tax of the Group.

Imry's accounts are made up to 31st March. At 31st December 1997, the unaudited consolidated capital and reserves of Imry (including the Imry Jersey Limited preference shares held by the Group) amounted to £71m (1996 £81m) and its total assets amounted to £74m (1996 £326m). The unaudited profit before taxation of Imry for the 12 months ended 31st December was £15m (1996 loss £1m, 1995 profit £8m). There were outstandings of £nil (1996 £94m) due to the Group, secured by a fixed and floating charge on the assets of Imry. Interest payments by Imry to the Bank in the year amounted to £3m (1996 £7m). Except as noted above, there were no other material transactions between Imry and the Group during the year.

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

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

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

The following table summarises the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk as at 31st December 1997.

	1997 Contract or underlying principal amount £m	1996 Contract or underlying principal amount £m
Contingent liabilities		
Acceptances and endorsements	**1,602**	647
Guarantees and assets pledged as collateral security	**6,623**	5,425
Other contingent liabilities	**5,123**	4,741
Off-balance sheet credit risk	**13,348**	10,813
Commitments		
Commitments arising out of sale and option to resell transactions	**-**	2
Other commitments:		
documentary credits and other short-term trade related transactions	**495**	622
forward asset purchases and forward forward deposits placed	**112**	144
undrawn note issuance and revolving underwriting facilities	**29**	328
undrawn formal standby facilities, credit lines and other commitments to lend:		
over one year	**12,020**	10,828
in one year or less	**46,465**	35,221
Off-balance sheet credit risk	**59,121**	47,145

As an active participant in international banking markets, the Group has a significant concentration of off-balance sheet items with financial institutions, as shown in note 63.

Nature of instruments

For a description of the nature of derivative financial instruments, see pages 60 to 62 of the Financial review.

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

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

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

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

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

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

Accounting for derivatives

The Group's policies for accounting for derivatives and credit related instruments are set out on page 90.

Risks

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

Cash requirements

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

For a further description of the nature and management of credit risks and market risks, see Risk management and Treasury asset and liability management on pages 40 and 62 of the Financial review.

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

The tables set out below analyse the contract or underlying principal amounts and positive and negative balance sheet fair values of derivative financial instruments held or issued for trading purposes.

	1997 Contract or underlying principal amount £m	1997 Year end Positive fair value £m	1997 Year end Negative fair value £m	1997 Average Positive fair value £m	1997 Average Negative fair value £m
Foreign exchange derivatives					
Forward foreign exchange	331,861	7,077	7,117	5,137	5,254
Currency swaps	52,972	3,041	3,056	2,293	2,263
OTC options bought and sold	177,302	1,870	1,912	1,511	1,316
Other foreign exchange contracts	110	-	-	-	-
OTC derivatives	562,245	11,988	12,085	8,941	8,833
Exchange traded futures - bought and sold	-	-	-	-	-
Exchange traded options - bought and sold	342	-	-	-	-
Total	562,587	11,988	12,085	8,941	8,833
Interest rate derivatives					
Swaps	604,354	11,561	12,168	10,317	11,014
Forward rate agreements	131,144	79	72	74	69
OTC options bought and sold	138,088	863	973	943	889
Other interest rate contracts	28	-	-	-	-
OTC derivatives	873,614	12,503	13,213	11,334	11,972
Exchange traded futures - bought and sold	156,338	-	-	-	1
Exchange traded options - bought and sold	20,987	-	-	-	1
Total	1,050,939	12,503	13,213	11,334	11,974
Equity and stock index derivatives					
OTC options bought and sold	16,169	769	1,271	577	912
Equity swaps and forwards	1,380	77	77	53	54
OTC derivatives	17,549	846	1,348	630	966
Exchange traded futures - bought and sold	5,219	-	-	-	-
Exchange traded options - bought and sold	6,505	224	487	242	291
Total	29,273	1,070	1,835	872	1,257
Commodity derivatives					
OTC options bought and sold	758	59	39	26	19
Commodity swaps and forwards	6,066	305	335	284	338
OTC derivatives	6,824	364	374	310	357
Exchange traded futures - bought and sold	9,194	435	432	382	366
Exchange traded options - bought and sold	113	3	3	4	2
Total	16,131	802	809	696	725
Total trading derivatives		26,363	27,942		
Effect of netting		(9,239)	(9,239)		
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 26 and 32)		17,124	18,703		

Collateral held that reduced credit risk in respect of derivative instruments at 31st December 1997, but did not meet the offset criteria, amounted to £nil.

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

	1996 Contract or underlying principal amount £m	1996 Year end Positive fair value £m	1996 Year end Negative fair value £m	1996 Average Positive fair value £m	1996 Average Negative fair value £m
Foreign exchange derivatives					
Forward foreign exchange	275,593	4,819	4,970	3,160	3,427
Currency swaps	41,284	1,745	1,599	1,486	1,403
OTC options bought and sold	77,756	693	779	388	466
Other foreign exchange contracts	649	1	3	3	4
OTC derivatives	395,282	7,258	7,351	5,037	5,300
Exchange traded futures - bought and sold	89	-	1	-	1
Exchange traded options - bought and sold	-	-	-	-	-
Total	395,371	7,258	7,352	5,037	5,301
Interest rate derivatives					
Swaps	477,582	9,792	10,337	10,142	10,432
Forward rate agreements	101,679	100	72	120	121
OTC options bought and sold	131,223	1,005	849	786	720
Other interest rate contracts	44	-	-	-	-
OTC derivatives	710,528	10,897	11,258	11,048	11,273
Exchange traded futures - bought and sold	117,510	2	1	1	1
Exchange traded options - bought and sold	21,936	-	-	-	-
Total	849,974	10,899	11,259	11,049	11,274
Equity and stock index derivatives					
OTC options bought and sold	17,846	463	738	495	638
Equity swaps and forwards	1,023	29	31	26	29
OTC derivatives	18,869	492	769	521	667
Exchange traded futures - bought and sold	3,758	-	-	-	-
Exchange traded options - bought and sold	6,760	88	65	203	207
Total	29,387	580	834	724	874
Commodity derivatives					
OTC options bought and sold	278	9	2	1	2
Commodity swaps and forwards	3,567	132	122	108	112
OTC derivatives	3,845	141	124	109	114
Exchange traded futures - bought and sold	11,189	435	413	376	363
Exchange traded options - bought and sold	459	4	5	9	6
Total	15,493	580	542	494	483
Total trading derivatives		19,317	19,987		
Effect of netting		(7,646)	(7,646)		
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 26 and 32)		11,671	12,341		

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

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

The following table, which includes only the derivative components of the Group's hedging programme, summarises the nominal values, fair values and book values of derivatives held for the purpose of managing non-trading exposures. Included in the amounts below were £6,599m (1996 £4,247m) contract amount of foreign exchange derivatives and £65,449m (1996 £58,917m) of interest rate derivatives which were made for asset and liability management purposes with independently managed dealing units of the Group.

	1997 Contract or underlying principal amount £m	1997 Positive fair value £m	1997 Negative fair value £m	1997 Positive book value £m	1997 Negative book value £m	1996 Contract or underlying principal amount £m	1996 Positive fair value £m	1996 Negative fair value £m
Foreign exchange derivatives								
Forward foreign exchange	**5,415**	**124**	**63**	**77**	**19**	2,377	24	9
Currency swaps	**4,866**	**383**	**63**	**32**	**6**	3,261	18	72
OTC options bought and sold	**102**	**-**	**-**	**-**	**-**	12	-	-
OTC derivatives	**10,383**	**507**	**126**	**109**	**25**	5,650	42	81
Exchange traded options-bought and sold	**4**	**-**	**-**	**-**	**-**	-	-	-
Total	**10,387**	**507**	**126**	**109**	**25**	5,650	42	81
Interest rate derivatives								
Swaps	**60,368**	**634**	**537**	**599**	**580**	59,057	417	482
Forward rate agreements	**7,475**	**2**	**2**	**1**	**-**	8,676	5	2
OTC options bought and sold	**304**	**3**	**-**	**-**	**-**	398	3	-
Other interest rate related contracts	**64**	**1**	**-**	**-**	**-**	116	2	-
OTC derivatives	**68,211**	**640**	**539**	**600**	**580**	68,247	427	484
Exchange traded futures - bought and sold	**5,430**	**-**	**-**	**-**	**-**	4,154	-	-
Exchange traded options - bought and sold	**28**	**-**	**-**	**-**	**-**	-	-	-
Total	**73,669**	**640**	**539**	**600**	**580**	72,401	427	484
Equity, stock index and commodity derivatives	**16**	**-**	**-**	**-**	**-**	198	84	81

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

	One year or less £m	Over one year but not more than five years £m	Over five years £m	Total £m
£/Japanese Yen	**69**	**2,586**	**61**	**2,716**
£/French Franc	**44**	**1,038**	**486**	**1,568**
US Dollar/Italian Lira	**1,320**	**-**	**-**	**1,320**
£/US Dollar	**886**	**63**	**116**	**1,065**
US Dollar/South African Rand	**725**	**-**	**-**	**725**
£/Deutsche Mark	**56**	**213**	**78**	**347**
Deutsche Mark/Japanese Yen	**155**	**88**	**21**	**264**
US Dollar/Deutsche Mark	**240**	**17**	**-**	**257**
£/Irish Punt	**196**	**-**	**-**	**196**
£/Italian Lira	**7**	**30**	**141**	**178**
US Dollar/Japanese Yen	**13**	**57**	**103**	**173**
US Dollar/French Franc	**95**	**63**	**-**	**158**
Other	**1,317**	**22**	**77**	**1,416**
Total	**5,123**	**4,177**	**1,083**	**10,383**

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

The residual maturity analysis of the underlying principal amounts of OTC and exchange traded derivatives held for trading purposes or asset and liability management purposes at 31st December 1997 is set out below:

	One year or less	Over one year but not more than five years	Over five years	Total
	£m	£m	£m	£m
Foreign exchange derivatives				
Forward foreign exchange	**330,041**	**6,668**	**567**	**337,276**
Currency swaps	**17,659**	**30,318**	**9,861**	**57,838**
OTC options bought and sold	**173,536**	**3,868**	**-**	**177,404**
Other foreign exchange contracts	**86**	**24**	**-**	**110**
OTC derivatives	**521,322**	**40,878**	**10,428**	**572,628**
Exchange traded options - bought and sold	**346**	**-**	**-**	**346**
Total	**521,668**	**40,878**	**10,428**	**572,974**
Interest rate derivatives				
Swaps	**208,664**	**317,629**	**138,429**	**664,722**
Forward rate agreements	**98,409**	**40,210**	**-**	**138,619**
OTC options bought and sold	**42,225**	**75,580**	**20,587**	**138,392**
Other interest rate contracts	**28**	**-**	**64**	**92**
OTC derivatives	**349,326**	**433,419**	**159,080**	**941,825**
Exchange traded futures - bought and sold	**160,564**	**1,192**	**12**	**161,768**
Exchange traded options - bought and sold	**20,999**	**16**	**-**	**21,015**
Total	**530,889**	**434,627**	**159,092**	**1,124,608**
Equity and stock index derivatives				
OTC options bought and sold	**8,132**	**8,037**	**1**	**16,170**
Equity swaps and forwards	**1,377**	**3**	**-**	**1,380**
OTC derivatives	**9,509**	**8,040**	**1**	**17,550**
Exchange traded futures - bought and sold	**5,231**	**-**	**-**	**5,231**
Exchange traded options - bought and sold	**4,278**	**2,216**	**14**	**6,508**
Total	**19,018**	**10,256**	**15**	**29,289**
Commodity derivatives				
OTC options bought and sold	**742**	**16**	**-**	**758**
Commodity swaps and forwards	**5,394**	**649**	**23**	**6,066**
OTC derivatives	**6,136**	**665**	**23**	**6,824**
Exchange traded futures - bought and sold	**8,710**	**484**	**-**	**9,194**
Exchange traded options - bought and sold	**113**	**-**	**-**	**113**
Total	**14,959**	**1,149**	**23**	**16,131**

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

The residual maturity and counterparty analyses of the net replacement cost of OTC and non-margined exchange traded derivatives held for trading purposes or asset and liability management purposes at 31st December 1997 are as follows:

	Not more than one year	Over one year but not more than five years	Over five years	Total
	£m	£m	£m	£m
Foreign exchange derivatives	**8,030**	**1,022**	**350**	**9,402**
Interest rate derivatives	**1,093**	**2,288**	**2,735**	**6,116**
Equity and stock index derivatives	**534**	**536**	**-**	**1,070**
Commodity derivatives	**621**	**31**	**-**	**652**
	10,278	**3,877**	**3,085**	**17,240**

Net replacement cost analysed by counterparty as follows:	
Central banks	**1,622**
Banks, building societies and other financial institutions	**11,549**
Other corporate and public bodies	**4,069**
	17,240

48 Legal proceedings

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

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

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

	1997 £m	1996 £m	1995 £m
Operating profit	**2,160**	2,236	1,779
Provisions for bad and doubtful debts	**227**	215	396
Depreciation and amortisation	**266**	295	331
Net increase/(decrease) in accrued expenditure and prepayments	**729**	107	(93)
Provisions for contingent liabilities and commitments	**4**	9	3
Interest on dated and undated loan capital and other subordinated liabilities	**265**	268	298
Associated undertakings - profit included	**(16)**	(23)	(26)
- dividends received	**7**	6	10
Increase in shareholders' interest in the long-term assurance fund	**(19)**	(61)	(54)
Profit on redemption/repurchase of loan capital	**(2)**	(32)	-
Net decrease/(increase) in net interest and commission receivable	**70**	(107)	(109)
Net profit on disposal of investments and fixed assets	**(104)**	(23)	(36)
Other non-cash movements	**(20)**	(49)	(48)
	3,567	2,841	2,451
Net change in items in transit and items in course of collection	**580**	(898)	364
Net increase/(decrease) in other credit balances	**14,285**	(342)	2,869
Net increase in loans and advances to banks and customers	**(21,324)**	(12,240)	(2,143)
Net increase/(decrease) in deposits and debt securities in issue	**33,695**	22,411	(1,775)
Net (increase)/decrease in other assets	**(5,516)**	(2,713)	91
Net increase in other debt securities and equity shares	**(14,527)**	(6,851)	(1,834)
Net (increase)/decrease in treasury and other eligible bills	**(1,821)**	2,394	(294)
Other non-cash movements	**47**	112	43
Net cash inflow/(outflow) from operating activities	**8,986**	4,714	(228)

50 Sale of Group undertakings during the year

	1997 £m	1996 £m	1995 £m
Goodwill written off	**23**	-	5
Advances and other accounts	**1,183**	816	1,637
Deposits and other borrowings	**(1,139)**	(780)	(42)
Net assets disposed of	**67**	36	1,600
Net profit on disposal	**12**	11	212
	79	47	1,812
Less: Deferred consideration	**(29)**	-	-
Settled by net cash received	**50**	47	1,812

The above excludes the provision for the sale of former BZW businesses as no assets or liabilities were disposed of as at 31st December 1997.

