Barclays PLC
Annual report 1996
Barclays PLC and Barclays Bank PLC
Annual report on Form 20-F 1996

Contents

Registered No. 48839

This document comprises the 1996 Annual report of Barclays PLC and the 1996 Annual report on Form 20-F to the Securities and Exchange Commission in the United States of America for Barclays PLC and Barclays Bank PLC. It contains the Directors' report and accounts of Barclays PLC, together with the Auditors' report thereon, as required by the UK Companies Act 1985. The 1996 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.

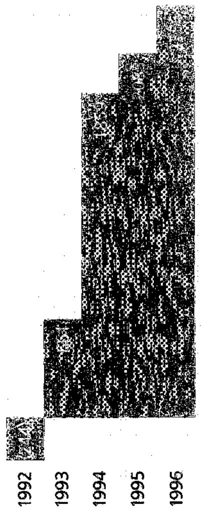
Barclays PLC and Barclays Bank PLC are public limited companies, organised under the laws of England, and all of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. The report has therefore been prepared as a joint annual report on Form 20-F for Barclays PLC and Barclays 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 148 to 156. The accounting policies on pages 89 to 90 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 1996 and are explained on page 11. The relevant comparative data has been restated.

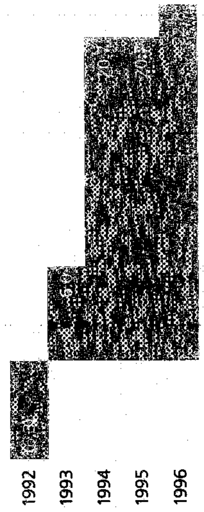
The term 'Barclays PLC Group' means Barclays PLC together with its subsidiary undertakings and the term 'Barclays Bank PLC Group' refers to Barclays Bank PLC together with its subsidiary undertakings. 'Barclays' and 'Group' are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term 'Company' refers to Barclays PLC and the term 'Bank' refers to Barclays Bank PLC. The term 'UK Bank', however, relates only to the UK branch network and related activities. The term 'BZW' means the whole of the Group's investment banking business.

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

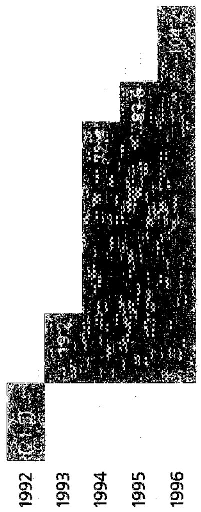
Profit/(loss) before tax (£m)



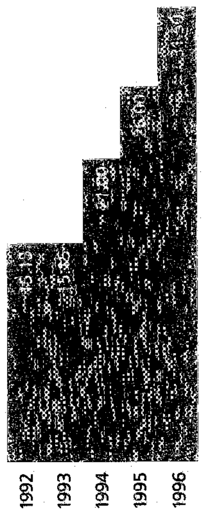
Post-tax return on average shareholders' funds (%)



Earning/(loss) per share (pence)



Dividends per share (pence)



Consolidated profit and loss account summary (a)

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Interest receivable	**8,773**	9,265	8,551	9,611	11,853
Interest payable	**4,821**	5,427	4,833	5,757	8,216
Profit/(loss) on redemption of loan capital	**32**	-	(60)	22	-
Net interest income	**3,984**	3,838	3,658	3,876	3,637
Fees and commissions receivable	**3,168**	2,969	2,986	2,794	2,603
Less: fees and commissions payable	**(223)**	(202)	(196)	(208)	(159)
Dealing profits	**415**	409	290	657	350
Other operating income	**254**	237	192	282	281
Operating income	**7,598**	7,251	6,930	7,401	6,712
Administration expenses - staff costs	**2,980**	2,907	2,680	2,728	2,472
Administration expenses - other	**1,807**	1,765	1,655	1,772	1,616
Depreciation and amortisation	**301**	335	241	322	313
Operating expenses	**5,088**	5,007	4,576	4,822	4,401
Operating profit before provisions	**2,510**	2,244	2,354	2,579	2,311
Provisions for bad and doubtful debts	**215**	396	602	1,869	2,465
Provisions for contingent liabilities and commitments	**9**	3	-	49	8
Provisions	**224**	399	602	1,918	2,473
Operating profit/(loss)	**2,286**	1,845	1,752	661	(162)
Profit/(loss) on disposal of Group undertakings	**70**	238	107	-	(82)
Profit/(loss) on ordinary activities before tax	**2,356**	2,083	1,859	661	(244)
Tax on profit/(loss) on ordinary activities	**670**	676	608	282	43
Profit/(loss) on ordinary activities after tax	**1,686**	1,407	1,251	379	(287)
Profit attributable to minority interests	**(47)**	(43)	(72)	(69)	(58)
Profit/(loss) for the financial year attributable to the members of Barclays PLC	**1,639**	1,364	1,179	310	(345)
Dividends	**(479)**	(421)	(343)	(246)	(243)
Profit/(loss) retained for the financial year	**1,160**	943	836	64	(588)

Selected financial statistics

	1996	1995	1994	1993	1992
Earnings/(loss) per ordinary share	**104.2p**	83.6p	72.4p	19.2p	(21.5)p
Dividends per ordinary share	**31.5p**	26.0p	21.0p	15.2p	15.2p
Dividends cover (times)	**3.4**	3.2	3.4	1.3	-
Attributable profit/(loss) before tax as a percentage of average shareholders' funds	**32.0%**	30.8%	31.2%	11.2%	(5.6)%
Attributable profit/(loss) after tax as a percentage of					
average shareholders' funds	**22.8%**	20.7%	20.7%	6.0%	(6.3)%
average total assets (b)	**0.9%**	0.8%	0.7%	0.2%	(0.2)%
Average US dollar exchange rate used in preparing the accounts	**1.56**	1.58	1.53	1.50	1.77

Consolidated balance sheet summary (a)

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Assets					
Loans and advances to banks and customers	**118,441**	111,280	112,705	117,081	114,579
Other assets	**59,480**	50,543	44,488	43,791	40,940
	177,921	161,823	157,193	160,872	155,519
Infrastructure	**2,400**	2,361	2,170	2,287	2,443
	180,321	164,184	159,363	163,159	157,962
Long-term assurance fund assets attributable to policyholders	**5,681**	4,642	3,040	2,892	1,940
Total assets	**186,002**	168,826	162,403	166,051	159,902
Liabilities					
Deposits by banks, customer accounts and debt securities in issue	**142,554**	125,361	125,165	133,288	126,393
Other liabilities	**27,093**	27,802	24,046	19,672	21,772
	169,647	153,163	149,211	152,960	148,165
Capital resources					
Undated loan capital	**1,635**	1,989	1,979	2,053	1,390
Dated loan capital	**1,396**	1,571	1,562	2,130	2,375
Other subordinated liabilities	**56**	91	121	131	170
Minority interests	**320**	343	329	677	683
Shareholders' funds	**7,267**	7,027	6,161	5,208	5,179
	10,674	11,021	10,152	10,199	9,797
	180,321	164,184	159,363	163,159	157,962
Long-term assurance fund liabilities to policyholders	**5,681**	4,642	3,040	2,892	1,940
Total liabilities and shareholders' funds	**186,002**	168,826	162,403	166,051	159,902

Weighted risk assets and capital ratios

Weighted risk assets	**98,391**	93,261	93,238	102,428	105,715
Tier 1 ratio	**7.6%**	7.7%	7.0%	5.9%	5.4%
Risk asset ratio	**10.4%**	10.9%	10.4%	9.7%	9.0%

Selected financial statistics

Average shareholders' funds as a percentage of average total assets (b)	**4.0%**	4.0%	3.5%	3.1%	3.6%
Net asset value per ordinary share	**472p**	433p	377p	321p	322p
Year-end US dollar exchange rates used in preparing the accounts	**1.71**	1.55	1.56	1.48	1.51

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.

For a description of changes in the Group structure that have taken place in 1996, see page 11.

UK Banking Services

UK Banking Services (UKBS) is an integrated business 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 some 2,000 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 cards, consumer loans, mortgages, pensions, unit trusts and life and general insurance. Barclaycard offers a full credit card service, including card payment facilities to retailers and other businesses.

Enhancements to customer service during 1996 included the further development of Premier Banking and Barclaycall, the telephone banking operation, which added over 125,000 customers during the year. PC-based home banking is also being piloted and a link with Microsoft has been established. A new value-added current account, Additions, was launched nationally and has been well received, with 165,000 accounts opened by the year end. The range of insurance and investment products has been expanded and the leadership of the student account market extended.

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 BZW to provide corporate finance and investment banking products and services to medium and large corporate clients.

New services launched during 1996 include Barclays Businesscall, which offers telephone banking to sole traders; Barclays Business Card, to assist businesses in making purchases; a Windows-based version of BusinessMaster, Barclays electronic banking service; and Barclays Ventures, which provides equity to small and medium sized businesses.

Cross-border Services

Cross-border Services has a personal and business client base in the United Kingdom and overseas. Services offered include personal and business 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 was established in 1996 as a single business unit bringing together the specialist centres in the Channel Islands, Isle of Man and London Knightsbridge. Two new services were launched during the period: Personal Banking International for expatriate and non-UK resident customers and Offshore Corporate Banking, which serves professionals based offshore and other specialist offshore companies.

The UK-based trade activities were brought together as a single business, Barclays Trade Services. It aims to develop further Barclays strong international reputation by enhancing trade products and services and improving their delivery to customers.

BZW

BZW conducts the Group's global investment banking business, whose revenues are derived from advisory, origination and primary market activities; securities research, sales and trading; risk management activities in both the cash and derivatives markets; money market activities and foreign exchange; and corporate lending.

BZW corporate finance advisory activities include capital raisings, secondary offerings, listings, mergers and acquisitions, disposals, privatisations and general advice on matters such as corporate refinancing and restructuring. BZW operates in the primary and secondary international securities markets and is one of the major participants in the market for sterling and other eurobonds and for British government securities. BZW is a primary dealer in US Treasury securities and also makes markets in a range of international government and corporate bonds.

In equity markets, BZW is a major trading, distribution and research house in Europe and the Asia-Pacific region, with over half of the employees being dedicated to non-UK equities. The continuing expansion of its international capability in underwriting, distribution, research and trading of debt and equity securities is key to its strategy.

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

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

The business is organised into three main divisions: equities, investment banking and markets. Markets is responsible for the management of the firm's interest rate, currency and commodities products.

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 and BZW Property Investment Management.

BGI is the combination of BZW Investment Management and BZW Barclays Global Investors, announced in October 1996. BGI, which includes the former Wells Fargo Nikko Investment Advisors (WFNIA), offers advanced active and indexed asset management services. The objective of advanced active management is to outperform bench-marks by the application of disciplined investment processes. The objective of indexed management is to replicate the performance of market bench-marks.

BarclayTrust offers retail fund management, executorship, trustee and tax services through Barclays Bank Trust Company and retail stockbroking and PEP management through Barclays Stockbrokers. BZW Property Investment Management manages the property assets of pension funds and securitised property vehicles.

From 1st January 1997, Barclays Unicorn, the unit trust business formerly part of Personal Banking, became part of AMG. In 1996, Barclays Unicorn made a profit, reported within Personal Banking, of £29m (1995 £21m).

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 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 corporate banking operations in South Africa and 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, certain central support services and an impaired property loan portfolio.

United States Transition consists principally of non-performing and substandard loans, commercial real estate loans and certain other loans and assets within the United States. The US mortgage servicing and origination businesses were sold in 1995.

Other Businesses in Transition includes certain activities, primarily in Europe and Asia, which have been transferred from BZW and the former Corporate and Institutional Banking Services business. It also includes the global custody business, which was previously reported as part of BZW.

Other operations

Barclays Property Holdings is responsible for the management of the Group's operational premises.

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.

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 and the Group secretariat, treasury, risk management, financial control, corporate planning, economics and taxation functions.

Competition

The Group faces continuing competition in all of its major markets; many large financial services groups compete in the provision of sophisticated banking and investment banking services to corporate and institutional customers in the important financial centres of the world, while local banks and other financial services companies provide keen competition within each national market. In the United Kingdom, the demutualisation of building societies may prove a significant factor in the retail financial services market. Competition is increasingly being experienced from non-financial services groups in key markets such as credit cards.

The development of a single market within the European Union continues. The Second Banking Co-ordination Directive allows banks in one member state to set up branches in any other member state under licence from its home country. The Investment Services Directive, which was implemented in the United Kingdom on 1st January 1996, establishes a similar framework for securities houses.

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

Changes in Group structure in 1996

During the year, changes were made to the Group's management reporting structure.

The asset management activities, formerly part of BZW, and certain businesses within Barclays Financial Services were combined to form Asset Management Group. UK Banking Services - Personal Banking includes the other businesses previously reported within Barclays Financial Services.

The businesses comprising Corporate and Institutional Banking Services were transferred to other parts of the Group, primarily UK Banking Services - Business Banking and BZW.

International and Private Banking was formed by the combination of European Retail Banking Group and Other International and Private Banking.

The agreed sale of the global custody business, which was reported within BZW at 30th June 1996, is due to be completed in the first half of 1997. The business is now reported within Other Businesses in Transition.

Comparative figures have been restated where appropriate.

Changes in accounting presentation

As described on page 91, the presentation of operating income has been revised in order to present trading revenues in accordance with industry practice in investment banking. There is no impact on total operating income, costs or profit before tax. Comparative figures have been restated where appropriate.

Recent developments

The Group's remaining interest in 3i Group plc was sold in January 1997 and the resulting gain of £42m will be included in the 1997 results.