In 1995, intra-group liabilities of £1,314m were repaid from part of the proceeds of the sale of the business of Barclays Business Credit.

51 Changes in financing during the year

The following table does not include a further £321m paid in respect of the repurchase of 30.35 million ordinary shares.

	Undated loan capital	Dated loan capital	Other subordinated liabilities	Ordinary shares	Barclays Bank PLC preference shares	Share premium
Barclays PLC	£m	£m	£m	£m	£m	£m
At beginning of year	**1,635**	**1,396**	**56**	**1,542**	**255**	**1,186**
Exchange rate and other movements	**38**	**(37)**	**3**	**-**	**10**	**-**
(Profit)/loss on redemption/repurchase of loan capital	**(6)**	**4**	**-**	**-**	**-**	**-**
Net cash (outflow)/inflow from financing	**(10)**	**(152)**	**-**	**(12)**	**-**	**95**
At end of year	**1,657**	**1,211**	**59**	**1,530**	**265**	**1,281**

52 Analysis of cash balances

	31.12.97 £m	Change £m	31.12.96 £m	Change £m	31.12.95 £m	Change £m	31.12.94 £m
Cash and balances at central bank	**750**	**21**	729	(38)	767	(33)	800
Loans and advances to other banks repayable on demand	**908**	**(50)**	958	(846)	1,804	(3,444)	5,248
	1,658	**(29)**	1,687	(884)	2,571	(3,477)	6,048

	1997 £m	1997 £m	1996 £m	1996 £m	1995 £m	1995 £m
Balance at beginning of year		**1,687**		2,571		6,048
Net increase/(decrease) in cash before the effect of exchange rate movements	**44**		(764)		(3,512)	
Effect of exchange rate movements	**(73)**		(120)		35	
		(29)		(884)		(3,477)
Balance at end of year		**1,658**		1,687		2,571

53 Analysis of the net outflow of cash in respect of the purchase of subsidiary undertakings

	1997 £m	1996 £m
Cash consideration	**-**	16
Cash at bank and in hand acquired	**-**	(3)
Net outflow of cash in respect of the purchase of subsidiary undertakings	**-**	13

54 Acquisitions

The Group made no significant acquisitions in 1997.

55 Related party transactions

a) Subsidiary undertakings

Details of the principal subsidiary companies are shown in note 46. In accordance with FRS 8, transactions or balances between Group entities that have been eliminated on consolidation are not reported. Transactions in relation to the Imry Group are set out in note 46.

b) Associated undertakings and joint ventures

The Group provides certain banking and financial services for associated undertakings and joint ventures. These are conducted on similar terms to third party transactions and are not material to the Group's results. Details of lendings to associated undertakings and joint ventures are set out in note 17.

c) Pension funds, unit trusts and investment funds

The Group provides a number of normal banking and financial services for the Barclays Bank pension funds (principally The Barclays Bank UK Retirement Fund), and also for unit trusts and investment funds managed by Group companies which are conducted on similar terms to third party transactions and are not material to the Group.

d) Directors

Details of Directors' emoluments are set out in note 56 and in the Report of the Remuneration and Nominations Committee on pages 78 to 84. Details of transactions between Directors and the Group are set out in note 58.

56 Directors' emoluments and other benefits

The aggregate emoluments and other benefits of the Directors of Barclays PLC set out below are disclosed in accordance with Part I of Schedule 6 to the Companies Act 1985.

	1997 £000	1996 £000
Aggregate emoluments	**4,270**	6,319
Gains made on the exercise of share options	**2,197**	489
Amounts paid under long-term incentive schemes	**762**	49
Notional pension contributions to money purchase schemes (1997 and 1996: 2 Directors)	**477**	186

5 Directors have retirement benefits accruing under a defined benefit scheme (1996: 7 directors). In addition, pensions in respect of management services of former Directors amount to £140,142 (1996 £136,433).

As described on page 84, the amount paid under long-term incentive schemes in 1997 represents a payment to Mr Taylor related to the market price of Barclays PLC ordinary shares. The proceeds, net of tax, were used to fund the exercise of share options resulting in a gain of £539,350, which is unrealised as Mr Taylor has retained the shares concerned.

Of the other figures in the table above, the amounts attributable to the highest paid Director (Mr Taylor) (1996 Mr Harrison) are as follows:

	1997 £000	1996 £000
Aggregate emoluments	**976**	3,002
Notional pension contribution to money purchase schemes	**202**	110
Defined benefit scheme: accrued pension at year end	**6**	-

Further information on Directors' emoluments, shareholdings and options is given in the Report of the Remuneration and Nominations Committee on behalf of the Board on pages 78 to 84.

57 Directors' and officers' shareholdings and options

Directors' interests in ordinary shares of Barclays PLC

	At 1st January 1997*		At 31st December 1997	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Executive				
ARF Buxton	44,233	9,000	50,589	23,000
WJ Gordon	13,754	-	15,538	27,912
Sir Peter Middleton	3,992	-	6,192	-
OHJ Stocken	3,304	-	53,307	-
JM Taylor	4,409	-	115,033	-
Non-executive				
TDG Arculus	-	-	1,709	-
ME Baker	3,120	-	3,120	-
PJ Jarvis	1,034	-	1,053	-
Lord Lawson	2,219	-	2,261	-
Sir Nigel Mobbs	10,391	10,281	10,391	10,281
J Peelen	611	-	622	-
Sir Nigel Rudd	1,000	-	1,000	-

* Or date appointed to the Board if later.

Beneficial interests in the table above represent shares held by Directors, either directly or through a nominee, their spouses and children under eighteen. They include any interests held through the UK profit sharing scheme, but do not include interests under the Barclays Group Performance Share Plan and the Executive Share Award Scheme which are administered by the Trustees of the Barclays Group Employees' Benefit Trusts. Details of Directors' participation in the Barclays Group Performance Share Plan are given in the Report of the Remuneration and Nominations Share Committee on behalf of the Board on pages 78 to 84. Details of shares provisionally allocated to Directors under the Executive Award Scheme are set out below. At 31st December 1997, executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 6,537,562 Barclays PLC ordinary shares (1st January 1997: 1,724,637) held by the Barclays Group Employees' Benefit Trusts.

The beneficial ownership of the ordinary share capital of Barclays PLC by all Directors and officers of Barclays PLC and Barclays Bank PLC as a group (involving 22 persons) at 31st December 1997 amounted to 294,290 £1 ordinary shares (0.02% of ordinary share capital outstanding).

Share options

Executive Directors have been granted options to purchase Barclays PLC ordinary shares under the Executive Share Option Scheme and certain executive Directors also participate in the SAYE Share Option Scheme.

The Executive Share Option Scheme is a long-term incentive scheme and is currently available by invitation to certain senior executives, with grants usually made annually being approved by the Board on the recommendation of the Remuneration and Nominations Committee in consultation with the Chairman and Chief Executive. From 1996, options granted to other eligible executives will only be exercisable if the relevant performance condition set by the Remuneration and Nominations Committee has been satisfied. The performance condition attached to options granted in 1996 was that such options will only be exercisable if the growth in earnings per share of the Company over a three year period exceeds the growth in the Retail Prices Index by at least two percentage points per annum over the period as a whole. Options are issued at the market price at the date of the grant, calculated in accordance with the rules of the Scheme, without any discount and are normally exercisable between three and ten years from that date. There are currently 344 executive Directors and past and present employees who hold options under the Scheme. Executive Directors and senior executives who receive an award in any year under the Barclays Group Performance Share Plan will not normally be granted options under the Executive Share Option Scheme in that year.

Executive Directors and officers of Barclays PLC as a group (involving 15 persons) held, at 31st December 1997, options to purchase 1,045,631 Barclays PLC £1 ordinary shares at prices ranging from 272p to 1267p under the SAYE Share Option Scheme and ranging from 301p to 1388p under the Executive Share Option Scheme, exercisable in the period from 1998 to 2006. Further details of Directors' holdings of options are given in the Report of the Remuneration and Nominations Committee.

On 26th January 1998, Mr Stocken acquired 1,102 shares and, on 9th February 1998, Mr Gordon acquired 1,102 shares, through exercising options under the SAYE Share Option Scheme. There were no other changes in any of the Directors' interests in shares shown above between 31st December 1997 and 16th February 1998.

57 Directors' and officers' shareholdings and options (continued)

Cumulative total of ordinary shares provisionally allocated to Directors under the Executive Share Award Scheme

Executive Directors	Cumulative number of shares at 31st December 1997
ARF Buxton	**27,905**
WJ Gordon	**16,372**
Sir Peter Middleton	**21,643**
OHJ Stocken	**32,113**
JM Taylor	**24,423**

Note
The allocations do not include provisional allocations of bonus shares or dividend entitlements. In February 1997, payments to fund purchases of shares were made to the Barclays Group Employees' Benefit Trust and 6 provisional allocations in respect of 40,748 shares were made to Directors in respect of awards accrued and reported as emoluments in 1996.

58 Contracts with Directors and connected persons and with senior executives

The aggregate amounts outstanding at 31st December 1997 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were during the year, Directors of Barclays PLC and persons connected with them and for senior executives, within the meaning of the Banking Act 1987, of Barclays Bank PLC were:

	Number of Directors or senior executives	Number of connected persons	Amount £000
Directors			
Loans	**4**	**1**	**223**
Quasi-loans and credit card accounts	**11**	**7**	**387**
Senior executives			
Loans	**22**	-	**3,597**
Quasi-loans and credit card accounts	**24**	-	**40**

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.

59 Segmental analysis

By geographical segments (a, b)	1997 £m	1997 %	1996 £m	1996 %	1995 £m	1995 %
Interest receivable						
United Kingdom	**6,522**	**71**	6,014	69	6,108	66
Foreign UK-based	**552**	**6**	597	7	588	6
Other European Union	**921**	**10**	1,092	12	1,330	15
United States	**528**	**6**	394	5	488	5
Rest of the World	**604**	**7**	633	7	695	8
	9,127	**100**	8,730	100	9,209	100
Fees and commissions receivable						
United Kingdom	**2,267**	**71**	2,224	70	2,202	74
Foreign UK-based	**55**	**2**	39	1	38	1
Other European Union	**238**	**7**	275	9	257	9
United States	**260**	**8**	256	8	115	4
Rest of the World	**377**	**12**	374	12	357	12
	3,197	**100**	3,168	100	2,969	100
Dealing profits						
United Kingdom	**108**	**28**	262	63	283	70
Foreign UK-based	**190**	**51**	88	21	93	23
Other European Union	**2**	**1**	16	4	14	3
United States	**17**	**5**	20	5	(11)	(2)
Rest of the World	**57**	**15**	28	7	25	6
	374	**100**	414	100	404	100
Other operating income						
United Kingdom	**86**	**43**	148	60	146	63
Other European Union	**59**	**30**	56	23	31	13
United States	**16**	**8**	17	7	26	11
Rest of the World	**39**	**19**	27	10	29	13
	200	**100**	248	100	232	100
Gross income						
United Kingdom	**8,983**	**70**	8,648	69	8,739	68
Foreign UK-based	**797**	**6**	724	6	719	6
Other European Union	**1,220**	**10**	1,439	11	1,632	13
United States	**821**	**6**	687	6	618	5
Rest of the World	**1,077**	**8**	1,062	8	1,106	8
	12,898	**100**	12,560	100	12,814	100
Profit/(loss) on ordinary activities before tax						
United Kingdom	**1,113**	**65**	1,797	78	1,548	77
Foreign UK-based	**289**	**17**	205	9	155	7
Other European Union	**118**	**7**	(22)	(1)	(266)	(13)
United States	**96**	**5**	175	7	440	22
Rest of the World	**100**	**6**	151	7	140	7
	1,716	**100**	2,306	100	2,017	100
Attributable profit/(loss)						
United Kingdom	**723**	**64**	1,297	79	1,089	80
Foreign UK-based	**179**	**16**	148	9	104	7
Other European Union	**107**	**9**	(19)	(1)	(195)	(14)
United States	**62**	**6**	121	7	280	21
Rest of the World	**59**	**5**	92	6	86	6
	1,130	**100**	1,639	100	1,364	100

59 Segmental analysis (continued)

	1997 £m	1997 %	1996 £m	1996 %	1995 £m	1995 %
Total assets						
United Kingdom	**148,182**	**63**	135,101	72	112,000	66
Foreign UK-based	**18,303**	**8**	9,308	5	11,222	7
Other European Union	**19,872**	**8**	18,448	10	19,484	12
United States	**25,667**	**11**	12,551	7	15,697	9
Rest of the World	**22,633**	**10**	10,594	6	10,423	6
	234,657	**100**	186,002	100	168,826	100
Net assets						
United Kingdom	**5,914**	**74**	5,852	77	5,377	73
Foreign UK-based	**371**	**5**	260	3	173	2
Other European Union	**530**	**7**	513	7	684	9
United States	**637**	**8**	532	7	650	9
Rest of the World	**494**	**6**	430	6	486	7
	7,946	**100**	7,587	100	7,370	100
By class of business (a, c)						
Gross income						
Commercial banking activities	**9,033**	**70**	8,850	70	9,782	76
Investment banking and asset management activities	**3,804**	**30**	3,498	28	2,829	22
Group central functions	**61**	**-**	212	2	203	2
	12,898	**100**	12,560	100	12,814	100
Profit/(loss) on ordinary activities before tax						
Commercial banking activities	**2,155**	**126**	2,268	98	2,031	101
Investment banking and asset management activities	**(322)**	**(19)**	168	7	125	6
Group central functions	**(117)**	**(7)**	(130)	(5)	(139)	(7)
	716	**100**	2,306	100	2,017	100
Total assets						
Commercial banking activities	**90,504**	**38**	87,143	47	86,402	51
Investment banking and asset management activities	**139,963**	**60**	93,873	50	79,257	47
Group central functions	**4,190**	**2**	4,986	3	3,167	2
	234,657	**100**	186,002	100	168,826	100
Net assets						
Commercial banking activities	**4,792**	**60**	4,895	65	4,979	68
Investment banking and asset management activities	**2,474**	**31**	1,972	26	1,621	22
Group central functions	**680**	**9**	720	9	770	10
	7,946	**100**	7,587	100	7,370	100

Notes

(a) The analyses above are for Barclays PLC. Figures for attributable profit differ for Barclays Bank PLC and are shown on page 153.

(b) Basis of geographical and business analysis – see Analyses by geographical segments and classes of business on page 92.

(c) Classes of business are the main groups of products and services supplied by the Group. Commercial banking activities include any banking related business conducted by the businesses, including Problem country debt management and UK associated undertakings. Businesses in Transition have been allocated to the appropriate class of business.

60 Differences between UK GAAP (UK) and US GAAP (US) accounting principles

The accounts presented in this report have been prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP). Such principles vary in significant respects from those generally accepted in the United States (US GAAP). Preparing the financial statements requires the use of management's estimates. The significant differences applicable to the Group's accounts are summarised below (see also notes 61 to 64).

UK GAAP	US GAAP
Goodwill Goodwill arising on acquisitions of subsidiary and associated undertakings is either capitalised and amortised through income over its expected life (with a maximum of 20 years) or charged directly against reserves in the year of acquisition. Capitalised goodwill is written off when judged to be irrecoverable. In the event of a subsequent disposal, any goodwill previously charged directly against reserves is written back and is reflected in the profit or loss on disposal.	Goodwill is capitalised and amortised through income over the period estimated to benefit. In Barclays case, a period of 20 years has been used. Goodwill is written off when judged to be irrecoverable.
Pension cost In respect of defined benefit schemes, pension fund assets are assessed actuarially at the present value of the expected future investment income, which is consistent with UK Statement of Standard Accounting Practice (SSAP) 24. Most liabilities are discounted at a long-term interest cost and most variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current employees.	In respect of defined benefit schemes, the same basic actuarial method is used under Statement of Financial Accounting Standards (SFAS) No. 87 as under UK GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations from regular cost are allocated in equal amounts over the average remaining services lives of current employees.
For defined contribution schemes the net pension cost for a period is the contribution called for in that period in accordance with SSAP 24.	For defined contribution schemes SFAS No. 87 provides for the same treatment as SSAP 24.
Post-retirement benefits Post-retirement health care liabilities are assessed actuarially on a similar basis to pension liabilities under SSAP 24 and are discounted at a long-term interest cost. Variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current eligible employees.	Under SFAS No. 106, there are certain differences in the actuarial method used and variations in the computation of regular cost as compared with UK GAAP.
Leasing – Lessor Finance lease income is recognised in proportion to the funds invested in the lease using a method which results in a level rate of return on the net cash investment.	Application of SFAS No. 13 gives rise to a level rate of return on the investment in the lease, but without taking into account tax payments and receipts. This results in income being recognised in different periods than under UK GAAP.
Leasing – Lessee In accordance with UK Financial Reporting Standard 5, leases are categorised as finance leases when the substance of the agreement is that of a financing transaction and the lessee assumes substantially all of the risks and benefits relating to the asset. All other leases are categorised as operating leases.	Leases are classified as capital leases when any of certain criteria are met as outlined under SFAS No. 13. All other leases are classified as operating leases.
Deferred tax Deferred tax is provided using the liability method on timing differences where it is considered probable that a liability to tax will crystallise. No deferred tax asset is created in respect of the general provision for bad and doubtful debts which is not deductible in arriving at UK taxable profits.	Under SFAS No. 109, a liability method is also used, but deferred tax assets and liabilities are calculated for all temporary differences, including the general provision for bad and doubtful debts. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realised.
Property depreciation Depreciation is charged on the cost or revalued amounts of freehold and long leasehold properties over their estimated useful economic lives.	Freehold and long-leasehold property is depreciated based on the historical cost.

60 Differences between UK and US accounting principles (continued)

UK GAAP	US GAAP
Revaluation of property Property is carried either at original cost or at subsequent valuation less related depreciation (as described in Accounting policies), calculated on the revalued amount where applicable. Revaluation surpluses are taken directly to shareholders' funds, while deficits below cost, less any related depreciation, are included in attributable profit.	Revaluations of property are not permitted in the accounts under US GAAP. As a result, when a property is disposed of, a greater profit or lower loss is generally recorded under US GAAP than under UK GAAP.
Exchange of country risk debt Debts acquired through a debt swap transaction are recorded at the net book value of the disposed debt. Where debt instruments have been acquired in exchange for overdue interest an amount of interest in suspense equal to the value of the debt instruments acquired is released to the profit and loss account.	Debts acquired through a debt swap transaction are recorded at estimated fair value at the date of the transaction. If necessary thereafter, a provision is raised to reduce this value to the estimated ultimate recoverable amount. Where debt instruments have been acquired in exchange for overdue interest, interest income is only recognised on the receipt of payments from the debtor or on the sale of the debt instrument.
Shareholders' interest in the long-term assurance fund The shareholders' interest in the in-force life assurance and pensions policies of the long-term assurance fund is valued at the net present value of the profits inherent in such policies.	The net present value of the profits inherent in the in-force life and pensions policies of the long-term assurance fund is not recognised by the Group under US GAAP. An adjustment is made for the amortisation of acquisition costs and fees in accordance with SFAS No. 97.
Disposal of investments Exchange rate translation differences, which arise in respect of foreign currency denominated investments, are included in the carrying value of the investment and are also accumulated in the reserves in the consolidated accounts. The profit or loss on any disposal is calculated by comparing the net proceeds with the then carrying value of the investment.	SFAS No. 52 requires similar treatment of exchange rate translation differences, except that, on disposal, cumulative exchange rate translation differences, which have previously been taken to reserves, are reversed and reported as part of the profit or loss on sale of the investment.
Share compensation schemes Where shares are purchased, the difference between the purchase price and any contribution made by the employee is charged to the profit and loss account in the period to which it relates. Where shares are issued, no charge is made to the profit and loss account.	SFAS No. 123 encourages the adoption of accounting for share compensation schemes, based on their estimated fair values at the date of the grant.
Net unrealised gain/loss on investment securities Investment debt securities and equity shares are stated at amortised amount less provision for diminution in value. Investment securities are intended for use on a continuing basis by the Group.	SFAS No. 115 requires that certain securities which are intended for use on a continuing basis be recorded at fair value with unrealised gains and losses recorded in shareholders' equity. The securities so treated are debt securities which are 'available for sale' - the absence of intent and ability to hold them to maturity - and certain marketable equity securities.
Provision for credit losses The Group establishes, through charges or credits against profit, sufficient specific provision to cover the estimated loss as soon as the recovery of a lending is identified as doubtful. General provisions are raised to cover losses which are judged to be present in the loan portfolio, but have not been specifically identified as such. This provision is adjusted by an appropriate charge or release.	SFAS No. 114 requires the overall credit risk provision of impaired loans to be determined based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or, as a practical expedient, on the loan's observable market value, or the fair value of collateral if the loan is collateral dependent. A corresponding charge or credit for bad debt provisions should accompany any adjustment in the overall credit risk provision. Smaller balance homogeneous consumer loans that are collectively evaluated for impairment, are outside the scope of SFAS No. 114, as are debt securities and leases.

60 Differences between UK and US accounting principles (continued)

UK GAAP	US GAAP
Dividend payable Dividends declared after the period end are recorded in the period to which they relate.	Dividends are recorded in the period in which they are declared.
Taxation Profit before tax and the tax charge for the year includes advance corporation tax on dividends received, together with notional tax at the effective rate on the shareholders' interest in the long-term fund.	Income before tax and the tax charge do not include adjustments for notional tax.
Acceptances Acceptances are not recorded within the balance sheet.	Acceptances and the related customer liabilities are recorded within the balance sheet.
Transfer and servicing of financial assets Under FRS 5 where a transaction involving a previously recognised asset transfers to others (a) all significant rights or other access to benefits relating to that asset and (b) all significant exposure to the risks inherent in those benefits, the entire asset should cease to be recognised.	Under SFAS No. 125 control passes where the following criteria are met; (a) the assets are isolated from the transferor (the seller), i.e. they are beyond the reach of the transferor, even in bankruptcy, receivership etc., (b) the transferee (the buyer) has the right - free of any conditions that constrain it from taking advantage of the right - to pledge or exchange the assets, and (c) the transferor does not maintain effective control over the transferred assets.
Extinguishment of liabilities Under FRS 5, a liability is extinguished if an entity's obligation to transfer economic benefits is satisfied or removed. Satisfaction would encompass an 'in-substance' defeasance transaction where liabilities are satisfied from the cash flows arising from essentially risk free assets transferred by the debtor to an irrecoverable defeasance trust.	Under SFAS No. 125 a debtor may de-recognise a liability if and only if either (a) the debtor pays the creditor and is relieved of its obligation for the liability, or (b) the debtor is legally released from being the primary obligor under the liability either financially or by the creditor. SFAS No. 125 does not allow for the de-recognition of a liability by means of an 'in-substance' defeasance transaction.
Earnings per share (EPS) Stated on a net basis and also nil basis if materially different. Fully diluted EPS must be stated if dilution amounts to 5% or more.	Basic and diluted EPS are both required to be disclosed.
Restructuring of business provisions In accordance with FRS 3, provisions have been made for any direct costs and net future operating losses arising from a business that management is committed to terminate.	The application of EITF 94-3 has created recognition timing differences in respect of certain of the termination provisions. EITF 94-3 sets out specific conditions which must be met to enable liabilities relating to involuntary terminations to be recognised in the period management approve the termination plan. In respect of costs other than employee termination benefits, the basic requirement for recognition at the date of commitment to the plan to terminate is that they are not associated with, or do not benefit, activities that will be continued.

Developments in US GAAP

SFAS No. 130 'Reporting Comprehensive Income' establishes the requirement to classify items of other comprehensive income by their nature in a financial statement and to provide details of the accumulated balance of comprehensive income separately from other shareholders' funds.

SFAS No. 131 'Disclosures about Segments of an Enterprise and Related Information' establishes new standards in relation to the way that an enterprise provides information about operating segments.

The standards, which became effective from 1st January 1998, will not affect the earnings, liquidity or capital resources of the Group.