Profit/(loss) before tax

	1996 £m	1995 £m	1994 £m
UK Banking Services			
- Personal Banking	**773**	659	675
- Business Banking	**801**	754	690
- Cross-border Services	**126**	115	98
BZW	**204**	289	258
Asset Management Group	**32**	22	26
International and Private Banking	**243**	181	244
Businesses in Transition	**73**	(183)	(158)
Other operations	**88**	60	(35)
Head office functions	**(54)**	(52)	(46)
Operating profit	**2,286**	1,845	1,752
Profit on disposal of Group undertakings	**70**	238	107
	2,356	2,083	1,859

Total assets

	1996 £m	1995 £m	1994 £m
UK Banking Services			
- Personal Banking	**27,917**	26,393	24,951
- Business Banking	**32,147**	30,477	31,249
- Cross-border Services	**2,518**	2,339	2,366
BZW	**98,694**	83,670	74,311
Asset Management Group	**141**	96	89
International and Private Banking	**12,348**	12,937	14,864
Businesses in Transition	**1,559**	5,092	8,447
Other operations and Head Office functions	**4,997**	3,180	3,086
Long-term assurance fund assets attributable to policyholders	**5,681**	4,642	3,040
	186,002	168,826	162,403

Weighted risk assets

	1996 £m	1995 £m	1994 £m
UK Banking Services			
- Personal Banking	**18,350**	16,964	15,741
- Business Banking	**32,269**	31,969	32,541
- Cross-border Services	**1,887**	1,636	1,947
BZW	**32,049**	26,711	22,753
Asset Management Group	**191**	28	39
International and Private Banking	**7,526**	8,580	10,420
Businesses in Transition	**1,575**	3,353	5,846
Other operations*	**4,544**	4,020	3,951
	98,391	93,261	93,238

*including supervisory adjustments

Summary profit and loss account

	1996 £m	1995 £m	1994 £m
Operating income	**7,598**	7,251	6,930
Operating expenses	**5,088**	5,007	4,576
Operating profit before provisions	**2,510**	2,244	2,354
Credit risk provisions	**(277)**	(441)	(663)
Country risk provisions release	**62**	45	61
Provisions for contingent liabilities and commitments	**(9)**	(3)	-
Operating profit	**2,286**	1,845	1,752
Profit on disposal of Group undertakings	**70**	238	107
Profit on ordinary activities before tax	**2,356**	2,083	1,859

Introduction

The Group achieved a 13% increase in profit before tax in 1996 to £2,356m, including a net £70m gain on business disposals, compared with £2,083m in 1995, when the contribution from the sale of businesses was £238m. The underlying improvement in operating profit was £441m or 24%. Earnings per share advanced by 25% from 83.6p to 104.2p. UK Banking Services operating profit rose by 11% while BZW operating profit fell by 29%. Asset Management Group profits advanced by 45%, largely due to the acquisition of Wells Fargo Nikko Investment Advisors (WFNIA) at the end of 1995. International and Private Banking performed strongly with an increase in profits of 34%. A significant improvement arose in Businesses in Transition, where there was a turnaround of £256m.

Reflecting both economic conditions and the results of rigorous credit risk management procedures, bad debt provisions fell by 46% to £215m (in 1995 the fall was 34% to £396m). This was accompanied by a £2.1bn reduction in non performing loans and potential problem loans. At the year end, 50% of these loans were covered by bad debt allowances, compared to 43% a year earlier.

Shareholders' funds, after repurchases of shares totalling £781m and a 21% increase in dividends to 31.5p per share, rose by a net £240m to £7,267m, including a £1,160m contribution from retained profit. Risk-weighted assets increased by 6% to £98.3bn, the tier 1 ratio of the Group reduced from 7.7% to 7.6% and the risk asset ratio reduced from 10.9% to 10.4%.

The Group's investment in developing its business, particularly the retail and investment banking operations, will be maintained in 1997. Although continued competition is expected in many of the Group's markets, the Group is well placed to face the coming year, both in terms of its financial performance and in providing a better service for its customers.

Analysis of results by business

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

UK Banking Services

The strong performance of the first half was maintained with operating profit 11% higher for 1996 than in 1995, achieved through income growth in Personal Banking and tight cost management. Costs were reduced overall, with benefits coming from previous investment projects and a further net reduction in staff numbers. Costs also benefited from a reduction in pension contributions. A substantial investment programme is in progress across the business to enhance both customer service and income generation.

Profits in UK Banking Services in 1995 were at a similar level to 1994, with increased net interest income and lower provisions offsetting a 8% rise in costs.

Personal Banking

	1996 £m	1995 £m	1994 £m
Net interest income	**1,650**	1,549	1,440
Net fees and commissions	**1,005**	990	963
Increase in shareholders' interest in the long-term assurance fund	**67**	56	12
Other operating income	**8**	9	(2)
Total income	**2,730**	2,604	2,413
Total costs	**(1,673)**	(1,708)	(1,505)
Provisions for bad and doubtful debts	**(284)**	(237)	(233)
Operating profit	**773**	659	675

Personal Banking performed well during 1996, with operating profit rising by 17%, reflecting strong contributions from savings, consumer lending, Barclays Life and Barclaycard and higher balances on current accounts.

Net interest income rose by 7%. Savings products benefited from favourable margins and increased volumes, reflecting continued liquidity in the retail market and also the enhanced range and competitiveness of the product portfolio, particularly in treasury and investment bond products. Current account income benefited from a 10% rise in average balances.

In a highly competitive and growing market, Barclaycard has continued to invest in product enhancement and brand promotion. More than 900,000 new accounts were opened in 1996, including over 90,000 customers for Barclaycard Gold launched in 1995. Margins were broadly maintained in the card issuing business with a 14% increase in interest earning balances. The consumer lending business benefited from higher demand with strong new business growth in the centrally managed products, including Barclayloan and Masterloan.

In home finance, there was a small increase in average balances, reflecting a rise in new business volumes in the second half. The overall performance, however, was restrained by the intensely competitive marketplace and the £70m (1995 £66m) cost of incentives, which are expensed as incurred.

Commission income increased by 2%, largely as a result of higher volumes in the Barclaycard issuing and merchant services businesses, although the latter experienced strong pressure on margins. Risk-related commissions (primarily on returned cheques and unauthorised overdrafts) continued to decline, reflecting Barclays policy of offering agreed overdraft limits to customers.

There was a strong performance by Barclays Life, where sales of life, pension and investment products grew by 35% during the year, benefiting from continued investment in the business and increased sales force productivity.

Costs were kept under tight control in 1996. The 2% decline reflects a £27m reduction in pension contributions and a charge in 1995 of £16m for the closure of the specialist life and pensions broking business. There was significant on-going investment in systems enhancements, customer service, delivery channels and new products, while advertising and marketing expenditure continued at a high level. It is expected that investment and marketing expenditure will be maintained at high levels in 1997.

The 20% increase in provisions is in large part the result of volume growth in Barclaycard and other consumer lending. There was an increase in general provisions in recognition of the higher levels of new business.

Business Banking

	1996 £m	1995 £m	1994 £m
Net interest income	**1,217**	1,215	1,157
Net fees and commissions	**663**	717	655
Other operating income	**24**	25	123
Total income	**1,904**	1,957	1,935
Total costs	**(995)**	(1,021)	(1,002)
Provisions for bad and doubtful debts	**(108)**	(182)	(243)
Operating profit	**801**	754	690

Business Banking's results reflect continued progress in enhancing the service offered to customers coupled with improvements in the mix and quality of its income and asset base.

Net interest income was maintained with increased income from higher levels of credit balances compensating for lower margins on lendings. Overall average lendings were at similar levels to 1995, with strong growth in the leasing and factoring businesses in the first half of the year balanced by further reductions in lending to the property, construction and hotels sectors, as a result of continued progress in reshaping the corporate lending portfolio. Net interest income from lending was lower, partly because of this change in asset mix and also as a result of continued competition.

Net fees and commissions were 8% lower than in 1995, with the focus being on improving the quality and sustainability of earnings in a highly competitive environment. Money transmission fees accounted for some 50% of total Business Banking fees and commissions. Despite continued pressure on pricing, improved volumes helped limit the reduction in money transmission income, as the business benefited from significant enhancements to the products and services offered to customers. There was also an anticipated reduction in risk-related fees, reflecting the trend towards charging customers fixed and pre-agreed fees.

After increased investment to improve the quality and range of customer services and enhancements in operational efficiency, costs were below 1995 levels because of the reduction in pension contributions. It is expected that investment expenditure will increase further in 1997.

Net provisions were £74m lower than in 1995, with further reductions in new and increased provisions and higher levels of recoveries.

Cross-border Services

	1996 £m	1995 £m	1994 £m
Net interest income	**158**	137	131
Net fees and commissions	**97**	95	94
Other operating income	**1**	-	2
Total income	**256**	232	227
Total costs	**(130)**	(119)	(118)
Provisions for bad and doubtful debts	**-**	2	(11)
Operating profit	**126**	115	98

Total income increased by 10%. The 15% increase in net interest income is largely attributable to improved margins and the transfer of non-residents' accounts into Cross-border Services from Personal Banking. Costs rose, mainly due to increased expenditure on the infrastructure necessary to handle higher volumes, marketing and projects which will improve customer service and efficiency.

Operating profit rose broadly in line with income. The major contribution to profit continues to be from the offshore banking business.

BZW

	1996 £m	1995 £m	1994 £m
Net fees and commissions	**495**	436	459
Dealing profits	**397**	388	310
Net interest income	**343**	311	286
Other operating income	**42**	57	48
Total income	**1,277**	1,192	1,103
Total costs	**(1,061)**	(901)	(860)
Provisions	**(12)**	(2)	15
Operating profit	**204**	289	258

BZW's results were down 29% on the previous year, affected particularly by continued underperformance in both fixed income and foreign exchange. While income rose by 7%, costs rose 18% year-on-year and more steeply in the second half. The rise in costs reflected the continued and substantial investment in people and systems, aimed at lifting profitability over the medium term. A new senior management team was put in place during the latter part of 1996 with the objective of improving the performance of the business.

Fees and commissions rose by 14%. A significant improvement in the performance of the corporate finance business reflected the impact of ongoing senior recruitment. The equities business benefited from the level of primary market activity and from BZW's participation in a number of significant transactions during 1996, including the successful bid by Granada for Forte, the British Energy privatisation and the privatisation of the Greek telecommunications agency, OTE. League table positions improved and the firm has secured a number of significant mandates for 1997. Offsetting this, the global project finance and syndicated loans markets experienced increasing competition during 1996, with a consequent impact on the levels of fees earned by the structured finance business.

Equities made an increased contribution to dealing profits with particular growth in revenue from derivatives. However, overall dealing profits were similar to those of 1995. This reflected a difficult year for the markets division characterised by underperformance and consequent restructuring in a number of its business areas. The foreign exchange business performed poorly in an increasingly competitive market; changes were made in the management of this business in late 1996. Income from the commodities business was down, with particularly challenging conditions prevailing in the metals markets. With the exception of BZW's traditional area of strength in sterling, performance in the fixed income business was disappointing. However, the firm's moves to strengthen its fixed income capability resulted in the establishment of a trading operation in Japanese government bonds, the strengthening of its US fixed income presence and the award of two important US dollar FRN mandates in late 1996.

The growth in costs primarily reflects the significant investment made in improving the quality of staff in certain areas and the need to sustain BZW's competitive position in established franchises. Maintenance costs associated with the older IT systems remain high and coincide with the additional cost of developing and implementing new systems. Expenditure related to the move to new global headquarters at Canary Wharf rose, as anticipated, in the latter part of the year. In addition to the revenue expenditure in 1996, some £120m of expenditure relating to this project was capitalised. Investment in people and technology will continue in 1997 and is expected to affect the results of the business in the short term.

In 1995, improved market conditions enabled trading businesses to make a strong contribution to operating income, resulting in a 12% increase in operating profit.

Asset Management Group

	1996 £m	1995 £m	1994 £m
Net fees and commission	**339**	165	147
Net interest income	**14**	8	7
Other operating income	**7**	6	4
Total income	**360**	179	158
Costs - other than goodwill amortisation	**(315)**	(157)	(132)
	45	22	26
Costs - goodwill amortisation	**(13)**	-	-
Operating profit	**32**	22	26

The former WFNIA businesses contributed £167m to income, £125m to costs and £42m to operating profit, before one-off integration costs of £8m and amortisation of goodwill.

Net fees and commissions benefited from continued growth in assets under management. On 31st December 1996, AMG had £243bn under management and advice, comprising £184bn of indexed funds and £59bn under advanced active management. This represents an increase of 18% during 1996 as a result of new business flows and higher market levels. Stock lending was a significant source of revenue.

BarclayTrust improved its performance in 1996. This was despite rationalisation costs of £13m (1995 £12m), which were due in part to the integration of the BarclayTrust sales force with that of Barclays Life in Personal Banking.

The increase in fees income in 1995 reflected a combination of net new business and market performance.

International and Private Banking

	1996 £m	1995 £m	1994 £m
Net interest income	**444**	451	489
Net fees and commissions	**357**	336	333
Other operating income	**83**	60	27
Total income	**884**	847	849
Total costs	**(670)**	(661)	(613)
Provisions for bad and doubtful debts	**(29)**	(57)	(60)
	185	129	176
Problem country debt management	**58**	52	68
Operating profit	**243**	181	244

Operating profit rose by 34% 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.

In continental Europe, all businesses showed an improved performance over the previous year. The personal banking businesses have been refocused on their target premier market and clients' assets under management showed strong growth, particularly in life and pension products.

In Africa, economic growth contributed to particularly strong performances in Kenya and Zimbabwe while, in the Caribbean, the offshore operations showed most growth. As part of the continuing programme to improve operational efficiency and customer service, regional data processing centres using satellite technology have been established in Zimbabwe and the Bahamas. The Latin American operations also continued to perform well.