60 Differences between UK and US accounting principles (continued)

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	Note	1997 £m	1996 £m	1995 £m
Attributable profit of Barclays PLC Group (UK GAAP)		**1,130**	1,639	1,364
Goodwill	(a)	**34**	(26)	(23)
Pension cost	(b)	**114**	(11)	(26)
Post-retirement benefits	(c)	**-**	(1)	(1)
Leasing - Lessor	(d)	**91**	(40)	(53)
Leasing - Lessee	(e)	**3**	2	3
Deferred tax	(f)	**3**	(39)	(14)
Property depreciation		**5**	2	1
Loan origination fees and costs	(g)	**-**	-	24
Exchange of country risk debt		**-**	-	34
Share compensation schemes	(h)	**(11)**	(5)	(1)
Shareholders' interest in the long-term assurance fund		**(18)**	(16)	-
Property revaluation differences		**15**	16	13
Disposal of investment		**(4)**	3	(17)
Restructuring of business provisions	(m)	**36**	-	-
Advance corporation tax and notional tax		**(26)**	(73)	(58)
Tax effect on the above UK/US GAAP reconciling items		**(98)**	94	64
Approximate net income (US GAAP)		**1,274**	1,545	1,310
Barclays PLC Group		**p**	p	p
Basic earnings per £1 ordinary share	(i)	**83.9**	98.2	80.3
Diluted earnings per £1 ordinary share	(i)	**82.3**	96.8	79.1

		Barclays PLC Group	
		1997 £m	1996 £m
Shareholders' funds (UK GAAP)		**7,620**	7,267
Goodwill		**182**	274
Pension cost	(b)	**(44)**	(163)
Post-retirement benefits	(c)	**10**	10
Leasing - Lessor	(d)	**(182)**	(196)
Leasing - Lessee	(e)	**9**	6
Deferred tax	(f)	**(1)**	(2)
Property depreciation		**(52)**	(57)
Share compensation schemes	(h)	**(17)**	(6)
Shareholders' interest in the long-term assurance fund		**(569)**	(551)
Revaluation of property		**(295)**	(282)
Net unrealised gain on investment securities	(j)	**221**	264
Dividend payable		**359**	309
Restructuring of business provisions	(m)	**36**	-
Tax effect on the above UK/US GAAP reconciling items		**175**	209
Approximate shareholders' equity (US GAAP)		**7,452**	7,082

60 Differences between UK and US accounting principles (continued)

Selected financial data, adjusted from UK GAAP to reflect the main differences from US GAAP, is given on page 156.

a) Goodwill

The credit adjustment in 1997 arises from the difference between the UK GAAP charge to profit and loss on provisions for disposals and that under US GAAP. The credit is after allowing for the ongoing amortisation of goodwill under US GAAP.

b) Pension cost

In accordance with SFAS No. 87, 'Employers' Accounting for Pensions', the excess of plan assets over the projected benefit obligation, as at the transition date, is recognised as a reduction of pension expense on a prospective basis over approximately 15 years.

The provisions of SFAS No. 87 have only been applied to the main UK pension scheme, the Barclays Bank UK Retirement Fund (previously known as the Barclays Bank (1964) Pension Fund). The following analysis provides SFAS No. 87 analysis relating to the 1964 Pension Scheme (defined benefit) element of the Barclays Bank UK Retirement Fund, which makes up over 90% of all the Group's schemes in terms of assets and actuarial liabilities. The impact of SFAS No. 87 on the other Group schemes is considered to be immaterial.

The components of the pension expense which arise under SFAS No. 87 are estimated to be as follows:

	1997 £m	1996 £m	1995 £m
Service cost	**214**	219	205
Interest cost	**505**	496	470
Actual return for the year on plan assets	**(1,701)**	(1,121)	(984)
Net amortisation and deferral	**893**	442	410
	(89)	36	101

The £89m US GAAP pension credit (1996 £36m charge, 1995 £101m charge) compares with a £25m charge under UK GAAP (1996 £25m charge, 1995 £75m charge).

The following table presents the estimated funded status of the scheme under SFAS No. 87.

	1997 £m	**1997 £m**	1996 £m	1996 £m
Plan assets at fair value		**10,026**		8,584
Accumulated benefit obligation - vested and non-vested	**(6,187)**		(5,467)	
Additional benefits based on estimated future salary levels	**(1,124)**		(996)	
Projected benefit obligation		**(7,311)**		(6,463)
Plan assets in excess of projected benefit obligation		**2,715**		2,121
Amounts available to be applied as reduction of future pension cost:				
Balance of initial transition amount		**(140)**		(165)
Accumulated actuarial difference		**(2,620)**		(2,115)
Accrued pension cost		**(45)**		(159)

Plan assets are invested primarily in equities, fixed interest securities and property.

In accordance with SFAS No. 87, the calculation of the projected benefit obligation at 30th September 1997 assumes a weighted average discount rate of 6.5% (1996 8%, 1995 8%). The other main assumptions are that, over the long-term, the average discount rate would be 1.5% higher than the annual increase in total pensionable remuneration and 3.5% higher than the annual increase in present and future pensions in payment and the assumed long-term rate of return is 7%.

c) Post-retirement benefits

The components of the charge for post-retirement health care which arises under SFAS No. 106 are estimated to be as follows:

	1997 £m	1996 £m	1995 £m
Service cost	**6**	2	4
Interest cost	**10**	11	13
Amortisation of transition obligation	**7**	6	6
	23	19	23

The US GAAP expense compares with £23m in 1997 under UK GAAP (1996 £18m, 1995 £22m).

60 Differences between UK and US accounting principles (continued)

c) Post-retirement benefits (continued)

	1997 £m	1996 £m
Accumulated post-retirement health care obligation (unfunded):		
Pensioners	**115**	114
Eligible staff	**69**	59
	184	173
Represented by:		
Unrecognised transition obligation	**86**	94
Unrecognised net loss	**19**	16
Accrued post-retirement health care cost	**79**	63
	184	173

For the purposes of SFAS No. 106 the table above assumes a weighted average discount rate of 7.5% in the United Kingdom and 7% in the United States.

Further details of the post-retirement health care expense under UK GAAP are given in note 5 to the accounts.

d) Leasing – Lessor

The leasing adjustment is dependent upon the value and average age of the leasing portfolio at each period end.

e) Leasing – Lessee

Under US GAAP, provisions are made for losses arising on subleases of certain operating leases which are treated as finance leases under UK GAAP.

f) Deferred tax

In accordance with SFAS No. 109, 'Accounting for Income Taxes', the components of the net US GAAP deferred tax liability are as follows:

	1997 £m	1996 £m
Deferred tax liabilities:		
Leasing transactions	**(1,004)**	(1,083)
Capital allowances	**(51)**	(40)
ACT	**(2)**	-
Other	**(94)**	(10)
Total deferred tax liabilities	**(1,151)**	(1,133)
Deferred tax assets:		
Specific allowances	**106**	74
General allowance	**226**	250
Tax losses	**131**	240
Leasing transactions	**1**	1
ACT	**-**	4
Other	**59**	77
Total deferred tax assets before valuation allowance	**523**	646
Less: valuation allowance	**(131)**	(240)
Deferred tax assets less valuation allowance	**392**	406
Net deferred tax liability under US GAAP	**(759)**	(727)

(i) The main components of the tax charge attributable to continuing operations are shown in note 11 to the accounts.

(ii) A reconciliation of tax payable at the UK standard corporation tax rate and Barclays effective tax rate is shown on page 28 in the Financial review.

(iii) The valuation allowance relates to the Group's capital losses and unrelieved overseas tax losses. These assets will be recognised in the future when it is likely that they will be utilised.

g) Loan origination fees and costs

In 1993, Barclays prospectively implemented the SORP on advances, which has similar requirements to SFAS No. 91 for the treatment of fees and direct costs associated with the origination of lendings. Accordingly, from 1993 onward, there is no longer any difference in the recognition of income under UK and US GAAP in regard to these items. The adjustments to UK GAAP net profit for 1995 reflect the amortisation of fees and costs deferred in prior periods under US GAAP.

60 Differences between UK and US accounting principles (continued)

h) Share compensation schemes

With effect from 1st January 1996, the Group adopted SFAS No. 123 'Accounting for Stock-Based Compensation'.

SFAS No.123 encourages the adoption of accounting for share compensation schemes based on their estimated fair value at the date of grant. The requirements are only applicable to options and other awards granted from 1st January 1995 onwards and, in the initial phase-in period, the amounts reported will not be representative of the effect on reported net income for future years. The SFAS No. 123 charge for the fair value of options granted since 1995 is £11m (1996 £5m, 1995 £1m).

The Executive Share Option Scheme and SAYE Share Option Scheme fall within the scope of SFAS No.123.

Analysis of the movement in the number and weighted average exercise price of options are set out below:

	Executive Share Option Scheme Number (000's)		Executive Share Option Scheme Weighted av. Ex. Price (£)		SAYE Share Option Scheme Number (000's)		SAYE Share Option Scheme Weighted av. Ex. Price (£)	
	1997	1996	**1997**	1996	**1997**	1996	**1997**	1996
Outstanding at beginning of year	**1,628**	965	**7.84**	6.98	**18,923**	8,538	**7.24**	6.28
Granted in the year	**874**	722	**13.88**	8.91	**6,751**	10,761	**12.67**	7.97
Exercised in the year	**(71)**	-	**7.69**	-	**(112)**	-	**6.80**	-
Less: Forfeited in the year	**(95)**	(59)	**9.46**	7.04	**(811)**	(376)	**7.41**	6.30
Outstanding at end of year	**2,336**	1,628	**10.04**	7.84	**24,751**	18,923	**8.72**	7.24

The disclosures of options outstanding only relate to those granted from 1995 onwards.

The range of exercise prices, weighted average fair values at the date of grant and the weighted average remaining contractual life for options outstanding at the balance sheet date are as follows:

	1997 Exercise price range £	**1997** Weighted average Fair value £	**1997** Weighted average remaining life Years	1996 Exercise price range £	1996 Weighted average Fair value £	1996 Weighted average remaining life Years
Executive Share Option Scheme	**5.97-13.88**	**3.35**	**8**	5.97-9.07	1.80	8
SAYE Share Option Scheme	**6.28-12.67**	**3.28**	**4**	6.28-7.97	2.33	5

Fair values are calculated at the date of grant using a binomial model which produces similar results to the Black-Scholes model. The significant weighted-average assumptions used to estimate the fair value of the options granted in 1997 are as follows:

	ESOS	**SAYE**
Risk-free interest rate	**7.09%**	**6.90%**
Expected life (years)	**8**	**5**
Expected volatility	**26%**	**26%**

The expected dividends for both schemes are 46p with an assumed 8% per annum until exercise estimated average growth for the industry sector.

The Executive Share Option Scheme is a long-term incentive scheme and is currently available by invitation to certain senior executives of the Group with grants usually made annually. Options are issued at the market price at the date of the grant without any discount, calculated in accordance with the rules of the Scheme, and are normally exercisable between three and ten years from that date.

Eligible employees in the United Kingdom may participate in the SAYE Share Option Scheme. Under this Scheme, employees may enter into contracts to save up to £250 per month and, at the expiry of a fixed term of three, five or seven years, have the option to use these savings to acquire shares in the Company at a discount, calculated in accordance with the rules of the scheme. The discount is currently 10% of the market price at the date the options were granted.

49.3 million (1996 56.8 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.2 million (1996 3.7 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for ordinary shares between 1998 and 2007, at prices ranging from 272p to 1388p per share.

i) Earnings per share

Basic Earnings per share (EPS) under US GAAP differs from UK GAAP (see note 12) only to the extent that income calculated under US GAAP differs from that under UK GAAP.

Diluted EPS measures the effect that existing options would have on the Basic EPS if they were to be exercised, by increasing the number of ordinary shares.

60 Differences between UK and US accounting principles (continued)

i) Earnings per share (continued)

Under US GAAP, the number of those increased shares are reduced by the number of shares that could be bought (using the average market price in the year) with the assumed exercise proceeds (actual proceeds arising on exercise plus unamortised compensation costs, where appropriate). Any options that are antidilutive are excluded from this calculation. (An option is antidilutive when the value of the deemed proceeds is greater than the market price used in the above calculation).

Under UK GAAP, the number of those increased shares are not reduced, as in the US GAAP method above, but rather the actual exercise proceeds are assumed invested in 2.5% Consolidated Stock with a consequent increase in earnings.

	1997 Income £m	**1997 Share No (in millions)**	**1997 Per-Share Amount Pence**	1996 Income £m	1996 Share No (in millions)	1996 Per-Share Amount Pence	1995 Income £m	1995 Share No (in millions)	1995 Per-Share Amount Pence
Basic EPS									
Approximate net income (US GAAP) available to ordinary shareholders	**1,274**	**1,519**	**83.9**	1,545	1,573	98.2	1,310	1,632	80.3
Effect of dilutive securities									
Employee share options		**24**			23			24	
Other schemes		**4**							
Diluted EPS	**1,274**	**1,547**	**82.3**	1,545	1,596	96.8	1,310	1,656	79.1

Of the total number of employee share options existing at the year end, the following were not included in the dilution calculation above because they were antidilutive:

1997 (in millions)	1996 (in millions)	1995 (in millions)
8	11	9

Certain incentive plan shares have been excluded from the calculation of the basic earnings per share as the trustee has waived all dividend and voting rights (see note 14). These shares are subsequently brought into the diluted earnings per share calculation (called 'Other schemes') above.

j) Net unrealised gain on investment securities

Unlisted investment equity securities are outside the scope of SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities' and continued to be carried at cost of £84m at 31st December 1997 (1996 £80m). The estimated fair value of these securities was £121m (1996 £168m).

All quoted Investment securities are classified as being 'available for sale' and Other debt securities are classified as trading securities.

There were no gross gains or gross losses realised on the transfer of debt and equity securities from the available for sale category into the trading category in 1997 or 1996.

k) Loan impairment

SFAS No. 114 applies only to impaired loans, the measurement of which is primarily based upon the present value of expected future cash flows discounted at the loan's effective interest rate. In certain instances this measurement may reflect the loan's observable market value, or the fair value of the collateral if the loan is collateral dependent. Smaller balance homogeneous consumer loans that are collectively evaluated for impairment are outside the scope of SFAS No. 114, as are debt securities and leases. At 31st December 1997, the element of impaired loans outside the scope of SFAS No. 114 amounted to £1,351m (1996 £1,230m).