Barclays Private Banking had a good year with strong growth in income and operating profits as a result of continued investment in systems and specialist staff. Market conditions and new product initiatives, capitalising on the skills of BZW and the Asset Management Group, also contributed to the strong performance.

The fall in profit in 1995 reflected the impact of the sale in January 1995 of the US asset-backed finance business, a lower contribution from the sovereign debt portfolio and increased bad and doubtful provisions and restructuring costs in Merck Finck in Germany.

Businesses in Transition

	1996 £m	1995 £m	1994 £m
France in Transition	**(79)**	(247)	(102)
United States Transition	**85**	97	14
Other Businesses in Transition	**67**	(33)	(70)
Operating profit/(loss)	**73**	(183)	(158)

The loss in France in Transition in 1995 reflected a high level of bad debt provisions in part of the corporate banking business, 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. The restructuring work undertaken during 1995 contributed significantly to reduced losses in 1996. The net charge for specific provisions was covered by a release of general provision. Reorganisation costs were much lower than in 1995 and a further reduction in such costs is expected in 1997.

The surplus in United States Transition is attributable to the continuing release of bad debt provisions and the disposal of assets as certain loan and asset portfolios in the United States are managed down. If collateral values remain at around current levels, further modest contributions from the remainder of the portfolio may be expected in future periods.

The surplus in Other Businesses in Transition for 1996 reflects net provision releases and recoveries of £67m (1995 £3m) and a decrease in staff reduction costs from the high levels incurred in 1995.

The loss in 1994 reflected high levels of bad debt provision in France in Transition and Other Businesses in Transition.

Other operations

	1996 £m	1995 £m	1994 £m
Barclays Property Holdings	**30**	15	26
Central services	**(85)**	(96)	(78)
Management of Group capital	**140**	136	(1)
UK associated undertakings	**3**	5	18
Operating profit/(loss)	**88**	60	(35)

The improvement in Barclays Property Holdings result is principally attributable to increased rental income and profits on the disposal of properties. Costs were held at 1995 levels.

The continuing high level of central services costs reflects in part the carrying cost of vacant space in operational properties, pending letting or disposal.

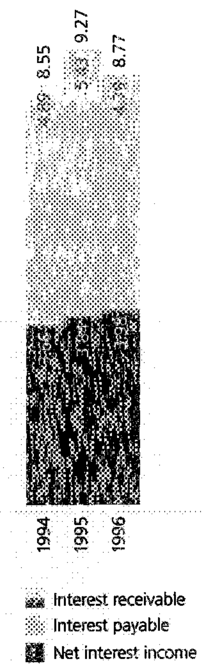
The profit from the central management of Group capital includes a £32m gain on the redemption of loan capital which, in 1996, was offset by the loss of interest income resulting from share repurchases.

The result for Management of Group capital in 1994 included £60m cost of redeeming loan capital.

Head office functions

	1996 £m	1995 £m	1994 £m
Operating cost	**(54)**	(52)	(46)

Net interest income (£bn)



Results by nature of income and expense

Net interest income*

	1996 £m	1995 £m	1994 £m
Interest receivable	**8,773**	9,265	8,551
Interest payable	**4,821**	5,427	4,833
Profit/(loss) on redemption of loan capital	**32**	-	(60)
Net interest income	**3,984**	3,838	3,658

* Restated as described on page 91. Yields, spreads and margins have also been restated.

Net interest income in 1996 includes 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 5%.

Banking business net margin, as restated, was maintained at 3.4% with a small improvement in the spread balancing a reduction in the benefit of free funds. The central management of Group interest rate exposures contributed approximately 0.19% (1995: 0.15%) to the net interest margin in the period.

Within UK Banking Services, which continues to account for over 75% of the Group total, net interest income rose by 4%, mostly in Personal Banking as a result of increased volumes in savings and deposit products, consumer lending and Barclaycard. Savings and deposits also benefited from improved margins. Net interest income in Business Banking was flat with increased income from deposit products being offset by lower lending margins.

Interest margins in the United Kingdom and overseas also benefited from lower levels of non-performing lendings. Interest foregone on these assets fell by £88m to £167m.

In 1995, after adjusting for the impact of disposals and the loss on redemption of loan capital in 1994, net interest income rose by 7%, with reduced volumes being more than offset by higher levels of interest rates.

Prevailing average interest rates

	1996 %	1995 %	1994 %
United Kingdom:			
Barclays Bank PLC base rate	**6.0**	6.7	5.5
London Inter-Bank Offered Rate (LIBOR):			
three month sterling	**6.1**	6.7	5.5
three month eurodollar	**5.4**	6.0	4.7
United States prime rate	**8.3**	8.8	7.2

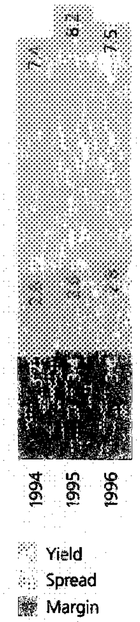
Average interest earning assets and liabilities – banking business

	1996 £m	1995 £m	1994 £m
Average interest earning assets:			
Group	**117,518**	113,473	116,091
Domestic	**74,254**	68,257	67,388
International	**43,264**	45,216	48,703
Average interest bearing liabilities:			
Group	**100,728**	98,150	101,154
Domestic	**57,751**	54,933	55,089
International	**42,977**	43,217	46,065

Yields, spreads and margins – banking business

	1996 %	1995 %	1994 %
Gross yield (a)			
Group	**7.5**	8.2	7.4
Domestic	**8.0**	8.7	7.9
International	**6.5**	7.4	6.7
Interest spread (b)			
Group	**2.7**	2.6	2.6
Domestic	**3.3**	3.2	3.3
International	**1.6**	1.8	1.7
Interest margin (c)			
Group	**3.4**	3.4	3.2
Domestic	**4.4**	4.3	4.1
International	**1.6**	2.0	1.9

Interest yield, spread and margin (%)



Domestic business is transacted by the UK Bank, BZW global money markets and the Group Treasury operation and is conducted primarily in sterling. International business is transacted by BZW global money markets and foreign exchange, 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 reflects the domicile of the borrower. They exclude profits and losses on the redemption of loan capital.

The net interest income and average balances of the 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.

Net fees and commissions receivable*

	1996 £m	1995 £m	1994 £m
Fees and commissions receivable	**3,168**	2,969	2,986
Less: fees and commissions payable	**(223)**	(202)	(196)
	2,945	2,767	2,790

* Restated as described on page 91

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

UK Banking Services, which accounts for a significant proportion of total fees and commissions, experienced a mixed performance in 1996. Volume related increases in card issuing and merchant servicing fees in Barclaycard were offset by lower risk related fees in both Business and Personal Banking, following changes to charging practices.

Fee income in BZW rose by £59m. An improved performance in equities, corporate finance and futures offset a reduction in the structured finance market.

Adjusting for disposals, net fees and commissions in 1995 were broadly comparable with the previous year.

Dealing profits*

Non-interest income (£m)

	1996 £m	1995 £m	1994 £m
Interest rate related	**203**	219	200
Foreign exchange	**67**	91	38
Equities and other	**145**	99	52
	415	409	290

* Restated as described on page 91.

Dealing profits mainly arise in BZW and also, to a lesser extent, in International and Private Banking.

In BZW, a strong performance in equities and equity derivatives was partially offset by a reduced contribution from the metals business as a result of unfavourable conditions in the base metals market. The level of other dealing profits was similar to that in 1995, despite the benefit of more favourable market conditions. The contribution of the wholesale foreign exchange and fixed income businesses continued to be restrained by the competitive environment.

Dealing profits rose by 41% in 1995, with the foreign exchange and equities businesses performing strongly.

Other operating income

	1996 £m	1995 £m	1994 £m
Income from associated undertakings	**23**	26	35
Dividend income from equity shares*	**20**	17	13
Profits on disposal of investment securities	**29**	33	18
Increase in shareholders' interest in the long-term assurance fund	**67**	56	12
Property rentals	**36**	29	29
Other income	**79**	76	85
	254	237	192

* Restated as described on page 91

The 20% increase in the contribution from the shareholders' interest in the long-term assurance fund resulted from improved sales at Barclays Life.

Dividend income in 1996 includes £3m from the Group's investment in 3i Group plc, the final part of which was sold in January 1997.

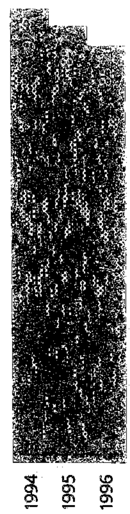
Other operating income rose in 1995, mainly as a result of a £44m recovery in the contribution from the shareholders' interest in the Barclays Life long-term assurance fund.

Administrative expenses – staff costs

	1996 £m	1995 £m	1994 £m
Salaries and accrued incentive payments	**2,274**	2,140	2,055
Social security costs	**214**	194	195
Pension costs	**80**	145	117
Post-retirement health care	**18**	22	39
UK profit sharing	**96**	83	76
Other staff costs	**298**	323	198
	2,980	2,907	2,680
Staff reduction and relocation costs included above	**105**	179	73
Staff numbers (period end)*	**85,200**	89,300	92,700

*Excluding 2,000 (1995 2,100, 1994 2,100) Barclays Life advisers 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)



Staff costs rose by 3% over 1995, with an increase in salaries and accrued incentive payments being partly offset by lower pension and staff reduction costs.

The 6% rise in salary costs is primarily attributable to the consolidation of WFNIA during 1996 and a 19% increase in total staff costs at BZW to £750m, the majority of which related to salary and accrued incentive payments, reflecting the significant ongoing investment in people in key areas. BZW staff costs also include additional recruitment related expenses and an element of staff exit costs (reported within Other staff costs). Within UK Banking Services, salary costs were held at 1995 levels, reflecting a further reduction in staff numbers.

Following an actuarial revaluation of the main UK pension scheme in 1995, the surplus is being spread with contributions to the scheme now being at a rate of 2½% of pensionable salaries, compared with 7½% in 1995. Pension costs in 1995 included a one-off charge of £21m in France.

The fall in staff reduction and relocation costs (mainly reported within Other staff costs) resulted from a significantly lower charge in France. Staff reduction costs in UK Banking Services remained at a similar level to 1995.

Despite the impact of the acquisition of WFNIA, Group staff numbers fell by 4,100 in 1996 following a reduction of 3,400 in 1995. The majority of the decline was in UK Banking Services, where the net reduction of 3,300 was principally the result of continued centralisation or re-engineering of routine administration and processing. The disposal of Camden Motors transferred 400 jobs outside the Group during the year. More than 1,000 new jobs were created during 1996 in areas including Barclaycall, Barclaycard, Premier Banking and Barclays Offshore Services.

The rise in staff costs in 1995 was primarily as a result of higher staff reduction costs in the United Kingdom and France.

Administrative expenses – other

	1996	1995	1994
Property and equipment expenses	**£m**	£m	£m
Hire of equipment	**28**	33	36
Property rentals	**199**	211	204
Other property and equipment expenses	**612**	589	553
	839	833	793
Other administration expenses			
Stationery, postage and telephones	**221**	223	225
Advertising and market promotion	**201**	193	152
Travel, accommodation and entertainment	**140**	128	132
Subscriptions and publications	**34**	33	32
Securities clearing and other operational expenses	**67**	42	45
Sundry losses, provisions and write-offs	**74**	80	83
Statutory and regulatory audit and accountancy fees	**8**	9	7
Consultancy fees	**80**	88	70
Legal and other professional fees	**96**	89	84
Other expenses	**47**	47	32
	1,807	1,765	1,655

Property and equipment expenses rose marginally with higher levels of systems expenditure in the second half of the year and increased property taxes being offset by lower property and equipment rentals.

Other administration costs rose by £36m, mainly as a result of consolidating WFNIA during 1996. The rise in securities clearing expenses also reflected growth in other business areas.

Other expenses comprises a number of items, many of which are non-recurring.

The increase in 1995 arose principally from increased expenditure on advertising and marketing and general maintenance of the Group's property and equipment.

Depreciation and amortisation

	1996 £m	1995 £m	1994 £m
Property depreciation	**107**	97	74
Equipment depreciation	**175**	181	158
Goodwill amortisation	**13**	-	-
Loss on sale of equipment	**6**	4	5
Write-down of surplus properties	**-**	3	4
	301	285	241
Provision for diminution in property value	**-**	50	-
	301	335	241

Goodwill amortisation arises from the acquisition of WFNIA.

The increase in depreciation in 1995 resulted from accelerated depreciation following a reassessment of effective useful life of certain assets. The provision for diminution in property value related to a permanent reduction in the value of the local Head Office in Paris.

Provisions for bad and doubtful debts

	1996 £m	1995 £m	1994 £m
Credit risk provision charge/(release)			
specific	**337**	446	589
general	**(60)**	(5)	74
Country risk provisions release	**(62)**	(45)	(61)
	215	396	602

For an explanation of movements in provisions and allowances, see page 51.

Provisions for contingent liabilities and commitments

	1996 £m	1995 £m	1994 £m
	9	3	-

Profit on disposal of Group undertakings

	1996 £m	1995 £m	1994 £m
	70	238	107

The net profit on disposal of Group undertakings in 1996 includes £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. The remaining interest in 3i Group plc was sold in January 1997 and the resultant gain of £42m will be included in the 1997 results.

Profits on disposal in 1995 primarily reflect the sales of the businesses of Barclays Business Credit and BarclaysAmerican/Mortgage.

Tax

The overall tax charge is explained in the following table:	**1996 £m**	1995 £m	1994 £m
Tax charge at average UK corporation tax rate of 33%	**777**	687	613
Deferred tax not provided	**(43)**	(15)	(34)
Prior year adjustments	**-**	(30)	(24)
Effect of change in non-allowable provisions	**(21)**	1	17
Effect of non-allowable property write-downs and depreciation	**25**	35	12
Net effect of differing tax rates overseas	**1**	24	3
Goodwill on disposals previously written off	**-**	-	9
Non-allowable losses	**5**	16	6
Franked investment income	**(37)**	(47)	(10)
Other non-allowable expenses	**6**	6	15
Gains covered by capital losses brought forward	**(23)**	(14)	(20)
Tax free gain on loan stock redemption	**(10)**	-	-
Other items	**(10)**	13	21
Overall tax charge	**670**	676	608

The reduction in the effective rate to 28.4% from 32.5% in 1995 includes the continued partial non-provision of deferred tax in respect of leasing transactions, the utilisation of capital gains tax losses brought forward, the reduction of non-allowable overseas losses and a release of general provisions.

US GAAP net profit

Barclays PLC Group	**1996 £m**	1995 £m	1994 £m
UK GAAP net profit	**1,639**	1,364	1,179
Approximate US GAAP net profit (Net income)	**1,545**	1,310	1,027

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 future developments in this respect.

Total assets

The increase in total assets of £17.2bn in 1996 is primarily attributable to high levels of repo and reverse repo activity within BZW.

Repos (sale and repurchase agreements) are generally undertaken by the Group to fund its holdings of securities. Under a repo, an asset is sold to a counterparty with a commitment to repurchase it at a future date at an agreed price. The Group also participates in reverse repo transactions whereby money is advanced to a counterparty in exchange for the temporary transfer of an asset (which represents the collateral for the loan).

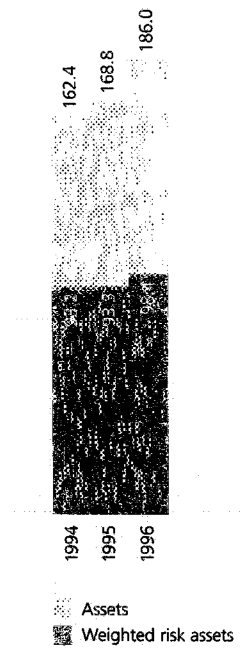
The following amounts were included in the balance sheet at 31st December for repos and reverse repos:

	1996 £m	1995 £m
Reverse repos		
Loans and advances to banks	**11,933**	4,461
Loans and advances to customers	**12,429**	4,987
	24,362	9,448
Repo liabilities		
Deposits by banks	**10,949**	2,329
Customer accounts	**5,919**	5,299
	16,868	7,628

The average and maximum amount of reverse repos for 1996 were £21,687m and £28,448m (1995 £9,058m and £11,771m) respectively. The average and maximum amount of repos for 1996 were £14,963m and £22,472m (1995 £7,654m and £9,014m) respectively.

The growth in the value of both repo and reverse repo transactions in 1996 reflects their increasing use as a means of funding both the Group's securities activities and those of its clients, as well as changes in the UK gilts market made by the Bank of England at the beginning of the year. This trend may continue in 1997 in the light of the proposals by the Bank of England to use the gilt repo as a central part of its future intervention techniques. The risk weighting of reverse repos reflects the collateral received, which is typically investment grade securities.

Total assets and weighted risk assets (£bn)



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

Assets	**1996 Average balance £m**	**1996 Interest £m**	**1996 Average rate %**	1995 Average balance £m	1995 Interest £m	1995 Average rate %	1994 Average balance £m	1994 Interest £m	1994 Average rate %
Treasury bills and other eligible bills:									
in offices in the UK	**4,439**	**247**	**5.6**	4,996	297	5.9	4,496	185	4.1
in offices outside the UK	**1,875**	**171**	**9.1**	1,600	152	9.5	2,462	197	8.0
Loans and advances to banks (b):									
in offices in the UK	**12,238**	**601**	**4.9**	11,726	760	6.5	12,094	673	5.6
in offices outside the UK	**10,269**	**622**	**6.1**	10,699	733	6.9	9,188	522	5.7
Loans and advances to customers (b):									
in offices in the UK	**54,680**	**4,601**	**8.4**	52,798	4,646	8.8	54,565	4,437	8.1
in offices outside the UK	**12,513**	**1,040**	**8.3**	15,231	1,330	8.7	18,987	1,512	8.0
Lease receivables:									
in offices in the UK	**5,736**	**467**	**8.1**	4,752	419	8.8	4,573	374	8.2
in offices outside the UK	**463**	**45**	**9.7**	519	61	11.8	612	70	11.4
Debt securities:									
in offices in the UK	**11,413**	**741**	**6.5**	8,396	676	8.1	6,841	439	6.4
in offices outside the UK	**3,892**	**238**	**6.1**	2,756	191	6.9	2,273	142	6.2
Average assets of banking business	**117,518**	**8,773**	**7.5**	113,473	9,265	8.2	116,091	8,551	7.4
Average assets of trading business	**41,488**	**2,038**	**4.9**	25,467	1,797	7.1	27,317	1,428	5.2
Total average interest earning assets	**159,006**	**10,811**	**6.8**	138,940	11,062	8.0	143,408	9,979	7.0
Allowances	**(2,518)**			(2,971)			(3,519)		
Non-interest earning assets	**25,062**			28,722			23,774		
Total average assets and interest income	**181,550**	**10,811**	**6.0**	164,691	11,062	6.7	163,663	9,979	6.1
Percentage of total average assets in offices outside the UK (c)	**24.4**			26.0			28.7		
Average interest earning assets and net interest income:									
Banking business	**117,518**	**3,952**	**3.4**	113,473	3,838	3.4	116,091	3,718	3.2
Trading business	**41,488**	**35**	**0.1**	25,467	(13)	(0.1)	27,317	(32)	(0.1)
Profit/(loss) on redemption of loan capital	**-**	**32**	**-**	-	-	-	-	(60)	-
Total average interest earning assets and net interest income	**159,006**	**4,019**	**2.5**	138,940	3,825	2.8	143,408	3,626	2.5
Total average interest earning assets related to:									
Interest income		**10,811**	**6.8**		11,062	8.0		9,979	6.9
Interest expense		**(6,824)**	**(4.3)**		(7,237)	(5.2)		(6,293)	(4.4)
Profit/(loss) on redemption of loan capital		**32**	**-**		-	-		(60)	-
		4,019	**2.5**		3,825	2.8		3,626	2.5

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

Liabilities and shareholders' funds	**1996 Average balance £m**	**1996 Interest £m**	**1996 Average rate %**	1995 Average balance £m	1995 Interest £m	1995 Average rate %	1994 Average balance £m	1994 Interest £m	1994 Average rate %
Deposits by banks:									
in offices in the UK	**14,131**	**625**	**4.4**	12,984	752	5.8	13,735	679	4.9
in offices outside the UK	**11,567**	**627**	**5.4**	9,598	636	6.6	10,619	578	5.4
Customer accounts - demand deposits:									
in offices in the UK	**8,745**	**132**	**1.5**	7,213	118	1.6	7,105	90	1.3
in offices outside the UK	**1,897**	**59**	**3.1**	2,071	86	4.2	1,958	86	4.4
Customer accounts - savings deposits:									
in offices in the UK	**22,009**	**813**	**3.7**	21,331	927	4.3	21,419	775	3.6
in offices outside the UK	**1,018**	**66**	**6.5**	950	57	6.0	906	59	6.5
Customer accounts - other time deposits - retail:									
in offices in the UK	**14,592**	**784**	**5.4**	11,792	659	5.6	11,271	524	4.6
in offices outside the UK	**6,014**	**381**	**6.3**	6,422	434	6.8	6,040	380	6.3
Customer accounts - other time deposits - wholesale:									
in offices in the UK	**14,709**	**887**	**6.0**	16,159	1,123	6.9	15,294	866	5.7
in offices outside the UK	**4,243**	**209**	**4.9**	5,188	320	6.2	6,288	318	5.1
Debt securities in issue:									
in offices in the UK	**7,066**	**392**	**5.5**	5,667	322	5.7	6,141	313	5.1
in offices outside the UK	**2,932**	**148**	**5.0**	2,967	204	6.9	3,474	199	5.7
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**3,313**	**268**	**8.1**	3,680	298	8.1	4,086	317	7.8
Internal funding of trading business	**(11,508)**	**(570)**	**5.0**	(7,872)	(509)	6.5	(7,182)	(351)	4.9
Average liabilities of banking business	**100,728**	**4,821**	**4.7**	98,150	5,427	5.5	101,154	4,833	4.8
Average liabilities of trading business	**42,335**	**2,003**	**4.7**	27,539	1,810	6.6	28,740	1,460	5.1
Total average interest bearing liabilities	**143,063**	**6,824**	**4.8**	125,689	7,237	5.8	129,894	6,293	4.8
Interest free customer deposits:									
in offices in the UK	**6,917**			7,091			7,105		
in offices outside the UK	**1,500**			1,426			1,895		
Other non-interest bearing liabilities	**22,538**			23,550			18,427		
Minority interests and shareholders' funds	**7,532**			6,935			6,342		
Total average liabilities, shareholders' funds and interest expense (c)	**181,550**	**6,824**	**3.8**	164,691	7,237	4.4	163,663	6,293	3.8
Percentage of total average non-capital liabilities in offices outside the UK	**25.3**			26.5			28.1		

Notes

(a) The analysis of the average balance sheet and related interest has been restated following the change in accounting presentation described on page 91.

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

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

(d) Average balances in 1996 are based upon daily averages for most UK banking operations and monthly averages elsewhere. In 1995 and 1994 average balances of UK banking operations were based on weekly averages.

Changes in net interest income – volume and rate analysis

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

	Total change	**1996/1995 Change due to increase/(decrease) in:**		Total change	1995/1994 Change due to increase/(decrease) in:	
		Volume	**Rate**		Volume	Rate
Interest receivable	**£m**	**£m**	**£m**	£m	£m	£m
Treasury bills and other eligible bills:						
in offices in the UK	**(50)**	**(32)**	**(18)**	112	22	90
in offices outside the UK	**19**	**25**	**(6)**	(45)	(77)	32
	(31)	**(7)**	**(24)**	67	(55)	122
Loans and advances to banks:						
in offices in the UK	**(159)**	**32**	**(191)**	87	(21)	108
in offices outside the UK	**(111)**	**(29)**	**(82)**	211	94	117
	(270)	**3**	**(273)**	298	73	225
Loans and advances to customers:						
in offices in the UK	**(45)**	**162**	**(207)**	209	(147)	356
in offices outside the UK	**(290)**	**(228)**	**(62)**	(182)	(319)	137
	(335)	**(66)**	**(269)**	27	(466)	493
Lease receivables:						
in offices in the UK	**48**	**82**	**(34)**	45	15	30
in offices outside the UK	**(16)**	**(6)**	**(10)**	(9)	(11)	2
	32	**76**	**(44)**	36	4	32
Debt securities:						
in offices in the UK	**65**	**212**	**(147)**	237	112	125
in offices outside the UK	**47**	**72**	**(25)**	49	32	17
	112	**284**	**(172)**	286	144	142
Total banking business interest receivable:						
in offices in the UK	**(141)**	**462**	**(603)**	690	7	683
in offices outside the UK	**(351)**	**(139)**	**(212)**	24	(207)	231
	(492)	**323**	**(815)**	714	(200)	914
Total trading business interest receivable	**241**	**899**	**(658)**	369	(102)	471
Total interest receivable	**(251)**	**1,222**	**(1,473)**	1,083	(302)	1,385

Changes in net interest income – volume and rate analysis

Interest payable	Total change 1996/1995 £m	Change due to increase/(decrease) in: Volume £m	Rate £m	Total change 1995/1994 £m	Change due to increase/(decrease) in: Volume £m	Rate £m
Deposits by banks:						
in offices in the UK	**(127)**	**62**	**(189)**	73	(39)	112
in offices outside the UK	**(9)**	**118**	**(127)**	58	(59)	117
	(136)	**180**	**(316)**	131	(98)	229
Customer accounts - demand deposits:						
in offices in the UK	**14**	**24**	**(10)**	28	1	27
in offices outside the UK	**(27)**	**(7)**	**(20)**	-	5	(5)
	(13)	**17**	**(30)**	28	6	22
Customer accounts - savings deposits:						
in offices in the UK	**(114)**	**29**	**(143)**	152	(3)	155
in offices outside the UK	**9**	**4**	**5**	(2)	3	(5)
	(105)	**33**	**(138)**	150	0	150
Customer accounts - other time deposits - retail:						
in offices in the UK	**125**	**151**	**(26)**	135	25	110
in offices outside the UK	**(53)**	**(27)**	**(26)**	54	25	29
	72	**124**	**(52)**	189	50	139
Customer accounts - other time deposits - wholesale:						
in offices in the UK	**(236)**	**(95)**	**(141)**	257	51	206
in offices outside the UK	**(111)**	**(53)**	**(58)**	2	(61)	63
	(347)	**(148)**	**(199)**	259	(10)	269
Debt securities in issue:						
in offices in the UK	**70**	**78**	**(8)**	9	(25)	34
in offices outside the UK	**(56)**	**(2)**	**(54)**	5	(31)	36
	14	**76**	**(62)**	14	(56)	70
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**(30)**	**(30)**	**-**	(19)	(32)	13
Internal funding of trading businesses	**(61)**	**(199)**	**138**	(158)	(36)	(122)
Total banking business interest payable:						
in offices in the UK	**(359)**	**107**	**(466)**	477	(41)	518
in offices outside the UK	**(247)**	**30**	**(277)**	117	(121)	238
	(606)	**137**	**(743)**	594	(162)	756
Total trading business interest payable	**193**	**793**	**(600)**	350	(63)	413
Total interest payable	**(413)**	**930**	**(1,343)**	944	(225)	1,169

Movement in net interest income

Increase/(decrease) in interest receivable	**(251)**	**1,222**	**(1,473)**	1,083	(302)	1,385
(Increase)/decrease in interest payable	**413**	**(930)**	**1,343**	(944)	225	(1,169)
	162	**292**	**(130)**	139	(77)	216
Movement in profit/(loss) on redemption of loan capital	**32**			60		
	194			199		

Capital resources

Barclays PLC Group	1996 £m	1995 £m	1994 £m
Shareholders' funds	**7,267**	7,027	6,161
Minority interests	**320**	343	329
	7,587	7,370	6,490
Undated loan capital	**1,635**	1,989	1,979
Dated loan capital	**1,396**	1,571	1,562
Other subordinated liabilities	**56**	91	121
Total capital resources	**10,674**	11,021	10,152

Barclays Bank PLC Group	1996 £m	1995 £m	1994 £m
Shareholders' funds	**7,522**	7,308	6,440
Minority interests	**65**	62	50
	7,587	7,370	6,490
Undated loan capital	**1,635**	1,989	1,979
Dated loan capital	**1,396**	1,571	1,562
Other subordinated liabilities	**56**	91	121
Total capital resources	**10,674**	11,021	10,152

Capital resources were reduced by a net £347m reflecting a £781m buy-back of shares, £635m repayment of loan capital and adverse exchange rate movements of £454m. These were offset in part by retained profit of £1,160m and raisings of loan capital of £318m. The Group continues to manage actively both its debt and equity capital.