In accordance with SFAS No. 114, the Group's total impaired loans are those reported as non-performing on page 56, less impaired loans outside the scope of SFAS No. 114, and amount to £1,220m at 31st December 1997 (1996 £2,092m). Credit risk provisions of £539m, estimated in accordance with SFAS No. 114, were held against these loans (1996 £952m). The average level of such impaired lendings in 1997 was approximately £1,658m (1996 £3,000m).

Having compared the value of the impaired loan portfolio calculated in accordance with SFAS No. 114 with the carrying value under UK GAAP, no adjustment was required to either shareholders' equity at 31st December 1997 or 31st December 1996, or to net income for these years.

Where cash received represents the realisation of security, or there is doubt regarding the recovery of a loan, such receipts are treated as repayments of the loan principal. Otherwise, cash received in respect of impaired loans is recognised as interest income.

Estimated interest income which was recognised in 1997 on impaired loans within the scope of SFAS No. 114 was £38m (1996 £33m).

60 Differences between UK and US accounting principles (continued)

SFAS No. 114 modifies the accounting for in-substance foreclosure, in that only collateralised loans where the Group takes physical possession of the collateral, regardless of formal insolvency procedures, would be reclassified as 'other real estate owned' under US GAAP. At 31st December 1997, other real estate owned and borrowings which would be classified as in-substance foreclosure amounted to approximately £18m (1996 £8m) and are recorded at the lower of cost or market value.

l) Impairment of long-lived assets
With effect from 1st January 1996, the Group adopted SFAS No.121 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of'. At 31st December 1997, having compared the value of long-lived assets calculated in accordance with SFAS No.121 with the carrying value under UK GAAP, no adjustment to net income or shareholders' funds was required.

m) Restructuring
Following the announcement in October 1997, that BZW would be reorganised, a restructuring charge of £469m was made in the year ended 31st December 1997 and reported as an exceptional item in the UK GAAP profit and loss account. The charge reflects the consequential costs of this reorganisation which had either been incurred or to which the Group was committed at 31st December 1997. The components of the charge are given in note 8 to the financial statements. It is likely that some additional costs will be recognised in 1998, although these are expected to be at a significantly lower level.

Under US GAAP, some £304m of the charge excluding goodwill would have been recognised in 1997 and £36m in 1998. Additionally, unamortised goodwill of £69m would have been written off under US GAAP, compared with a write-down of capitalised and previously written off goodwill under UK GAAP of £129m.

n) Other EITF 94-3 disclosures
For exit plans which meet the conditions of EITF 94-3, the US GAAP balance sheet liability at 31st December 1997 would have been £294m, of which £92m was in respect of staff reduction costs for some 1,400 employees. Staff reduction costs of £10m were paid in the year in respect of some 300 employees.

o) Transfer and servicing of financial assets and extinguishment of liabilities
With effect from 1st January 1997, the Group adopted SFAS No. 125 'Accounting for Transfers and servicing' of Financial Assets and Extinguishments of Liabilities'. At 31st December 1997, the application of this standard resulted in an addition to US GAAP total assets of £177m. This addition related to funded loan participations, entered into after 1st January 1997, which did not meet the SFAS requirements for derecognition. No adjustment to net income or shareholders funds was required.

p) Profit and loss account presentation
There are certain differences in the presentation of the profit and loss account between UK GAAP and US GAAP. For example, profits or losses on redemption of loan capital would be classified as an extraordinary item under US GAAP rather than as a component of net interest income, while profit on disposal of Group undertakings and the write-down of surplus properties would be classified as operating income or expense under US GAAP rather than being shown separately. Under US GAAP, interest and dividends relating to trading activities would be shown within net interest revenue and other revenue respectively, rather than included in dealing profits.

61 Consolidated statement of cash flows – discussion of differences between FRS 1 (revised) and SFAS No. 95 (as amended by SFAS No. 104)

There are many similarities between SFAS No. 95, as amended by SFAS No. 104, and the UK Financial Reporting Standard 1 (revised) (FRS 1 (revised)), which was implemented by Barclays in 1997.

The two statements differ with regard to the classification of items within the cash flow statement and with regard to the definition of cash.

	Classification under FRS 1 (revised)	**Classification under SFAS No. 95**
Dividends received	Returns on investment and servicing of finance	Operating activities
Dividends paid - equity	Equity dividends paid	Financing activities
Tax paid	Taxation	Operating activities
Net change in loans and advances, including finance lease receivables	Operating activities	Investing activities
Net change in deposits and debt securities in issue	Operating activities	Financing activities

Under FRS1 (revised), cash is defined as cash and balances at central banks and loans and advances to banks repayable on demand. SFAS No. 95 defines cash as being inclusive of cash equivalents which are short-term highly liquid investments that are both readily convertible into known amounts of cash and that are so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

Under FRS 1 (revised), transactions undertaken to hedge another transaction are reported under the same classification as that which is the subject of the hedge.

61 Consolidated statement of cash flows – discussion of differences between FRS 1 (revised) and SFAS No. 95 (continued)

Interest paid in the year, including amounts relating to trading activities, was £8,226m (1996 £6,731m, 1995 £7,003m).

Set out below, for illustrative purposes, is a summary consolidated statement of cash flows under US GAAP	**1997 £m**	1996 £m	1995 £m
Net cash provided by/(used in) operating activities	**12,010**	(1,797)	4,889
Net cash used in investing activities	**(38,092)**	(9,197)	(9,342)
Net cash provided by/(used in) financing activities	**32,749**	20,910	(2,338)
Effect of exchange rate changes on cash and due from banks	**347**	(893)	346
Net increase/(decrease) in cash and cash equivalents	**7,014**	9,023	(6,445)
Cash and cash equivalents at beginning of year	**27,871**	18,848	25,293
Cash and cash equivalents at end of year	**34,885**	27,871	18,848

62 Regulatory capital requirements

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

The Bank of England regards the risk asset ratio calculation originally developed by the Basle Committee as a key supervisory tool and sets individual minimum ratio requirements for banks in the United Kingdom at or above the minimum of 8%. The ratio calculation involves the aggregation of risk weighted assets across both banking and trading activities. Weightings reflect an estimate of relative risks associated with broad categories of transactions and counterparties.

The concept of risk weighting and the basis for calculating eligible capital resources are described under Capital ratios on page 34.

The following tables analyse capital resources and capital ratios, as defined for regulatory purposes:

Barclays PLC Group and Barclays Bank PLC Group As at 31st December 1997	**Amount £m**	**Ratio %**
Total net capital resources	**10,804**	**10.0**
Tier 1 capital resources	**7,873**	**7.3**

As at 31st December 1996	Amount £m	Ratio %
Total net capital resources	10,189	10.4
Tier 1 capital resources	7,441	7.6

63 Significant Group concentrations of credit risk

SFAS No. 105 defines a concentration of credit risk as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Barclays exposure to credit risk is concentrated in the United Kingdom where the majority of the Group's activities are conducted. As one of the largest UK banks, Barclays accounts for a significant share of credit exposure to almost all sectors of the economy and the Group is therefore significantly affected by the general economic conditions in the United Kingdom. However, credit risk is well spread over a diversity of both personal and commercial customers, reflecting the Group's risk management policy of imposing limits on exposure to any one single counterparty (see Financial review – Potential credit risk lendings and Risk management).

Outside the United Kingdom, the Group's geographical spread ensures a wide variety of counterparties in the main areas of operation in Europe, the United States and other areas of the world.

As an active participant in the international banking markets, the Group has a significant concentration of credit risk with financial institutions. In total, credit risk exposure to financial institutions was estimated to have amounted to £68.4bn at 31st December 1997, of which £40.4bn consisted of placings and negotiable certificates of deposit and £13.2bn of mark to market balances in respect of exchange and interest rate contracts. The remaining credit risk exposure is largely related to letters of credit and guarantees. Within the overall exposure, the Group maintains relationships with more than 1,700 banking groups in countries all over the world.

Credit risk in respect of the property sector, included within loans and advances to customers, totalled £3.4bn world wide at 31st December 1997, with a further exposure of £1.4bn in respect of committed facilities.

See Financial review – Loans and advances to banks and customers, Securities and Trading activities.

64 Fair values of financial instruments

SFAS No. 107, 'Disclosures About Fair Value of Financial Instruments', requires disclosure of the fair value of certain financial instruments (both on- and off-balance sheet) for which it is practicable to estimate such value.

Wherever possible, the Group has estimated fair value using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by the Group. In certain cases, however, including loans and advances to customers, no ready markets currently exist in the United Kingdom wherein exchanges between willing parties occur. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be.

These estimation techniques are necessarily subjective in nature and involve several assumptions. There have been no significant changes in the estimation techniques or the methodology used compared with December 1996.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful. Readers of these accounts are thus advised to use caution when using this data to evaluate the Group's financial position.

Intangible assets, such as the value of the Group's branch network, long-term relationships with its depositors (core deposit intangibles) and credit card holders and capitalised goodwill arising on the acquisition of subsidiary or associated undertakings are not considered to constitute financial instruments for the purposes of SFAS No. 107. The Group, however, believes the value of such assets to be significant. Certain other assets and liabilities are likewise excluded from the scope of SFAS No. 107.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in the majority of cases, particularly in respect of loans and advances to customers, the Group intends to realise assets through collection over time. As such, the fair values calculated for the purposes of reporting under SFAS No. 107 do not represent the value of the Group as a going concern at 31st December 1997.

The estimated fair values at 31st December 1997, and the estimation techniques used in arriving at such values, are summarised as follows:

Assets and liabilities for which fair value is equal to carrying value
The table below details those on-balance sheet assets and liabilities, within the scope of SFAS No. 107, which were either (i) carried at market value, or (ii) have minimal credit losses and were either short-term in nature or repriced frequently. As such, the carrying values of the following assets and liabilities presented on the balance sheets on pages 94 and 95, and 148 and 149 were an approximation of fair value.

Assets	Liabilities
Cash and balances at central banks	Deposits by banks and customers repayable on demand (b)
Items in course of collection from other banks	Items in course of collection
Treasury bills and other eligible bills	Other liabilities (a)
Prepayments and accrued income (a)	Accruals and deferred income (a)
Other assets (a)	Provisions for liabilities and charges (a)
Long-term assurance fund assets	Dividends payable
	Long-term assurance fund liabilities

(a) not including items excluded from the scope of SFAS No. 107.
(b) see notes 29 and 30.

Assets, liabilities and other financial instruments for which fair value is derived using market data and various estimation techniques.

Loans and advances to banks The fair value estimated for loans and advances to banks was approximately £36,900m (1996 £29,000m), as compared to a recorded value, net of provisions for bad and doubtful debts, of £36,884m (1996 £29,023m). Within this calculation, the fair value for placings to banks was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by other financial institutions for placings with similar characteristics. The fair values for loans to banks in countries experiencing liquidity problems were arrived at by reference to secondary market prices.

Loans and advances to customers The Group provides lending facilities of varying rates and maturities to corporate and personal customers. Several different techniques are employed, as considered appropriate, in estimating the fair value of such instruments. The fair value of personal loans was estimated either by discounting cash flows at market rates for similar loans offered by the Group and other financial institutions, or by taking into consideration market prices for securities backed by comparable loans, adjusted for differences in loan characteristics. The fair value of corporate loans was estimated by selecting a discount rate reflecting the effects of interest rate changes and making adjustments to take account of the effects of changes in credit risk. The fair values for loans to countries experiencing liquidity problems were arrived at by reference to secondary market prices. SFAS No. 107 does not require, nor has the Group calculated, an estimate of the fair value of lease receivables. For these, the fair value is presumed to equal the recorded value.

64 Fair values of financial instruments (continued)

The fair value estimated for loans and advances to customers and finance lease receivables at 31st December 1997 was approximately £100,500m (1996 £90,200m), as compared to a recorded value, net of provisions for bad and doubtful debts, of £99,823m (1996 £89,410m).

The fair value of loans subject to non-recourse finance arrangements net of non-returnable finance was approximately equal to the book value of £8m (1996 £8m).

Debt securities and equity shares The market or appraised values for debt securities and equity shares are set out in notes 20 and 21 respectively. The valuation of listed securities and investments is at mid-market prices and that of unlisted securities and investments is based on the Directors' estimate, which takes into consideration discounted cash flows, price earnings ratios and other suitable valuation techniques. At 31st December 1997 the fair value of all debt securities and equity shares was approximately £55,600m (1996 £34,500m) compared to a recorded value of £55,361m (1996 £34,180m).

Deposits by banks and customer accounts In accordance with SFAS No. 107, the fair value of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) was equal to their carrying value. The fair value of all other deposits and other borrowings was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by the Group for deposits of similar remaining maturities.

The fair value estimated for deposits and other borrowings at 31st December 1997 was approximately £152,900m (1996 £130,800m), as compared to a recorded value of £152,917m (1996 £130,720m).

Debt securities in issue and other subordinated liabilities The fair value of debt securities in issue and other subordinated liabilities was estimated using discounted cash flows applying either market rates, where practicable, or rates currently offered by the Group and at 31st December 1997 was estimated to be £20,500m (1996 £11,900m), as compared to a recorded value of £20,425m (1996 £11,890m).