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. In the case of interest and exchange rate related contracts, the risks are represented by the replacement cost (as defined by the Bank of England) of the contracts.

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 future amendment to the existing guidelines to take account of market risk. The amendment, which is planned to take effect at the end of 1997, 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 to permit the use of internal models. UK banks will only be able to make use of internal models for regulatory purposes when the United Kingdom implements the amended directive.

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 without restriction. Tier 2 capital includes perpetual and medium and long-term subordinated debt, general allowances 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 1996, as defined for regulatory purposes.

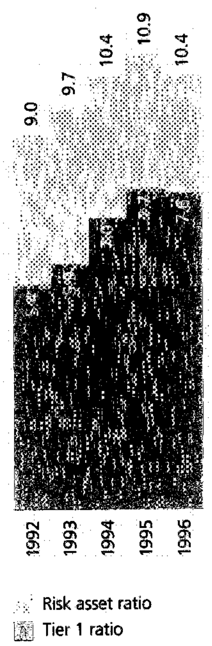
Capital adequacy data

	1996 Barclays PLC Group £m	1996 Barclays Bank PLC Group £m	1995 Barclays PLC Group £m	1995 Barclays Bank PLC Group £m
Tier 1				
Shareholders' funds (as defined for regulatory purposes)	**7,006**	**7,261**	6,727	7,008
Minority interests in tier 1	**435**	**180**	413	132
Total tier 1 capital	**7,441**	**7,441**	7,140	7,140

	1996 £m	1995 £m
Tier 2		
Fixed asset revaluation reserves	**45**	52
Qualifying undated and dated loan capital (a)	**2,626**	3,054
	2,671	3,106
General allowances for bad and doubtful debts	**756**	853
Total tier 2 capital	**3,427**	3,959
Gross capital resources (b)	**10,868**	11,099
Less: supervisory deductions (c)	**(679)**	(952)
Total net capital resources	**10,189**	10,147

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 1996.
(c) Including £451m (1995 £406m) of shareholders' interest in the long-term assurance fund.

Capital ratios (%)



	1996 Barclays PLC Group %	1996 Barclays Bank PLC Group %	1995 Barclays PLC Group %	1995 Barclays Bank PLC Group %
Capital ratios				
Tier 1 ratio	**7.6**	**7.6**	7.7	7.7
Risk asset ratio	**10.4**	**10.4**	10.9	10.9

	1996 £m	1995 £m
Weighted risk assets		
Banking book		
on-balance sheet	**71,322**	74,115
off-balance sheet	**10,744**	16,936
associated undertakings	**2,338**	2,210
Total banking book	**84,404**	93,261
Trading book		
market risks	**8,427**	-
counterparty and settlement risks	**5,560**	-
Total trading book	**13,987**	-
Total risk weighted assets	**98,391**	93,261

Capital resources for supervisory purposes increased by £42m to £10,189m. The £781m cost of repurchasing shares and a reduction of £428m in qualifying loan capital, attributable to net repayments and exchange rate movements, were offset by retained profits of £1,160m.

There was also an increase in supervisory capital resources and weighted risk assets as a result of the implementation on 1st January 1996 of the EC Capital Adequacy Directive which it is estimated had the effect, as at that date, of decreasing the overall risk asset ratio by some 0.2% and the tier 1 ratio by some 0.5%. The greater impact on the tier 1 ratio reflected changes in the calculation methodology.

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

Deposits

	Average: year ended 31st December		
	1996	1995	1994
Deposits by banks	**£m**	£m	£m
Offices in the United Kingdom	14,131	12,984	13,735
Offices outside the United Kingdom:			
Other European Union	6,417	5,229	5,119
United States	2,551	1,842	2,629
Rest of the World	2,599	2,527	2,871
	25,698	22,582	24,354
Customer accounts			
Offices in the United Kingdom	66,972	63,586	62,194
Offices outside the United Kingdom:			
Other European Union	6,723	7,737	7,677
United States	2,686	2,290	3,284
Rest of the World	5,263	6,030	6,126
	81,644	79,643	79,281

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 UKBS branch network.

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

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

'Other time deposits – wholesale' in offices in the United Kingdom are obtained through the London money market and are booked mainly within the Group's money market operations. These deposits are of fixed maturity and bear interest rates which 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		
	1996	1995	1994
	£m	£m	£m
Year-end balance	**21,636**	24,520	22,717
Average balance	**25,698**	22,582	24,354
Maximum balance	**34,253**	30,556	25,526
Average interest rate during year	**4.9%**	6.1%	5.2%
Year-end interest rate	**4.7%**	5.7%	5.9%

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		
	1996	1995	1994
	£m	£m	£m
Year-end balance	**1,202**	1,202	887
Average balance	**976**	1,145	1,524
Maximum balance	**1,386**	1,702	2,709
Average interest rate during year	**5.4%**	6.4%	4.6%
Year-end interest rate	**5.4%**	6.1%	5.8%

Negotiable certificates of deposit

	Year ended 31st December		
	1996	1995	1994
	£m	£m	£m
Year-end balance	**9,771**	4,592	6,738
Average balance	**7,893**	6,035	6,985
Maximum balance	**10,195**	9,387	10,679
Average interest rate during year	**5.6%**	6.8%	6.5%
Year-end interest rate	**6.0%**	6.5%	7.1%

Securities

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

Investment securities	1996 Book value £m	1996 Valuation £m	1995 Book value £m	1995 Valuation £m	1994 Book value £m	1994 Valuation £m
Debt securities:						
UK government	**3,023**	**3,035**	2,785	2,795	2,323	2,292
other government	**4,239**	**4,395**	3,267	3,440	1,883	1,871
other public bodies	**326**	**335**	318	323	274	268
other issuers	**3,128**	**3,171**	2,327	2,367	1,032	1,045
Equity shares	**164**	**296**	132	260	235	399
	10,880	**11,232**	8,829	9,185	5,747	5,875
Other securities						
Debt securities:						
UK government	**1,762**	**1,762**	1,478	1,478	1,872	1,872
other government	**5,469**	**5,469**	4,289	4,289	3,794	3,794
other public bodies	**133**	**133**	255	255	65	65
bank and building society certificates of deposit	**8,067**	**8,067**	4,126	4,126	3,778	3,778
other issuers	**5,220**	**5,220**	4,417	4,417	2,872	2,872
Equity shares	**2,649**	**2,649**	1,856	1,856	2,006	2,006
	34,180	**34,532**	25,250	25,606	20,134	20,262

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.

At 31st December 1996, the Group held the following securities which exceeded 10% of shareholders' funds:

	1996 Book value £m	1996 Valuation £m	1995 Book value £m	1995 Valuation £m
French government securities*	**1,698**	**1,704**	–	–
US government securities*	**1,480**	**1,480**	–	–
Italian government securities	**1,187**	**1,187**	1,244	1,244
Spanish government securities	**913**	**932**	764	764
German government securities	**876**	**960**	970	970
Japanese government securities*	**822**	**822**	–	–

* Holdings did not exceed 10% of shareholders' funds at 31st December 1995.

Maturities and weighted average yields of investment debt securities

At 31st December 1996	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	516	4.9	5,654	5.4	935	4.7	157	7.9	7,262	5.3
Other public bodies	59	4.0	222	5.0	6	4.4	39	4.2	326	4.7
Other issuers	986	5.4	1,177	6.5	826	7.9	139	10.3	3,128	6.7
Total book value	1,561	5.2	7,053	5.6	1,767	6.2	335	8.4	10,716	5.7
Total valuation	1,601		7,183		1,788		364		10,936	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 1996 by the book value of securities held at that date. Yields on certain US securities, which are exempt from tax, have been calculated using interest income adjusted to reflect a taxable equivalent basis.

Risk management

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

Operational and credit risks are discussed below. Market and liquidity risks are discussed on pages 58 and 66, respectively, of this report.

The Group Risk Policy Committee is chaired by the Deputy Chairman and comprises senior management including the Group Chief Executive, the Chief Executive of BZW, the Group Credit Policy Director and the Group Treasurer. It is responsible for the strategic management of the overall risk profile of the Group and for providing guidance to the Group Credit, Treasury and BZW Risk Management Committees. It also sets Group 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 reputation loss arising from failures in internal controls, operational processes or the systems that support them. It can occur in all the business units in the Group 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.

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 is calibrated to show the probability of future default by the borrower. This, in turn, is used to estimate levels of annualised future credit losses from the overall lending portfolio averaged across the economic cycle, which is termed Risk Tendency. Risk Tendency estimates assist in portfolio management decisions, such as 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 RMD's own executives. Related party credit risk exposures are monitored and sanctioned by Group Treasury.

UKBS 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 monitoring and provisioning purposes. The application of this structure results in a large proportion of branch lending portfolios being sanctioned and controlled at branch and regional level.

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

Credit exposure or replacement cost on derivative instruments represents the cost to replace contracts with a positive value if counterparties failed to perform their obligations. This risk is usually a small fraction 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 £23,882m at 31st December 1996 (1995 £25,020m, 1994 £25,180m). 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

	1996 £m	1995 £m	1994 £m
Banking business:			
United Kingdom	**6,799**	11,965	12,033
Other European Union	**3,484**	4,295	4,155
United States	**2,477**	3,233	3,323
Rest of the World	**3,386**	3,581	3,529
Total banking business	**16,146**	23,074	23,040
Total trading business	**12,898**	5,822	5,925
	29,044	28,896	28,965

Barclays is an active participant in the major inter-bank markets. At 31st December 1996, placings with branches and offices of Japanese banks represented some 17% of the Group total (1995 some 20%, 1994 some 16%).

Maturity analysis of loans and advances to banks

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**

At 31st December 1995	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	1,157	4,274	6,104	336	94	11,965
Other European Union	341	2,183	1,448	207	116	4,295
United States	42	1,447	1,714	30	-	3,233
Rest of the World	264	1,536	1,651	90	40	3,581
Total banking business	1,804	9,440	10,917	663	250	23,074
Total trading business	-	5,822	-	-	-	5,822
	1,804	15,262	10,917	663	250	28,896

Interest rate sensitivity of loans and advances to banks

At 31st December 1996	Fixed rate	Variable rate	Total
Banking business:	£m	£m	£m
United Kingdom	**6,085**	**714**	**6,799**
Other European Union	**3,087**	**397**	**3,484**
United States	**2,383**	**94**	**2,477**
Rest of the World	**3,070**	**316**	**3,386**
Total banking business	**14,625**	**1,521**	**16,146**
Total trading business	**3,794**	**9,104**	**12,898**
	18,419	**10,625**	**29,044**

Loans and advances to customers

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

Maturity analysis of loans and advances to customers

At 31st December 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**	**19,071**	**34,651**
Total United Kingdom	**7,869**	**11,767**	**4,912**	**14,532**	**24,579**	**63,659**
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**	**26,832**	**75,208**
Total trading business	**-**	**16,409**	**20**	**12**	**-**	**16,441**
	9,562	**31,066**	**6,666**	**17,523**	**26,832**	**91,649**

At 31st December 1995	On demand (a)	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
Banking business:	£m	£m	£m	£m	£m	£m
United Kingdom:						
Property and construction	1,508	408	465	1,448	1,467	5,296
Other corporate lending	7,845	1,551	2,114	6,693	4,011	22,214
Other lending from UK offices (b)	1,597	3,582	3,344	5,745	18,344	32,612
Total United Kingdom	10,950	5,541	5,923	13,886	23,822	60,122
Other European Union	766	2,305	1,334	2,335	1,386	8,126
United States	170	480	491	1,145	821	3,107
Rest of the World	904	1,081	517	853	678	4,033
Total banking business	12,790	9,407	8,265	18,219	26,707	75,388
Total trading business	-	9,744	-	53	87	9,884
	12,790	19,151	8,265	18,272	26,794	85,272

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 1996	Fixed rate £m	Variable rate £m	Total £m
Banking business:			
United Kingdom	**20,362**	**43,297**	**63,659**
Other European Union	**2,801**	**2,872**	**5,673**
United States	**534**	**2,363**	**2,897**
Rest of the World	**1,561**	**1,418**	**2,979**
Total banking business	**25,258**	**49,950**	**75,208**
Total trading business	**1,887**	**14,554**	**16,441**
	27,145	**64,504**	**91,649**