Dated and undated loan capital At 31st December 1997, the estimated fair values for dated and undated convertible and non-convertible loan capital, based upon quoted market rates for the issue concerned or equivalent issues with similar terms and conditions, were £1,300m (1996 £1,500m) and £1,700m (1996 £1,600m), compared with recorded values of £1,211m (1996 £1,396m) and £1,657m (1996 £1,635m) respectively.

Credit related instruments As outlined in note 47, the Group has various credit related commitments. However, based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, the present creditworthiness of the counterparties and the effect of related provisions, their replacement value or fair value is not material.

Market related instruments The Group uses various market related instruments, designated as hedges, to reduce exposure to fluctuations in interest and exchange rates. The fair value of these instruments is estimated using market prices or pricing models consistent with the methods used for valuing similar instruments used for trading purposes. The positive fair values of these market related instruments were approximately £438m more than the positive book value (1996 £105m less than the positive book value) and their negative fair values were £60m higher than the negative book value (1996 £30m lower than the negative book value).

Quoted market prices are adopted as fair values of financial instruments held or issued for trading purposes. If quoted market prices are not available, fair values are estimated on the basis of dealer quotes, pricing models, or the quoted prices for financial instruments with similar characteristics.

Additional information on the fair values of financial instruments is given in note 47 to the accounts.

65 Ratio of earnings to fixed charges and preference share dividends

Ratio of earnings to fixed charges	**1997**	1996	1995	1994	1993
UK GAAP:					
Excluding interest on deposits	**1.37**	1.79	1.73	1.79	1.25
Including interest on deposits	**1.20**	1.33	1.27	1.30	1.09
US GAAP:					
Excluding interest on deposits	**1.42**	1.76	1.69	1.71	1.17
Including interest on deposits	**1.23**	1.32	1.26	1.26	1.06
Ratio of earnings to combined fixed charges and preference share dividends					
UK GAAP:					
Excluding interest on deposits	**1.36**	1.77	1.71	1.73	1.20
Including interest on deposits	**1.19**	1.32	1.27	1.28	1.07
US GAAP:					
Excluding interest on deposits	**1.41**	1.74	1.67	1.65	1.12
Including interest on deposits	**1.22**	1.31	1.25	1.25	1.05

Form 20–F item number **Page reference in this document**

1 **Description of business**

Business description **6**

Competition **10**

Economic and monetary environment **66**

Supervision and regulation **67**

2 **Description of property**

Note 24 **109**

3 **Legal proceedings**

Note 48 **126**

4 **Control of registrant**

Presentation of information **2**

5 **Nature of trading market**

Trading market for shares **157**

6 **Exchange controls and other limitations affecting security holders**

Exchange controls and other limitations affecting security holders **161**

7 **Taxation**

Shareholder information - taxation **160**

8 **Selected financial data**

Currency of presentation **146**

Dividends **157**

Selected financial data **4/156**

9 **Management's discussion and analysis of financial condition and results of operations**

Financial review **12**

10 **Directors and officers of registrant**

Directors and officers **71**

11 **Remuneration of directors and officers**

Directors' report **73**

Report of Remuneration and Nominations Committee **78**

12 **Options to purchase securities from registrant or subsidiaries**

Note 57 **129**

13 **Interest of management in certain transactions**

Note 58 **130**

14 **Description of securities to be registered n/a**

15 **Defaults upon senior securities n/a**

16 **Changes in securities and changes in security for registered securities n/a**

17 **Financial statements n/a**

18 **Financial statements**

Consolidated financial statements:
Barclays PLC **93**
Barclays Bank PLC **147**

19 **Financial statements and exhibits n/a**

Currency of presentation

In this report, unless otherwise specified, all amounts are expressed in pounds sterling. For the years indicated, the high, low, average and year-end noon buying rates in New York City for cable transfers in pounds sterling, as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate'), were:

	1997	1996	1995	1994	1993
		(US dollars per pound sterling)			
High	**1.70**	1.71	1.64	1.64	1.59
Low	**1.58**	1.49	1.53	1.46	1.42
Average*	**1.64**	1.56	1.58	1.54	1.50
Year-end	**1.65**	1.71	1.55	1.57	1.48

*The average of the Noon Buying Rates on the last day of each month.

On 19th February 1998, the Noon Buying Rate was $1.64 per pound sterling. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into US dollars at that rate or at any of the above rates. For the purpose of presenting financial information in this report, exchange rates other than those shown above may have been used.

Glossary

Term used in annual report	**US equivalent or brief description**
Accounts	Financial statements
Advance corporation tax	No direct US equivalent. Tax paid on company distributions recoverable from UK taxes due on income
Allotted	Issued
Attributable profit	Net income
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Class of business	Industry segment
Fees and commissions receivable	Fee and commission income
Fees and commissions payable	Fee and commission expense
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interest receivable	Interest income
Interest payable	Interest expense
Loans and advances	Lendings
Loan capital	Long-term debt
Net asset value	Book value
Profit	Income
Profit and loss account	Income statement
Profit and loss account reserve	Retained earnings
Provisions	Allowances
Revaluation reserve	No direct US equivalent. Represents the increase in the valuation of certain assets as compared with historical cost
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Shareholders' funds	Shareholders' equity
Share premium account	Additional paid-up capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Tangible fixed assets	Property and equipment
Write-offs	Charge-offs

Consolidated profit and loss account Barclays Bank PLC

For the year ended 31st December 1997

	Note	1997 £m	1996 £m	1995 £m
Interest receivable:				
Interest receivable and similar income arising from debt securities		**1,305**	976	867
Other interest receivable and similar income		**7,822**	7,754	8,342
		9,127	8,730	9,209
Interest payable		**5,091**	4,821	5,427
Profit on redemption/repurchase of loan capital	1	**2**	32	-
Net interest income		**4,038**	3,941	3,782
Fees and commissions receivable		**3,197**	3,168	2,969
Less: fees and commissions payable		**(218)**	(223)	(202)
Dealing profits	2	**374**	414	404
Other operating income	3	**200**	248	232
Operating income		**7,591**	7,548	7,185
Administrative expenses - staff costs	4	**3,035**	2,980	2,907
Administrative expenses - other	6	**1,896**	1,807	1,765
Depreciation and amortisation	7	**269**	301	335
Operating expenses		**5,200**	5,088	5,007
Operating profit before provisions		**2,391**	2,460	2,178
Provisions for bad and doubtful debts	18	**227**	215	396
Provisions for contingent liabilities and commitments	35	**4**	9	3
Provisions		**231**	224	399
Operating profit		**2,160**	2,236	1,779
Loss on sale or restructuring of BZW	8	**(469)**	-	-
Profit on disposal of other Group undertakings	9	**44**	70	238
Write-down of fixed asset investments	10	**(19)**	-	-
Profit on ordinary activities before tax		**1,716**	2,306	2,017
Tax on profit on ordinary activities	11	**542**	620	610
Profit on ordinary activities after tax		**1,174**	1,686	1,407
Minority interests - equity		**(20)**	(22)	(18)
Profit for the financial year attributable to the members of Barclays Bank PLC (Net income)		**1,154**	1,664	1,389
Dividends payable to Barclays PLC	c	**(914)**	(1,260)	(602)
Dividends payable to preference shareholders	c	**(24)**	(25)	(25)
Profit retained for the financial year		**216**	379	762

The note numbers refer to the notes on pages 99 to 144, whereas the note letters refer to those on pages 152 to 154.

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

Statement of total recognised gains and losses

For the year ended 31st December 1997

	1997 £m	1996 £m	1995 £m
Profit for the financial year attributable to the members of Barclays Bank PLC	**1,154**	1,664	1,389
Exchange rate translation differences	**(91)**	(235)	54
Total recognised gains relating to the year	**1,063**	1,429	1,443

	Note	1997 £m	1997 £m	1996 £m	1996 £m
Assets					
Cash and balances at central banks			**750**		729
Items in course of collection from other banks			**2,564**		3,021
Treasury bills and other eligible bills	15		**6,106**		4,472
Loans and advances to banks - banking		**21,729**		16,125	
- trading		**15,155**		12,898	
	16		**36,884**		29,023
Loans and advances to customers - banking		**74,111**		72,977	
- trading		**25,712**		16,441	
	17		**99,823**		89,418
Debt securities	20		**52,581**		31,367
Equity shares	21		**2,780**		2,813
Interests in associated undertakings	22		**57**		86
Intangible fixed assets	23		**191**		222
Tangible fixed assets	24		**2,016**		2,092
Other assets	26		**20,413**		15,194
Prepayments and accrued income	28		**2,305**		1,884
			226,470		180,321
Long-term assurance fund assets attributable to policyholders	27		**8,187**		5,681
Total assets			**234,657**		186,002

The note numbers refer to the notes on pages 99 to 144.

	Note	1997 £m	1997 £m	1996 £m	1996 £m
Liabilities					
Deposits by banks - banking		**30,511**		21,636	
- trading		**13,968**		12,520	
	29		***44,479***		34,156
Customer accounts - banking		***89,647***		83,421	
- trading		***18,791***		13,143	
	30		***108,438***		96,564
Debt securities in issue	31		***20,366***		11,834
Items in course of collection due to other banks			***1,676***		1,596
Other liabilities	32		***35,268***		21,779
Balances due to Barclays PLC			***359***		309
Accruals and deferred income	33		***3,557***		2,285
Provisions for liabilities and charges - deferred tax	34		***758***		725
Provisions for liabilities and charges - other	35		***696***		399
Subordinated liabilities:					
Undated loan capital - convertible to preference shares	36		***304***		292
Undated loan capital - non-convertible	36		***1,353***		1,343
Dated loan capital - non-convertible	37		***1,211***		1,396
Other subordinated liabilities - non-convertible	38		***59***		56
			218,524		172,734
Minority interests and shareholders' funds					
Minority interests - equity			***61***		65
Called up share capital	a	***2,066***		2,048	
Share premium account		***1,574***		1,469	
Revaluation reserve		***35***		44	
Profit and loss account		***4,210***		3,961	
Shareholders' funds - equity and non-equity	b		***7,885***		7,522
			7,946		7,587
			226,470		180,321
Long-term assurance fund liabilities to policyholders	27		***8,187***		5,681
Total liabilities and shareholders' funds			***234,657***		186,002

	Note	1997 £m	1996 £m
Memorandum items	47		
Contingent liabilities:			
Acceptances and endorsements		***1,602***	647
Guarantees and assets pledged as collateral security		***6,623***	5,425
Other contingent liabilities		***5,123***	4,741
		13,348	10,813
Commitments - sale and option to resell transactions		-	2
Commitments - standby facilities, credit lines and other		***59,121***	47,143
		59,121	47,145

The note numbers refer to the notes on pages 99 to 144, whereas the note letters refer to those on pages 152 to 154.

	1997 £m	1996 £m	1995 £m
Share premium account			
At beginning of year	**1,469**	1,445	1,405
Premium arising on shares issued	**95**	50	38
Exchange rate translation differences	**10**	(26)	2
At end of year	**1,574**	1,469	1,445
Revaluation reserve			
At beginning of year	**44**	57	62
Exchange rate translation differences	**(3)**	(6)	-
Realisation of revaluation surplus	**(5)**	(7)	(7)
Other items	**(1)**	-	2
At end of year	**35**	44	57
Profit and loss account			
At beginning of year	**3,961**	3,772	2,951
Profit retained	**216**	379	762
Exchange rate translation differences	**(98)**	(203)	52
Goodwill arising on acquisitions	**-**	(3)	(2)
Goodwill written back on disposals	**126**	-	5
Realisation of revaluation surplus	**5**	7	7
Other items	**-**	9	(3)
At end of year	**4,210**	3,961	3,772
Total reserves	**5,819**	5,474	5,274

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the consolidated profit retained and the other reserves of overseas subsidiary and associated undertakings at 31st December 1997 totalled £2m (1996 £243m, 1995 £328m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Goodwill amounting to £363m (1996 £489m, 1995 £486m) has been charged directly against reserves in the current and prior years in respect of acquisitions. This amount is net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

Consolidated cash flow statement Barclays Bank PLC
For the year ended 31st December 1997

	Note	1997 £m	1997 £m	1996 £m	1996 £m	1995 £m	1995 £m
Net cash inflow/(outflow) from operating activities	49		**9,045**		4,752		(180)
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(270)**		(278)		(296)	
Preference dividends paid		**(24)**		(25)		(25)	
Dividends paid to minority shareholders		**(9)**		(8)		(10)	
Net cash outflows from returns on investment and servicing of finance			**(303)**		(311)		(331)
Tax paid			**(263)**		(519)		(633)
Capital expenditure and financial investment:							
Capital expenditure		**(342)**		(444)		(325)	
Sale of property and equipment		**159**		67		74	
Purchase of investment securities		**(11,942)**		(7,431)		(6,900)	
Redemption of investment securities		**1,481**		1,043		1,625	
Sale of investment securities		**3,131**		3,566		2,173	
Net cash outflow from capital expenditure and financial investment			**(7,513)**		(3,199)		(3,353)
Acquisitions and disposals:							
Acquisition of subsidiary undertakings	53	**-**		(13)		(251)	
Acquisition of associated undertakings		**-**		(15)		-	
Sale of group undertakings	50	**50**		47		1,812	
Net cash inflow from acquisitions and disposals			**50**		19		1,561
Equity dividend paid:			**(923)**		(1,257)		(595)
Net cash inflow/(outflow) before financing			**93**		(515)		(3,531)
Financing:	e						
Issue of loan capital and other subordinated liabilities (net of expenses)		**478**		318		-	
Redemption/repurchase of loan capital and other subordinated liabilities		**(640)**		(631)		(31)	
Issue of ordinary shares		**113**		64		50	
Net cash (outflow)/inflow from financing			**(49)**		(249)		19
Increase/(decrease) in cash	52		**44**		(764)		(3,512)

The note numbers refer to the notes on pages 99 to 144, whereas the note letters refer to those on pages 152 to 154.

a Called up share capital

Ordinary shares

The authorised ordinary share capital of the Bank, at 31st December 1997, was 2,500 million (1996:2,500 million) ordinary shares of £1 each.