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

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Financial institutions	**2,388**	864	2,300	2,056	1,709
Agriculture, forestry and fishing	**1,768**	1,587	1,588	1,634	1,718
Manufacturing	**5,976**	5,412	5,185	5,592	6,315
Construction	**1,242**	1,429	1,545	2,084	2,702
Property	**3,619**	3,867	4,457	4,298	4,981
Energy and water	**863**	1,107	517	904	798
Wholesale and retail distribution and leisure	**5,553**	5,551	5,989	5,941	7,036
Transport	**1,320**	1,179	1,093	955	1,021
Postal and communication	**101**	239	51	153	170
Business and other services	**6,178**	6,275	4,841	6,160	6,529
Home loans	**14,950**	14,784	14,065	12,985	11,900
Other personal	**11,315**	10,321	9,611	9,687	9,518
Overseas customers	**2,561**	2,617	3,673	3,927	4,318
	57,834	55,232	54,915	56,376	58,715
Finance lease receivables	**5,825**	4,890	4,570	4,665	4,162
	63,659	60,122	59,485	61,041	62,877

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

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Financial institutions	**437**	532	559	746	1,071
Agriculture, forestry and fishing	**14**	74	69	84	86
Manufacturing	**966**	1,296	1,363	1,408	1,507
Construction	**246**	310	339	440	465
Property	**296**	513	571	316	344
Energy and water	**81**	174	195	216	202
Wholesale and retail distribution and leisure	**349**	577	653	735	807
Transport	**461**	612	856	486	538
Postal and communication	**39**	205	4	156	40
Business and other services	**864**	1,173	1,036	1,393	1,418
Home loans	**796**	964	872	762	733
Other personal	**313**	446	655	360	371
Overseas customers	**314**	541	847	575	871
	5,176	7,417	8,019	7,677	8,453
Finance lease receivables	**497**	709	407	482	596
	5,673	8,126	8,426	8,159	9,049

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

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Financial institutions	**190**	447	524	671	1,678
Agriculture, forestry and fishing	**4**	2	23	25	40
Manufacturing	**337**	350	1,317	2,074	2,175
Construction	**27**	28	48	154	160
Property	**412**	660	1,021	1,755	1,962
Energy and water	**510**	396	516	504	609
Wholesale and retail distribution and leisure	**97**	141	590	711	692
Transport	**129**	155	261	270	271
Postal and communication	**115**	222	374	344	450
Business and other services	**929**	573	426	796	607
Home loans	**12**	4	146	558	209
Other personal	**69**	13	20	29	59
Overseas customers	**24**	58	12	54	18
	2,855	3,049	5,278	7,945	8,930
Finance lease receivables	**42**	58	61	159	200
	2,897	3,107	5,339	8,104	9,130

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

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Loans and advances	**2,951**	3,948	4,374	5,927	5,793
Finance lease receivables	**28**	85	99	184	210
	2,979	4,033	4,473	6,111	6,003

Total loans and advances to customers

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Banking business	**75,208**	75,388	77,723	83,415	87,059
Trading business	**16,441**	9,884	9,293	14,144	9,575
	91,649	85,272	87,016	97,559	96,634

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 6% to £63,659m. Continued growth in the consumer lending businesses and Barclaycard products, together with a 19% rise in finance lease receivables, has been partially offset by further reductions in the property, construction and hotels sectors.

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 30% to £5,673m in 1996 reflecting exchange rate movements, reductions in France in Transition and the leasing business in Italy and the sale in the year of the Spanish consumer lending portfolio.

Loans and advances in offices in the United States

The 7% decrease in the banking business loans and advances in the year reflects exchange rate movements.

Loans and advances in offices in the Rest of the World

The decrease in the banking business loans and advances in the year mainly reflects the disposal of Barclays Bank of Canada and the Cyprus onshore banking branches.

Provisions and allowances for bad and doubtful debts

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

Provisioning policy

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 allowance to cover the estimated loss as soon as the recovery of an exposure is identified as doubtful. General allowances 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 allowances are adjusted by an appropriate charge or release of general provision during the year, based upon an evaluation of past and current loss rates and an analysis of internal credit gradings allocated to borrowing customers, refined to reflect the current economic climate in the markets in which the Group operates. The aggregate provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against operating profit. Impaired lendings are written off in part, or in whole, when the extent of the loss incurred has been confirmed, the decision to do so being a matter of banking judgement.

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

Analysis of allowances for bad and doubtful debts

			31st December		
	1996	1995	1994	1993	1992
Credit risk allowances	**£m**	£m	£m	£m	£m
Specific:					
United Kingdom	**834**	963	1,112	1,415	1,362
Other European Union	**353**	502	488	411	330
United States	**59**	121	258	479	336
Rest of the World	**48**	115	113	136	122
	1,294	1,701	1,971	2,441	2,150
General	**756**	853	850	789	690
	2,050	2,554	2,821	3,230	2,840
Specific allowances for country risk	**80**	174	371	534	605
	2,130	2,728	3,192	3,764	3,445
Average loans and advances for the year					
(excluding trading business)	**95,899**	95,725	100,019	107,819	105,890
(including trading business)	**122,503**	113,773	121,573	123,797	113,745

Ratios

	31st December				
	1996	1995	1994	1993	1992
	%	%	%	%	%
Allowances at end of year as a percentage of loans and advances at end of year (excluding trading business):					
Specific allowance for credit risk	**1.41**	1.73	1.96	2.34	2.01
General allowance	**0.83**	0.87	0.84	0.76	0.64
	2.24	2.60	2.80	3.10	2.65
Specific allowance for country risk	**0.09**	0.18	0.37	0.51	0.56
	2.33	2.78	3.17	3.61	3.21
Allowances at end of year as a percentage of loans and advances at end of year (including trading business):					
Specific allowance for credit risk	**1.07**	1.49	1.70	2.02	1.82
General allowance	**0.63**	0.75	0.73	0.65	0.59
	1.70	2.24	2.43	2.67	2.41
Specific allowance for country risk	**0.07**	0.15	0.32	0.44	0.51
	1.77	2.39	2.75	3.11	2.92

	Year ended 31st December				
	1996	1995	1994	1993	1992
Provisions as a percentage of average loans and advances for the year (excluding trading business):	**%**	%	%	%	%
Specific provisions for credit risk	**0.35**	0.47	0.59	1.67	2.15
General provisions	**(0.06)**	(0.01)	0.07	0.10	0.21
	0.29	0.46	0.66	1.77	2.36
Specific provisions for country risk	**(0.06)**	(0.05)	(0.06)	(0.04)	(0.03)
	0.22	0.41	0.60	1.73	2.33
Amounts written off (net of recoveries)	**0.71**	0.92	1.12	1.45	1.71
Provisions as a percentage of average loans and advances for the year (including trading business):					
Specific provisions for credit risk	**0.28**	0.39	0.49	1.46	2.00
General provisions	**(0.05)**	-	0.06	0.08	0.20
	0.23	0.39	0.55	1.54	2.20
Specific provisions for country risk	**(0.05)**	(0.04)	(0.05)	(0.03)	(0.03)
	0.18	0.35	0.50	1.51	2.17
Amounts written off (net of recoveries)	**0.55**	0.77	0.92	1.26	1.59

Movements in the allowances for bad and doubtful debts

	Year ended 31st December				
	1996	1995	1994	1993	1992
Allowances for credit risk	**£m**	£m	£m	£m	£m
Allowances at beginning of year	**2,554**	2,821	3,230	2,840	2,010
Exchange and other adjustments	**(124)**	17	(68)	(16)	120
Amounts written off:					
United Kingdom	**(593)**	(680)	(821)	(1,317)	(1,627)
Other European Union	**(138)**	(148)	(87)	(77)	(39)
United States	**(30)**	(69)	(205)	(186)	(156)
Rest of the World	**(61)**	(26)	(37)	(34)	(28)
	(822)	(923)	(1,150)	(1,614)	(1,850)
Recoveries	**165**	198	146	112	60
Sub total	**1,773**	2,113	2,158	1,322	340
Provisions charged against profit					
New and increased specific provisions:					
United Kingdom	**623**	684	791	1,505	2,078
Other European Union	**123**	169	189	225	157
United States	**21**	28	97	338	210
Rest of the World	**26**	51	50	67	62
	793	932	1,127	2,135	2,507
Releases of specific provisions:					
United Kingdom	**(164)**	(151)	(253)	(148)	(111)
Other European Union	**(66)**	(44)	(44)	(35)	(16)
United States	**(45)**	(71)	(79)	(19)	(27)
Rest of the World	**(16)**	(22)	(16)	(18)	(19)
	(291)	(288)	(392)	(220)	(173)
Recoveries:					
United Kingdom	**(140)**	(176)	(108)	(71)	(47)
Other European Union	**(8)**	(8)	(3)	(5)	(1)
United States	**(12)**	(7)	(30)	(22)	(9)
Rest of the World	**(5)**	(7)	(5)	(14)	(3)
	(165)	(198)	(146)	(112)	(60)
Net specific provisions	**337**	446	589	1,803	2,274
General provision charge/(release)*	**(60)**	(5)	74	105	226
Net credit risk charge to profit	**277**	441	663	1,908	2,500
Allowances at end of year	**2,050**	2,554	2,821	3,230	2,840
Allowances for country risk					
Allowances at beginning of year	**174**	371	534	605	542
Exchange and other adjustments	**(12)**	3	17	31	121
Amounts written off (net of recoveries)	**(20)**	(155)	(119)	(63)	(23)
Net country risk credit to profit:					
Provisions charged	**3**	13	56	57	31
Releases	**(63)**	(58)	(106)	(85)	(64)
Recoveries	**(2)**	-	(11)	(11)	(2)
	(62)	(45)	(61)	(39)	(35)
Allowances at end of year	**80**	174	371	534	605
Total allowances for bad and doubtful debts	**2,130**	2,728	3,192	3,764	3,445

*An analysis of the movement in general provisions is shown in note 17 on page 105.

Review of provisions and allowances for bad and doubtful debts

The £181m reduction in the net charge is mainly attributable to a release of general provisions and lower specific provisions in Businesses in Transition.

Gross new and increased provisions fell by 15% to £793m, with the majority of the decline being in the United Kingdom and other European Union countries.

Net specific credit risk provisions declined by 24% with releases and recoveries continuing at a high level in the United Kingdom, other European Union countries and the United States. Although further releases and recoveries are expected in the future, the level of these may decline following reductions in non-performing lendings and credit risk allowances outstanding.

The release of general provisions in the year reflected sales and other reductions in the Transition portfolios. Adjusting for the effects of exchange rate movements, the general provision attributable to the Group's core businesses did not change materially. Total provision coverage of non-performing and potential problem lendings rose from 42.5% at 31st December 1995 to 50.4% at 31st December 1996.

The net provision charge for the year as a percentage of average loans and advances was 0.22% compared with 0.41% in 1995. Following releases and sales in 1996, total country risk allowances at the year end amounted to £80m on exposure of £272m.

Based upon the composition of the lending portfolio as at 31st December 1996, the underlying level of annual credit losses or Risk Tendency, as described on page 41, averaged across the economic cycle, is estimated at a little over £700m (1995 £750m).

Credit risk provisions and allowances

	Net specific provision for the year					Specific allowances for credit risk at 31st December				
	1996	1995	1994	1993	1992	**1996**	1995	1994	1993	1992
United Kingdom:	**£m**	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
Banks and other financial institutions	**6**	(32)	(5)	7	54	**6**	7	5	7	11
Agriculture, forestry and fishing	**1**	3	11	17	21	**6**	9	16	19	22
Manufacturing	**6**	14	67	105	103	**39**	43	74	123	99
Construction	**9**	25	40	104	171	**28**	45	53	70	79
Property	**15**	(2)	47	168	568	**92**	109	147	192	267
Energy and water	**6**	3	-	-	18	**6**	3	2	1	18
Wholesale and retail distribution and leisure	**13**	51	121	247	332	**50**	88	129	226	225
Transport	**4**	48	(9)	26	21	**63**	68	37	49	32
Postal and communication	**-**	-	1	1	20	**-**	-	1	1	-
Business and other services	**17**	17	16	192	194	**59**	97	154	192	159
Home loans	**7**	49	34	40	53	**50**	59	82	61	51
Other personal	**237**	182	112	323	337	**414**	421	397	404	367
Overseas residents	**(10)**	(4)	(19)	39	12	**3**	4	6	41	4
Finance lease receivables	**8**	3	14	17	16	**18**	10	9	29	28
	319	357	430	1,286	1,920	**834**	963	1,112	1,415	1,362
Foreign	**18**	89	159	517	354	**460**	738	859	1,026	788
	337	446	589	1,803	2,274	**1,294**	1,701	1,971	2,441	2,150

Analysis of amounts written off and recovered – credit risk

	Amounts written off for the year					Recoveries of amounts previously written off		
	1996	1995	1994	1993	1992	**1996**	1995	1994
United Kingdom:	**£m**	£m	£m	£m	£m	**£m**	£m	£m
Banks and other financial institutions	**10**	2	4	7	36	**3**	34	-
Agriculture, forestry and fishing	**5**	10	12	20	12	**-**	-	2
Manufacturing	**22**	33	83	95	107	**13**	8	7
Construction	**38**	47	76	122	147	**16**	9	9
Property	**61**	107	110	236	381	**29**	60	15
Energy and water	**3**	5	1	21	-	**1**	3	-
Wholesale and retail distribution and leisure	**74**	102	203	254	285	**22**	12	23
Transport	**17**	22	7	12	29	**3**	6	(2)
Postal and communication	**-**	1	2	1	1	**-**	-	-
Business and other services	**79**	88	132	179	181	**21**	8	27
Home loans	**21**	34	18	33	39	**4**	8	5
Other personal	**260**	226	146	316	349	**21**	24	21
Overseas residents	**-**	2	19	3	27	**5**	3	-
Finance lease receivables	**3**	1	8	18	33	**2**	1	1
	593	680	821	1,317	1,627	**140**	176	108
Foreign	**229**	243	329	297	223	**25**	22	38
	822	923	1,150	1,614	1,850	**165**	198	146

Interest in suspense

	Year ended 31st December				
	1996	1995	1994	1993	1992
Movements in interest in suspense	**£m**	£m	£m	£m	£m
At beginning of year	**170**	143	161	168	134
Net interest suspended during year	**50**	52	20	36	69
	220	195	181	204	203
Interest written off	**(79)**	(24)	(41)	(41)	(36)
Exchange and other adjustments	**(11)**	(1)	3	(2)	1
Interest in suspense at end of year	**130**	170	143	161	168

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 1996, 1995 and 1994 was in respect of loans and advances to customers.

Potential credit risk lendings

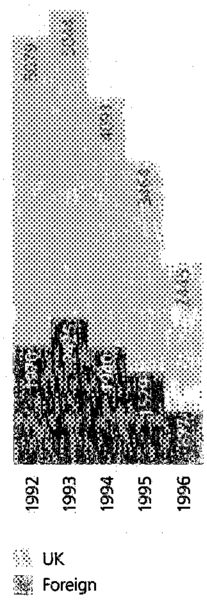
The Securities and Exchange Commission (SEC) in the United States requires potential credit risk lendings to be analysed by categories which reflect US lending and accounting practices. These differ to some extent from those employed in the United Kingdom. In particular:

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

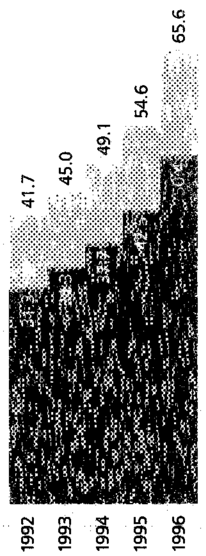
2 US banks typically stop accruing interest when loans become overdue by 90 days or more, or when recovery is doubtful. In accordance with the UK Statement of Recommended Practice on Advances, Barclays continues to charge interest to a doubtful customer's account for collection purposes, but the interest is suspended and excluded from interest income in the profit and loss account. This addition of interest continues until such time as its recovery is considered to be unlikely. While such practice does not affect net income in comparison with that followed in the United States, it again has the effect of increasing the reported level of potential credit risk lendings. The amount of this difference at 31st December 1996 was £130m (1995 £170m).

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 allowances have been raised. Normal US banking practice would be to place such lendings on non-accrual status. The amounts are stated before deduction of the value of security held, the specific allowances carried or interest suspended.

Credit risk non-performing lendings (£m)



Allowance ratios (%)



Total allowances/credit risk non-performing lendings

Total allowances/ potential credit risk lendings

Non-performing lendings

	1996	1995	1994	1993	1992
Non-accrual lendings:	**£m**	£m	£m	£m	£m
United Kingdom	**1,084**	1,498	1,990	2,906	3,300
Foreign - credit risk	**455**	723	896	1,185	1,374
Accruing lendings where interest is being suspended:					
United Kingdom	**358**	396	327	388	426
Foreign - credit risk	**170**	337	382	435	233
Foreign - country risk	**-**	-	-	194	402
Other accruing lendings against which allowances have been made:					
United Kingdom	**492**	976	1,258	1,200	721
Foreign - credit risk	**232**	419	544	729	269
Sub totals:					
United Kingdom	**1,934**	2,870	3,575	4,494	4,447
Foreign - credit risk	**857**	1,479	1,822	2,349	1,876
Foreign - country risk	**-**	-	-	194	402
Accruing lendings 90 days overdue, against which no allowances have been made:					
United Kingdom	**473**	534	470	497	609
Foreign - credit risk	**20**	47	110	69	63
Reduced rate lendings:					
United Kingdom	**38**	60	46	53	23
Foreign - credit risk	**-**	3	8	7	31
Total non-performing lendings:					
United Kingdom	**2,445**	3,464	4,091	5,044	5,079
Foreign - credit risk	**877**	1,529	1,940	2,425	1,970
Foreign - country risk	**-**	-	-	194	402
	3,322	4,993	6,031	7,663	7,451
Excluding country risk, total allowance coverage of:	**%**	%	%	%	%
credit risk non-performing lendings	**65.6**	54.6	49.1	45.0	41.7
total potential credit risk lendings	**50.4**	42.5	37.7	34.3	31.3

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:

	1996	1995	1994	1993	1992
	£bn	£bn	£bn	£bn	£bn
United Kingdom	**0.9**	1.2	1.5	1.8	1.9
Foreign	**0.1**	0.2	0.3	0.5	0.4
	1.0	1.4	1.8	2.3	2.3

Potential credit risk lendings

Non-performing lendings decreased by £1.7bn, or one-third, in 1996, of which £0.8bn related to write-offs. This follows a net reduction of £1bn in 1995, when write-offs were £0.9bn.

	1996	1995	Movement
United Kingdom	**£m**	£m	£m
Credit risk non-performing lendings	**2,445**	3,464	(1,019)

In the United Kingdom, non-performing lendings were £1,019m lower, as a result of write-offs (£592m) and asset sales and disposals.

Since 1994, the Bank has made several issues of property index certificates which are regarded as a partial hedge in the event of future deterioration of property-related non-performing lendings. After repayments at the end of 1996, there are £123m of certificates in issue which mature mainly at the end of 1997.

	1996	1995	Movement
Foreign	**£m**	£m	£m
Credit risk non-performing lendings	**877**	1,529	(652)

Outside the United Kingdom, non-performing lendings fell by £652m, of which £229m resulted from write-offs. Those in Other European Union fell by £321m, reflecting the sale of part of the French impaired property loan portfolio and £139m in respect of write-offs. The reduction in the United States of £151m arose from repayments and write-offs.

The disposal of Barclays Bank of Canada and the Cyprus onshore banking business also contributed to the decrease in non-performing lendings.

Interest foregone

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

	1996	1995	1994
	£m	£m	£m
Interest income that would have been recognised under original contractual terms	**215**	315	421
Interest income included in profit	**(48)**	(60)	(70)
Interest foregone	**167**	255	351

The decrease in interest foregone reflects the 33% reduction in non-performing lendings at the end of 1996 compared to 1995.

Country risk exposure and related allowances

	Developing countries		Developed countries	
	1996	1995	**1996**	1995
	£m	£m	**£m**	£m
Country risk exposure (a)	**157**	202	**115**	191
Country risk allowances (b)	**(62)**	(109)	**(17)**	(59)
Country risk exposure, net of allowances	**95**	93	**98**	132
Allowances as a percentage of exposures	**39%**	54%	**15%**	31%
Net exposure as a percentage of total assets	**0.1%**	0.1%	**0.1%**	0.1%
Net exposure as a percentage of ordinary shareholders' funds	**1.3%**	1.3%	**1.4%**	1.9%

Notes

(a) Excluding £993m (1995 £1,199m) of trade debts that are current and not affected by restrictions on payment.

(b) In addition, allowances of £1m (1995 £6m) are held in respect of the Group' s share of similar lendings by other companies in which the Group has an interest.

Country risk exposure

Total locked-in country risk exposure decreased by £121m in 1996, attributable in the main to asset sales and repayments.

Total allowances against locked-in exposure stood at £79m at the end of 1996 (1995 £168m), representing 29% of the total at risk. This level of allowance compares favourably with the notional value of the portfolio measured by secondary market prices which, at 31st December 1996, was estimated at 84% of face value. Of the total locked-in exposure £102m ($175m), representing 38%, is collateralised by US Treasury zero coupon bonds issued as part of Brady restructurings. This security is designed to offset fully the principal due on maturity and its estimated current value at the end of 1996 was £22m ($37m).

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 1996, the countries where Barclays cross-border outstandings exceeded 1% of assets were the United States, Japan, Germany and France and consisted substantially of placings with banks due within one year. In this context, assets comprise total assets, as presented in the consolidated balance sheet, and include acceptances. On this basis, assets amounted to £186,510m at 31st December 1996 (1995 £169,671m, 1994 £163,436m).

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 1996	%	£m	£m	£m	£m
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
At 31st December 1994					
Japan	2.6	4,237	3,979	57	201
France	1.7	2,776	2,575	41	160
United States	1.0	1,705	1,091	-	614
Switzerland	1.0	1,685	1,444	103	138

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

At 31st December 1996, Switzerland had cross-border outstandings of between 0.75% and 1% of total Group assets amounting to £1,495m. At 31st December 1995, the aggregate outstandings in this category were £3,160m and related to the Netherlands and Switzerland. At 31st December 1994, the corresponding aggregate outstandings reported were £2,650m and related to the Netherlands and Italy.

Trading activities

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

Trading businesses are subject to a variety of risks, including market risk. Market risk is the risk of loss arising from adverse movements in the level or volatility of market prices. The market risk management policies of the Group are determined by the Group Risk Policy Committee, which also determines overall market risk appetite. The Group's policy is that exposure to market risk arising from trading activities should be concentrated in the BZW businesses, although it is also experienced, to a lesser extent, in the treasury operations which support the retail and private banking businesses. This latter risk, further referred to on page 62, is principally of a structural nature.

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

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

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

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

Special attention is paid to option portfolios, where the relationship between the value of the portfolio and the price of the underlying instruments can be highly complex and where portfolio values are also affected by changes in market volatility. During 1996, a new comprehensive DVAR methodology was developed and applied to the complex currency options portfolio and is included within the total BZW DVAR figures below. For other options portfolios, until implementation of the new methodology is complete, the DVAR measure only includes the delta risk of options (the sensitivity of options prices to incremental changes in the price of the underlying instrument) and is therefore supplemented by other techniques including sensitivity analysis and option stress tests based on scenario matrices. Non-delta risk (convexity and volatility risk), not already included within total BZW DVAR, would have no significant marginal effect at a confidence level of 98%, if included.

Estimates of volatilities and correlations of rates and prices are revised daily by BZW using a method of estimation which gives greater weight to more recent observations. The calculation of DVAR takes into account the benefits of diversification and correlation across all risk and product groups on a consistent basis. Research and development of the methodology continues, including further research into the complex risk associated with option positions and the additional potential losses that may arise when illiquid positions are held.

As at 31st December 1996, the DVAR for BZW, which includes all major product groups, was £5.5m (1995 £7.4m). The daily average, maximum and minimum values of DVAR were estimated as follows:

	Twelve months to 31st December 1996			Six months to 31st December 1995		
	Average £m	**High £m**	**Low £m**	Average £m	High £m	Low £m
Total BZW DVAR	**10.0**	**21.3**	**4.1**	6.0	8.7	3.6

There was an increase in the amount of interest rate volatility during the first half of 1996 compared to the second half of 1995. There was a marginal decrease in interest rate volatility during the second half of 1996. The Treasury Products group, part of Markets division within BZW, which represented the main component of average total BZW DVAR for the year, increased their risk profile during the year through higher levels of position taking.

There is no significant difference in the level of market risk included in total BZW DVAR compared to the total market risk within the Group's trading activities.

Derivatives

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

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

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

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

OTC traded derivatives The Group buys and sells financial instruments that are traded 'over-the-counter', rather than on a recognised exchange. In general, the terms and conditions of these transactions are tailored to the requirements of the Group's customers, although the majority conform to normal market practice. In many cases, industry standard documentation is used, often in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement gives the Group protection in situations where a counterparty is in default, including the ability to net outstanding balances where the rules of offset are legally enforceable. For further explanation of the Group's policies on netting, see page 121.

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

Structural interest rate and exchange rate exposure

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

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

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

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

Interest rate sensitivity gap

The following table summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures at 31st December 1996 and reflects the structural interest rate positions referred to above.

Interest rate sensitivity	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than 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	**3,272**	**357**	**500**	**226**	**64**	**53**	**-**	**-**	**4,472**
Loans & advances to banks	**24,697**	**1,508**	**1,179**	**462**	**519**	**208**	**-**	**450**	**29,023**
Loans & advances to customers	**65,534**	**5,684**	**3,757**	**8,414**	**3,480**	**1,794**	**535**	**220**	**89,418**
Debt securities & equity shares	**29,431**	**307**	**425**	**1,239**	**659**	**1,500**	**269**	**350**	**34,180**
Other assets	**588**	**43**	**-**	**-**	**-**	**-**	**-**	**22,597**	**23,228**
Total assets	**123,522**	**7,899**	**5,861**	**10,341**	**4,722**	**3,555**	**804**	**23,617**	**180,321**
Liabilities:									
Deposits by banks	**32,182**	**620**	**528**	**128**	**89**	**304**	**15**	**290**	**34,156**
Customer accounts	**80,351**	**1,661**	**1,628**	**1,586**	**862**	**252**	**122**	**10,102**	**96,564**
Debt securities in issue	**9,502**	**585**	**149**	**462**	**32**	**1,104**	**-**	**-**	**11,834**
Other liabilities	**5,157**	**-**	**-**	**369**	**-**	**-**	**-**	**21,567**	**27,093**
Loan capital & other subordinated liabilities	**1,254**	**114**	**450**	**124**	**39**	**222**	**884**	**-**	**3,087**
Minority interests & shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,587**	**7,587**
Total liabilities	**128,446**	**2,980**	**2,755**	**2,669**	**1,022**	**1,882**	**1,021**	**39,546**	**180,321**
Off-balance sheet items	**(21)**	**(117)**	**(1,346)**	**(368)**	**1,326**	**561**	**(35)**	**-**	**-**
Interest rate repricing gap	**(4,945)**	**4,802**	**1,760**	**7,304**	**5,026**	**2,234**	**(252)**	**(15,929)**	**-**

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 BZW positions where the risk is being managed by the DVAR measure.