	1997	1996	1995
Called up ordinary share capital, allotted and fully paid	**£m**	£m	£m
At beginning of year	**2,048**	2,034	2,022
Issued for cash	**18**	14	12
At end of year	**2,066**	2,048	2,034

Preference shares

The authorised preference share capital of the Bank is 150 million (1996:150 million) shares of $0.01 each. At 31st December 1997, 34.92 million (1996:34.92 million) preference shares were outstanding and had been issued for a consideration of $436.5m or (£265m), of which the nominal value was $349,200 and the balance was share premium.

	Number of shares issued	**Nominal value per share $**	**Premium per share $**	**Liquidation value per share $**	**Earliest redemption date**
Series C1	8,960,000	0.01	19.99	20.00	29th June 2000
Series C2	8,960,000	0.01	4.99	5.00	29th June 2000
Series D1	8,500,000	0.01	19.99	20.00	29th March 2001
Series D2	8,500,000	0.01	4.99	5.00	29th March 2001

The Series C1 and C2 Preferences Shares and the Series D1 and D2 Preference Shares are respectively redeemable, at the option of the Bank, as a whole at their liquidation values, together with accrued and unpaid dividends for the current quarterly dividend period to the date of redemption.

In the event of a winding up, the holders of preference shares will be entitled to receive, before any distribution of assets is made to holders of ordinary shares of Barclays Bank PLC, liquidating distributions in the amounts of Series C1 and D1, $20; and Series C2 and D2, $5 per share plus an amount equal to accrued and unpaid dividends for the current quarterly dividend period to the date of commencement of the winding up.

The holders of preference shares are not entitled to receive notice of, or to attend or vote at, any general meeting of Barclays Bank PLC, except where there has been a failure to pay the equivalent of six consecutive quarterly dividends (in which case they may appoint two additional Directors), or where a resolution is proposed for adoption by shareholders providing for the winding up of the Bank. However, Series C1 and Series D1 Preference shareholders may receive notice of and attend the general meeting called for the purpose and vote on that resolution.

In the event of the conversion of the Series E Notes (see page 115), the rights of the Series E1 and E2 Preference Shares are the same as those for Series D1 and D2 respectively. The Series E Preference Shares issued on conversion are redeemable, at the option of the Bank, in full on or after 30th April 2003.

b Shareholders' funds

Shareholders' funds at 31st December 1997 include £265m (1996 £255m) of non-equity share premium (see Preference shares in note a above). All other shareholders' funds represent equity interests.

c Dividends

	1997	1996	1995
	£m	£m	£m
On ordinary shares			
Interim dividends	**895**	1,232	577
Final dividend	**19**	28	25
	914	1,260	602

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and, in 1997, to fund the repurchase by Barclays PLC of 30.35 million of its ordinary shares at a total cost of £351m (1996:95 million at a total cost of £781m).

c Dividends (continued)

Dividends on the preference shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders, expressed as percentages of the liquidation values of the relevant preference shares, of 11.25% on Series C1 and Series C2 Preference Shares and 11.5% on Series D1 and Series D2 Preference Shares. Preference dividends paid totalled $40m (£24m) in 1997, $40m (£25m) in 1996 and $40m (£25m) in 1995.

In the event of the conversion of the Series E Notes, the annual dividends, expressed as a percentage of the liquidation values, on the Series E1 and E2 Preference Shares would be 9.25%.

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

	1997 £m	1996 £m	1995 £m
Net cash inflow/(outflow) from operating activities of Barclays PLC (see note 49)	**8,986**	4,714	(228)
Increase in balance due by Barclays Bank PLC to Barclays PLC	**59**	38	48
Net cash inflow/(outflow) from operating activities of Barclays Bank PLC	**9,045**	4,752	(180)

e Changes in financing during the year

	Undated loan capital	Dated loan capital	Other sub-ordinated liabilities	Ordinary shares	Share premium
Barclays Bank PLC	£m	£m	£m	£m	£m
At beginning of year	**1,635**	**1,396**	**56**	**2,048**	**1,469**
Exchange rate and other movements	**38**	**(37)**	**3**	**-**	**10**
Profit on redemption of loan capital	**(6)**	**4**	**-**	**-**	**-**
Net cash (outflow)/inflow from financing	**(10)**	**(152)**	**-**	**18**	**95**
At end of year	**1,657**	**1,211**	**59**	**2,066**	**1,574**

f Segmental analysis

	1997	1997	1996	1996	1995	1995
By geographical segments (a)	£m	%	£m	%	£m	%
Attributable profit						
United Kingdom	**747**	**65**	1,322	79	1,114	80
Foreign UK-based	**179**	**16**	148	9	104	8
Other European Union	**107**	**9**	(19)	(1)	(195)	(14)
United States	**62**	**5**	121	7	280	20
Rest of the World	**59**	**5**	92	6	86	6
	1,154	**100**	1,664	100	1,389	100

Notes

(a) For the basis of the geographical analysis, see Analyses by geographical segments and classes of business on page 92.

g Differences between UK and US accounting principles – Barclays Bank PLC

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	Note	1997 £m	1996 £m	1995 £m
Approximate net income (US GAAP) of Barclays PLC Group (from page 136)		**1,274**	1,545	1,310
Preference share dividends of Barclays Bank PLC		**24**	25	25
Approximate net income (US GAAP) of Barclays Bank PLC Group		**1,298**	1,570	1,335

	Note	1997 £m	1996 £m
Shareholders' funds (UK GAAP) of Barclays Bank PLC Group		**7,885**	7,522
Goodwill	(a)	**182**	274
Pension cost	(b)	**(44)**	(163)
Post-retirement benefits	(c)	**10**	10
Leasing - Lessor	(d)	**(182)**	(196)
Leasing - Lessee	(e)	**9**	6
Deferred tax	(f)	**(1)**	(2)
Property depreciation		**(52)**	(57)
Share compensation schemes	(h)	**(17)**	(6)
Shareholders' interest in the long-term assurance fund		**(569)**	(551)
Revaluation of property		**(295)**	(282)
Net unrealised gain on investment securities	(j)	**221**	264
Dividend payable		**19**	28
Restructuring of business provisions	(m)	**36**	-
Tax effect on the above UK/US GAAP reconciling items		**175**	209
Approximate shareholders' equity (US GAAP) of Barclays Bank PLC Group		**7,377**	7,056

The note numbers refer to the notes on pages 137 to 141.

	1997	1996	1995	1994	1993
Selected financial statistics	**%**	%	%	%	%
Attributable profit as a percentage of:					
average total assets (note (a))	**0.54**	0.92	0.84	0.75	0.22
average shareholders' funds	**14.82**	22.31	20.19	20.14	6.27
Average shareholders' funds as a					
percentage of average total assets (note (a))	**3.63**	4.11	4.18	3.75	3.49
Selected profit and loss account data	**£m**	£m	£m	£m	£m
Interest receivable	**9,127**	8,730	9,209	8,526	9,603
Interest payable	**5,091**	4,821	5,427	4,833	5,757
Profit/(loss) on redemption of loan capital	**2**	32	-	(60)	22
Other operating income	**3,553**	3,607	3,403	3,269	3,519
Operating expenses	**5,200**	5,088	5,007	4,576	4,822
Provisions - bad and doubtful debts	**227**	215	396	602	1,869
- contingent liabilities and commitments	**4**	9	3	-	49
Loss on sale or termination of BZW businesses	**(469)**	-	-	-	-
Profit on disposal of other Group undertakings	**44**	70	238	107	-
Write-down of fixed asset investments	**(19)**	-	-	-	-
Profit before tax	**1,716**	2,306	2,017	1,831	647
Attributable profit	**1,154**	1,664	1,389	1,235	365
Selected balance sheet data	**£m**	£m	£m	£m	£m
Shareholders' funds	**7,885**	7,522	7,308	6,440	5,841
Dated and undated loan capital	**2,868**	3,031	3,560	3,541	4,183
Deposits by banks, customer accounts and debt securities in issue	**173,283**	142,554	125,361	125,165	133,288
Loans and advances to banks and customers	**136,706**	118,441	111,280	112,705	117,081
Total assets	**234,657**	186,002	168,826	162,403	166,051

Note

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

The following financial information has been adjusted from data prepared under UK GAAP to reflect significant differences from accounting principles generally accepted in the United States (US GAAP). See note 60 for an explanation of these differences.

Selected financial statistics

	1997(b)	1997	1996	1995	1994	1993
Barclays PLC Group	¢	p	p	p	p	p
Earnings per £1 ordinary share	**138.4**	**83.9**	98.2	80.3	63.0	12.3
Dividends per £1 ordinary share	**55.3**	**33.5**	28.0	22.5	16.7	12.5
Book value per £1 ordinary share	**804**	**487**	460	428	364	306
Net income as a percentage of:		%	%	%	%	%
average total assets		**0.57**	0.83	0.78	0.61	0.12
average shareholders' equity		**17.73**	22.52	20.75	18.88	4.02
Dividends as a percentage of net income		**40.27**	28.35	27.92	26.39	101.01
Average shareholders' equity as a percentage of average total assets		**3.24**	3.67	3.74	3.25	2.88
Barclays Bank PLC Group						
Net income as a percentage of:						
average total assets		**0.58**	0.84	0.79	0.65	0.15
average shareholders' equity		**18.19**	22.86	20.94	18.91	4.66
Average shareholders' equity as a percentage of average total assets		**3.21**	3.67	3.77	3.42	3.18

Selected financial statement data

	$m	£m	£m	£m	£m	£m
Net income (note (a)):						
Barclays PLC Group	**2,102**	**1,274**	1,545	1,310	1,027	199
Barclays Bank PLC Group	**2,142**	**1,298**	1,570	1,335	1,083	254
Shareholders' equity (note (a)):						
Barclays PLC Group	**12,296**	**7,452**	7,082	6,948	5,956	4,974
Barclays Bank PLC Group	**12,172**	**7,377**	7,056	6,986	6,040	5,466
Total assets	**390,019**	**236,375**	185,931	169,394	162,971	167,408

Notes

(a) Net income and shareholders' equity have been adjusted to reflect significant differences between UK and US GAAP, as shown in note 60 to the accounts. Total assets have been adjusted to reflect such differences and also to include acceptances.

(b) The dollar financial information has been translated for convenience at the rate of $1.65 to £1, the Noon Buying Rate for cable transfers in New York City, payable in pounds sterling, at 31st December 1997.

Dividends on the ordinary shares of Barclays PLC

Barclays PLC has paid dividends on its ordinary shares every year without interruption since its incorporation in 1896.

The dividends declared for each of the last five years were:

Pence per £1 ordinary share

	1997	1996	1995	1994	1993
First interim	**13.50**	11.50	9.50	8.00	6.50
Final (1994 and earlier second interim)	**23.50**	20.00	16.50	13.00	8.65
	37.00	31.50	26.00	21.00	15.15

US Dollars per £1 ordinary share

	1997	1996	1995	1994	1993
First interim	**0.22**	0.19	0.15	0.13	0.10
Final (1994 and earlier second interim)	**0.38**	0.32	0.25	0.20	0.13
	0.60	0.51	0.40	0.33	0.23

The gross dividends applicable to an American Depositary Share (ADS) representing four ordinary shares, before deduction of withholding tax, but including the UK imputed tax credit (see Taxation) are as follows.

US Dollars per American Depositary Shares

	1997	1996	1995	1994	1993
First interim	**1.09**	0.93	0.75	0.63	0.50
Final (1994 and earlier second interim)	**1.92**	1.63	1.24	1.02	0.65
	3.01	2.56	1.99	1.65	1.15

Dividends expressed in dollars are translated at the noon buying rates in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate') for the days on which dividends are paid, except for the 1997 final dividend, payable in the United Kingdom on 5th May 1998, which is translated at 'Noon Buying Rate' applicable on 19th February 1998, the latest practical date for inclusion in this report. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into dollars at these rates.

Dividends on the preference shares of Barclays Bank PLC

Dividends on the preference shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders of 11.25% on the aggregate liquidation values of Series C1 and Series C2 Preference Shares and 11.5% on the aggregate liquidation values of Series D1 and Series D2 Preference Shares.

Trading market for ordinary shares of Barclays PLC

The nominal capital of Barclays PLC is divided into 1,999,000,000 ordinary shares of £1 each (ordinary shares) and 1,000,000 staff shares of £1 each (staff shares). At the close of business on 31st December 1997, 1,529,143,771 £1 ordinary shares and 875,000 staff shares were outstanding.

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. Ordinary share listings were also obtained on the Tokyo Exchange with effect from 1st August 1986 and the New York Stock Exchange (NYSE) with effect from 9th September 1986.

Trading on the NYSE is in the form of ADSs under the symbol 'BCS'. Each ADS represents four £1 ordinary shares and is evidenced by an ADR. The ADR depositary is Morgan Guaranty Trust Company of New York. Details of trading activity are published in the stock tables of leading daily newspapers in the United States.

There were 530 recorded holders of ordinary shares, including those holding ADRs, with US addresses at 31st December 1997, whose shareholdings represented approximately 0.43% of total outstanding ordinary shares on that date.

The following table shows the high and low sales prices for the £1 ordinary shares during the periods indicated, based on mid-market prices at close of business on the London Stock Exchange and the high and low sale prices for ADSs as reported on the NYSE composite tape.

	£1 ordinary shares		American Depositary Shares	
	High	Low	High	Low
1997	p	p	US$	US$
Fourth quarter	**1,750**	**1,427**	**$115^{5}/_{8}$**	**96**
Third quarter	**1,675**	**1,213**	**$108^{1}/_{4}$**	**80**
Second quarter	**1,285**	**1,008**	**84**	**66**
First quarter	**1,216**	**980**	**$80^{1}/_{2}$**	**$63^{3}/_{4}$**
1996				
Fourth quarter	1,036	940	70	59
Third quarter	950	776	60	$41^{1}/_{4}$
Second quarter	800	721	$49^{3}/_{8}$	$43^{1}/_{4}$
First quarter	811	688	51	42

Trading market for preference shares of Barclays Bank PLC

At 31st December 1997, Barclays Bank PLC had outstanding 34,920,000 non-cumulative dollar-denominated preference shares, issued in 1990 and 1991, with a nominal value of $0.01 each. Currently, the only trading market for these shares is the NYSE where they are traded in the form of ADSs, each ADS representing one preference share and being evidenced by an ADR. The Series C1 and Series C2 Preference Share ADSs are traded on the NYSE as Series C Preference Share ADS Units and each such Unit comprises one Series C1 Preference Share ADS and one Series C2 Preference Share ADS. Identical arrangements exist for the Series D1 and Series D2 Preference Share ADSs to trade as Series D Preference Share ADS Units. The ADR depositary is Morgan Guaranty Trust Company of New York.

At 31st December 1997, the Series C Preference Share ADR Units were held by 769 recorded holders and the Series D Preference Share ADR Units by 1,196 recorded holders, all with US addresses.

The following table shows the high and low sale prices for the Series C and Series D Preference Share ADS Units during the periods indicated, as reported on the NYSE composite tape

	American Depositary Shares			
	Series C		Series D	
	High	Low	High	Low
1997	US$	US$	US$	US$
Fourth quarter	**$28^{5}/_{8}$**	**$27^{7}/_{16}$**	**$29^{3}/_{16}$**	**$27^{15}/_{16}$**
Third quarter	**$28^{1}/_{2}$**	**$27^{5}/_{8}$**	**$29^{1}/_{8}$**	**28**
Second quarter	**28**	**$27^{1}/_{4}$**	**$28^{45}/_{64}$**	**$27^{3}/_{4}$**
First quarter	**$28^{3}/_{4}$**	**$27^{7}/_{8}$**	**$29^{1}/_{4}$**	**$28^{3}/_{8}$**
1996				
Fourth quarter	$28^{5}/_{8}$	$27^{5}/_{8}$	$29^{1}/_{8}$	28
Third quarter	$28^{1}/_{2}$	$27^{1}/_{2}$	$28^{3}/_{4}$	$27^{3}/_{8}$
Second quarter	29	$27^{9}/_{32}$	$29^{1}/_{8}$	$28^{1}/_{8}$
First quarter	$29^{3}/_{8}$	$28^{1}/_{8}$	$29^{1}/_{2}$	28

The Series C1 and C2 Preference Share ADSs were issued during 1990 and the Series D1 and Series D2 Preference Share ADSs were issued during 1991.

Note

This section incorporates information on the prices at which securities of Barclays PLC and Barclays Bank PLC have traded. It is emphasised that past performance cannot be relied upon as a guide to future performance.

Shareholdings at 31st December 1997

	Shareholders		Shares held	
Classification of shareholders	Number	Percentage of total holders	Number (millions)	Percentage of called up ordinary shares
Personal holders	**112,203**	**87.28**	**154.4**	**10.09**
Banks and Nominee companies	**13,457**	**10.47**	**1,272.0**	**83.18**
Other companies	**2,182**	**1.70**	**57.1**	**3.74**
Insurance companies	**670**	**0.52**	**22.8**	**1.49**
Pension funds	**35**	**0.03**	**22.8**	**1.50**
Totals	**128,547**	**100.00**	**1,529.1**	**100.00**
Shareholding range				
1-100	**17,973**	**13.98**	**0.6**	**0.04**
101-250	**11,939**	**9.29**	**2.1**	**0.14**
251-500	**20,548**	**15.98**	**7.6**	**0.50**
501-1,000	**27,015**	**21.02**	**19.8**	**1.30**
1,001-5,000	**41,759**	**32.48**	**90.1**	**5.89**
5,001-10,000	**5,330**	**4.15**	**36.4**	**2.38**
10,001-25,000	**1,979**	**1.54**	**29.3**	**1.91**
25,001-50,000	**544**	**0.42**	**19.4**	**1.27**
50,001 and over	**1,460**	**1.14**	**1,323.8**	**86.57**
Totals	**128,547**	**100.00**	**1,529.1**	**100.00**

Taxation

The following is a summary of the principal tax consequences for holders of ordinary shares of Barclays PLC, preference shares of the Bank, ADRs representing such ordinary shares or preference shares and loan capital guaranteed by the Bank, who are citizens or residents of the United Kingdom or United States, or otherwise who are subject to UK tax or US federal income tax on a net income basis in respect of such securities. It is not, however, a comprehensive analysis of all the potential tax consequences for such holders and investors are advised to consult their tax advisers on the tax implications of their particular holdings, including the consequences under applicable state and local law.

Unless otherwise noted, the statements of tax laws set out below are based on the laws in force as at 17th February 1998 and are subject to any subsequent changes in UK or US law, in particular any announcements made in the Chancellor's UK Budget on 17th March 1998, or in any double tax convention between the United States and the United Kingdom.

For the purposes of the current US-UK double tax conventions relating to income tax (the Income Tax Convention) and estate and gift tax (the 'Estate Tax Convention') and for the purposes of the US Internal Revenue Code of 1986, as amended (the Code), the holders of ADRs are treated as owners of the underlying ordinary shares or preference shares, as the case may be.

Taxation of UK holders

Taxation of capital gains Since 6th April 1988, the market valuation at 31st March 1982 may be substituted for the original cost of shares purchased before that date. To arrive at the total cost of any holdings of shares of Barclays PLC, the amount subscribed for rights taken up in 1985 and 1988 should be added to the value of the holding calculated as above.

When selling shares, shareholders may also be entitled to indexation relief, which is calculated on the market value at 31st March 1982, on the cost of subsequent purchases from the date of such purchases and on the subscription for rights from the date of the subscription payment.

Shareholders are advised to consult their personal financial adviser if further information regarding a possible tax liability in respect of their holdings of Barclays PLC shares is required.

Taxation of dividends In accordance with UK law, Barclays PLC and the Bank pay dividends on ordinary shares and preference shares without any deduction or withholding tax in respect of any taxes imposed by the UK government or any UK taxing authority. However, following payment of a dividend, account must normally be made to the Inland Revenue for advance corporation tax (ACT) which is currently equal to one-quarter of the dividend paid.

If the shareholder is a UK resident individual liable to income tax only at the basic rate or the lower rate, then there will be no further tax liability in respect of the dividend received. If, however, the individual shareholder is subject to income tax at the higher rate (currently 40%), there will be a further liability to tax on the sum of the cash dividend received and the tax credit in respect of the dividend (the amount of the credit is the amount of the ACT or the 'tax credit amount'). If the shareholder's tax liability is less than the tax credit attached to the dividend the shareholder is, in general, entitled to make a repayment claim. The amount that may be reclaimed is the amount by which the tax credit exceeds the shareholder's total tax liability.

Recent changes in the Finance (No. 2) Act 1997 provide that from 6th April 1999 the rate of tax credits will be halved to 10%. However, as a result of compensating reductions in the rate of tax on dividend income there will be no increase in the tax borne by UK resident individual shareholders in respect of dividend income. Tax credits will also no longer be payable to shareholders with no tax liability. The pre-Budget report published by H M Treasury on 25th November 1997 also proposes that ACT be abolished from 6th April 1999.

Taxation of premium on redemption or purchase of shares In the event that the Bank redeems preference shares, it may be required to account for ACT in respect of any premium. Any vouchers which the Bank issues in respect of the distribution may be required to show the distribution as a 'foreign income dividend' (FID), on which notional lower rate income tax (which is not repayable) has been borne but on which there is no tax credit for shareholders, although UK resident companies which receive such distributions will be able to use them to frank FIDs or deemed FIDs which they pay. Similar tax consequences may arise as a result of a purchase by Barclays PLC of its own shares.

As part of the changes mentioned above, FIDs will be abolished from 6th April 1999.

Taxation of shares under the Dividend Reinvestment Plan Where a shareholder elects to purchase shares using their cash dividend, the individual will be liable for income tax on dividends reinvested in the Plan on the same basis as if they had received the cash and arranged the investment themselves. They should accordingly include the cash dividend in their annual tax return in the normal way.

For shareholders who pay income tax at the lower rate, basic rate or higher rate, the consequences for the individual of receiving a dividend are the same as described in 'Taxation of dividends' above.

Stamp duty On the purchase of shares, stamp duty or stamp duty reserve tax at the rate of $^1/_2$% is normally payable on the purchase price of the shares.

Inheritance tax An individual may be liable to inheritance tax on the transfer of ordinary shares or preference shares. Where an individual is liable, inheritance tax may be charged on the amount by which the value of his or her estate is reduced as a result of any transfer by way of gift or other gratuitous transaction made by them or treated as made by them.

Taxation of US holders

Taxation of dividends Barclays PLC and the Bank pay dividends on their ordinary shares and preference shares and when doing so must normally under current law account for ACT which is currently equal to one-quarter of the dividend paid.

Under the Income Tax Convention, a beneficial owner of ordinary shares or preference shares who is a resident of the United States and not a resident of the United Kingdom, whose holding is not effectively connected with a permanent establishment or fixed base in the United Kingdom and who is not subject to special rules (such as those that apply to US tax-exempt entities and certain investment or holding companies, 25% of the capital of which is held directly or indirectly by persons that are not individual residents or nationals of the United States (a 'US holder') will generally be entitled to receive a refund from the UK Inland Revenue, in addition to any dividend paid by Barclays PLC or the Bank, of an amount equal to the tax credit available to UK resident individuals (i.e. the amount of the ACT), less a withholding tax equal to 15% of the aggregate of the tax credit and the dividend.

As a result of the reduction of the rate of tax credit to 10% mentioned above, US holders will either cease to be able to obtain refunds or will see the amount payable fall to less than 1% of their dividend.

US holders of ADRs generally may receive payment of the refund together with, and at the same time as, the associated dividend. A US holder who does not receive a refund to which they are entitled must, in order to obtain it, file a claim for payment in the manner, and at the time, specified by procedures established by the UK Inland Revenue.

Dividends received by a US holder will be foreign source income for US federal income tax purposes in the amount equal to the US dollar value of the payment (including the related tax credit amount), on the date of such payment. Dividends generally will not be eligible for the 'dividends received' deduction allowed to US corporations under the Code. Subject to certain limitations, UK tax withheld from payments will be available as a credit against US tax.

Taxation of capital gains Generally, US holders will not be subject to UK tax, but will be subject to US tax on capital gains realised on the sale or other disposition of ordinary shares, preference shares or ADRs.

Taxation of premium on redemption or purchase of shares No refund of tax will be available under the Income Tax Convention in respect of any premium paid on a redemption of preference shares by the Bank or on a purchase by Barclays PLC of its own shares.

For US tax purposes, redemption premium generally will be treated as an additional amount realised in the calculation of gain or loss.

Stamp duty No UK stamp duty is payable on the transfer of an ADR, provided that the separate instrument of transfer is not executed in, and remains at all times outside, the United Kingdom.

Estate and gift tax Under the Estate Tax Convention, a US holder generally is not subject to UK inheritance tax.

Payments under loan capital guarantees It is unclear whether, under current UK law and Inland Revenue practice, the Bank would be required to deduct or withhold UK income tax from any payment of interest made to residents of the United States in respect of the guarantees given by the Bank in relation to the long-term debt issues by Barclays North American Capital Corporation. However, the terms of such guarantees impose a grossing up obligation on the Bank, subject to limited exceptions, in regard to any payment thereunder which is subject to any such deduction or withholding.

Exchange controls and other limitations affecting security holders

Other than certain emergency restrictions which may be in force from time to time, there are currently no UK laws, decrees or regulations which would affect the transfer of capital or remittance of dividends, interest and other payments to holders of Barclays securities who are not residents of the United Kingdom. There are also no restrictions under the Articles of Association of either Barclays PLC or the Bank, or under current UK laws, which limit the right of non-resident or foreign owners, to hold Barclays securities or, when entitled to vote, to do so.

Shareholder enquiries

Investors who have any questions about their investment in Barclays, or about Barclays in general, may write to:

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ADR depositary: Morgan Guaranty Trust Company of New York, c/o Boston Financial Data Services, 2 Heritage Drive, North Quincy, MA 02171, USA. Tel: (617) 774 4237

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