The table shows the extent to which the structural position of non-interest bearing balances is being managed with the portfolio of fixed rate assets and off-balance sheet instruments (primarily the repricing periods of over one year). For a discussion of the management of structural exposures, see page 62.

Hedging

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

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

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

The hedge transactions which are linked to the above activities are managed centrally by Group Treasury and the net exposure is then passed to the market via independently managed dealing units within BZW, 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 structural exposures, the weighted average pay fixed rates and receive fixed rates by maturity date and nominal amount at 31st December 1996 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	**2,678**	**6.93**	**358**	**5.19**	**3,844**	**7.40**	**2,869**	**7.87**
Over three months but not more than six months	**2,922**	**6.52**	**2,267**	**6.52**	**1,207**	**7.10**	**1,652**	**7.08**
Over six months but not more than one year	**2,884**	**7.06**	**4,364**	**7.03**	**2,711**	**7.05**	**1,519**	**8.08**
Over one year but not more than five years	**7,854**	**6.97**	**9,401**	**7.77**	**4,307**	**6.09**	**3,500**	**7.10**
Over five years	**1,717**	**8.24**	**2,146**	**7.31**	**1,268**	**7.99**	**788**	**6.29**
	18,055	**7.03**	**18,536**	**7.34**	**13,337**	**6.94**	**10,328**	**7.39**

The weighted average receive variable and pay variable rates by reset maturity date and nominal amount at 31st December 1996 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	**16,081**	**6.35**	**16,114**	**5.96**	**11,457**	**6.12**	**8,841**	**6.35**
Over three months but not more than six months	**3,774**	**5.89**	**4,222**	**6.45**	**2,159**	**7.68**	**1,766**	**8.75**
	19,855	**6.26**	**20,336**	**6.06**	**13,616**	**6.37**	**10,607**	**6.75**

The nominal amounts above include £1,800m and £279m, in respect of sterling and non-sterling basis swaps respectively, where both payable and receivable legs are variable.

The structural management of the Group balance sheet comprises both on-balance sheet and derivative positions. The net effect of the derivative positions, in isolation, on net interest income resulted in a debit of £52m (1995 £6m). This included debits of £57m (1995 £2m) and credits of £5m (1995 £4m) for interest rate and exchange rate derivatives respectively.

Deferred profits and losses on hedging activities

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

The table below summarises the deferred profits and losses, all of which are in respect of interest rate derivatives, at 31st December 1996:

	Under one year £m	One to five years £m	Over five years £m	Total £m
Deferred profits being amortised	**34**	**11**	-	**45**
Deferred losses being amortised	**40**	**24**	-	**64**

Liquidity

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

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

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

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

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

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

Monetary and fiscal policies

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

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

Exchange Rate Mechanism and European Monetary Union

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

The planned date for the establishment of EMU under the final stage is 1st January 1999, with a decision as to which member states meet the stringent economic convergence criteria required by the Treaty due to be made in 1998. These criteria relate to inflation, interest rates, exchange rate stability and public sector finances. EMU will start with locked exchange rates and the adoption of the Euro as a currency in its own right which, after a transitional period, will replace national currencies. The United Kingdom has the right to opt out of EMU and, currently, it is not known whether it will exercise this right.

The establishment of EMU will have significant effects on foreign exchange, money and capital markets and on international customers' banking requirements, whether or not the United Kingdom participates, and on UK retail customers if the United Kingdom joins. It will entail major changes in operations and systems within the banking industry. The overall likely impacts of these impending changes on Barclays cannot be predicted with any accuracy at present but continue to be closely monitored.

Supervision and regulation

United Kingdom

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

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

The main provisions of the 1987 Act include a requirement for deposit-taking businesses to be licensed by the Bank of England, detailed criteria for the authorisation of banking institutions and a requirement to report large exposures. The 1987 Act also defines the roles in the supervisory framework for a Board of Banking Supervision and for auditors. The latter are empowered to provide the Bank of England with independent confirmation of the adequacy of accounting and other records, systems of control and the accuracy of supervisory information. In addition, provision is made for the control of bank names, descriptions and advertisements and the establishment of a deposit protection scheme under the terms of an EC Directive. Under this scheme, which is similar in concept to the US Federal Deposit Insurance Corporation system, 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 denominated in sterling, European Economic Area currencies and ECU, made with branches of Barclays Bank PLC within the European Economic Area, are covered.

In the performance of its regulatory functions, the Bank of England has developed a number of formal codes in consultation with the banks. These relate, inter alia, to capital adequacy (see Capital resources on page 34), liquidity and foreign currency exposures, consolidated supervision, the wholesale markets, large exposures, the adequacy of accounting and other records and control systems, loan transfers and securitisation, advertising and the Bank of England's relationship with the auditors of banks. These codes are subject to revision to take account of market and regulatory development. The requirements of the 1987 Act are being increasingly supplemented by the implementation of EC directives.

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

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 SIB and SROs on the other. For conduct of business purposes, the investment business carried out by Barclays Bank PLC is subject to the rules of the Securities and Futures Association (SFA) and Investment Management Regulatory Organisation (IMRO), while the UK securities subsidiaries are regulated for both prudential and conduct of business purposes by the SRO responsible for regulating the type of activities undertaken by the subsidiary.

The SIB has to approve the content of the SROs' rule books before they are brought into use. All authorised firms are required to adhere to the standards embodied in SIB's ten Statements of Principle.

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

European Union

Within the European Union (EU), the creation of a single financial market at the end of 1992 has involved continued negotiations among member states towards establishing greater freedom in the cross-border securities business and a harmonised institutionally based regulatory environment. The Second Banking Co-ordination Directive established a framework for the mutual recognition of the EU's member state supervision of banks, enabling a bank authorised in one EU member state to carry out banking and investment business on a branch or service basis in other EU member states. The Investment Services Directive established a similar framework for securities houses carrying out investment business. The underlying principle of these directives is that authorisation and prudential supervision is exercised by the home state authorities, while conduct of business is regulated according to the rules of the host state.

Supporting the Second Banking Co-ordination Directive are the Solvency and Own Funds Directives, which establish a minimum harmonisation of regulatory capital regimes to enable banks to operate throughout the EU under their authorisation granted by the regulators of the home member state. The Capital Adequacy Directive establishes minimum capital standards for the investment business of securities firms and banks (see Capital resources on page 34).

The EC Consolidated Supervision Directive, which widened the scope of the Bank of England's supervision to include UK securities and investment businesses within banking groups, and the EC Bank Accounts Directive, were both implemented in 1993. The Large Exposures Directive, which was implemented in 1994, requires banking supervisors to limit the risk exposures incurred by a bank or banking group to individual counterparties and groups of closely related counterparties in proportion to the capital base of the bank or banking group concerned. This Directive largely formalised the previous approach of the Bank of England. A further Directive aimed at reinforcing prudential supervision within groups of connected financial institutions (the so-called 'Post BCCI Directive') has been implemented in 1996.

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

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

Rest of the World

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

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

Directors and officers of Barclays PLC and Barclays Bank PLC

Chairman

Andrew Robert Fowell Buxton (age 57) 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 SmithKline Beecham p.l.c. and has been appointed as a director of the Bank of England with effect from 1st March 1997.

Deputy Chairman and Chairman, BZW

Sir Peter Middleton GCB (age 62) 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 44) 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 57) 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.

Chief Executive, BZW

William Robert Harrison (age 48) joined the Group in September 1996 and was appointed to the Board on 10th October 1996. He was Chief Executive of global investment banking at Robert Fleming, which he joined in 1993. Before Flemings, he was head of European investment banking and a managing director of Lehman Brothers.

Finance Director

Oliver Henry James Stocken (age 55) 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 50) joined the Board on 1st February 1997. He is Group Managing Director of EMAP plc and a non-executive director of Severn Trent plc.

Mary Elizabeth Baker (age 60) 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, Chair of Tourism For All and a non-executive director of Avon Cosmetics Ltd, Camelot Group PLC, Camelot Foundation and MFI Furniture Group Plc. She is a member of the Audit Committee and is on the board of Barclays Pension Fund Trustees Limited.

Sir Denys Henderson (age 64) joined the Board in 1983, having been on the Board of Barclays Bank PLC since 1981. He is Chairman of The Rank Group Plc and Dalgety PLC. He is Chairman of the Remuneration and Nominations Committee.

Peter Jack Jarvis CBE (age 55) joined the Board on 1st August 1995. He is Group Chief Executive of Whitbread PLC and a non-executive director of Burton Group plc and The Rank Group Plc. He is a member of the Remuneration and Nominations Committee and will succeed Sir Denys Henderson as Chairman after the 1997 annual general meeting.

Lord Lawson of Blaby PC (age 64) 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 59) 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 Ltd and Howard de Walden Estates. He is Lord-Lieutenant of Buckinghamshire. He has been Chairman of the Audit Committee since 1987 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 50) 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.

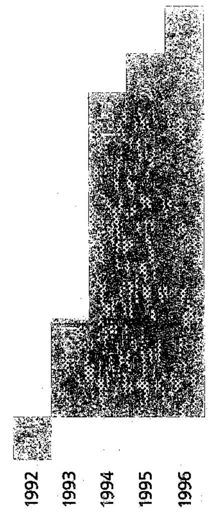
Senior Executive Officers	**Appointed**
Chris Lendrum – Managing Director - Business Banking, UK Banking Services	1996
Carlos Martinez de Campos – Chief Executive - International and Private Banking	1992
Graham Pimlott – Director - Planning, Operations and Technology	1994
Mike Pitcher – Chief Operating 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 £1,639 million, compared with £1,364 million in 1995.

Profit/(loss) before tax (£m)



Final dividends

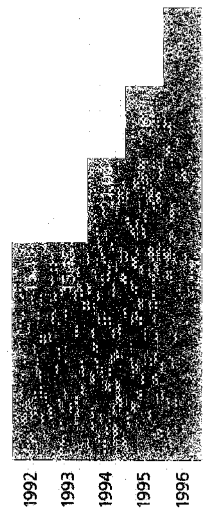
Final dividends for the year ended 31st December 1996 of 20.0p per ordinary share and of 7p per staff share have been declared by the Directors. The final dividends will be paid on 29th April 1997 in respect of the ordinary shares registered at the close of business on 4th March 1997 and in respect of the staff shares so registered on 31st December 1996.

With the interim dividends of 11.5p per ordinary share and of 7p per staff share that were paid on 3rd October 1996, the total distribution for 1996 is 31.5p (1995 26.0p) per ordinary share and 14p (1995 14p) per staff share. The dividends for the year absorb a total of £479 million (1995 £421 million).

Share dividends

Share dividends were offered in place of the cash dividends on the basis of one new ordinary share at 756p for approximately every 45.818 ordinary shares held in respect of the final dividend for 1995 paid on 2nd May 1996 and one new ordinary share at 899.8p for approximately every 78.243 ordinary shares held in respect of the interim dividend for 1996 paid on 3rd October 1996. More than 35,000 shareholders took advantage of these offers and 3,197,186 shares were issued in lieu of cash dividends. A share dividend in respect of the final dividend for 1996 is being offered to shareholders.

Dividends per share (pence)



Share capital

During the year, Barclays PLC purchased in the market for cancellation 95,000,000 of its £1 ordinary shares (27th February 1996 : 40,000,000, 6th August 1996 : 55,000,000) at a total cost of £781m. These transactions represented some 6% of the issued ordinary share capital at 1st January 1996. As at 17th February 1997, the Company has an unexpired authority to repurchase further shares up to a maximum of 105 million ordinary shares.

Ordinary share capital was increased by 10,541,543 shares during the year as a result of the exercise of options under the SAYE and Executive Share Option Schemes, and at 31st December 1996 totalled 1,540,969,484 shares.

Barclays PLC acquired 13,500,000 new £1 ordinary shares in Barclays Bank PLC during 1996 at a cost of £64 million.

Group Share Schemes

The trustees of the Group's share schemes may make purchases of Barclays PLC ordinary shares in the market during February 1997 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: the Prudential Corporation plc group's interests in 50,562,453 ordinary shares (3.27%) and Barclays Pension Funds Trustees Limited's non-beneficial interest, as trustee of the Group's main pension fund, in 800,380 staff shares (91.47%).

Share register

Following the sale of Barclays registrars business in 1996, The Royal Bank of Scotland Registrars were appointed as Barclays share registrar, with effect from 7th October 1996.

Barclays ordinary shares entered the CREST system for electronic settlement of purchases and sales of shares on 10th February 1997. A number of large institutions who hold Barclays shares are making use of the CREST system, although shareholders who do not trade frequently may keep their paper share certificates.

Information about CREST may be obtained from the Group Secretary.

Board membership changes

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

Lord Wright of Richmond and Alastair Robinson retired from the Board of Directors on 30th April 1996 and 6th May 1996 respectively. Sir Denys Henderson will retire from the Board in April 1997, after the annual general meeting.

Following the death of David Band on 28th March 1996, Bill Harrison was appointed Chief Executive, BZW in September 1996 and was appointed a Director on 10th October 1996. David Arculus, Group Managing Director of EMAP plc, was appointed a non-executive Director from 1st February 1997. Resolutions will be proposed at the annual general meeting for their re-election as they have been appointed since the previous annual general meeting.

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 1997 annual general meeting are Martin Taylor, Lord Lawson, Sir Nigel Mobbs and Oliver Stocken and they offer themselves for re-election.

Directors' interests

Directors' interests in the shares of the Group on 31st December 1996, according to the register maintained under the Companies Act 1985, are shown in note 57 to the accounts. The register will be available for inspection at the 1997 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 and in notes 56 and 57 to the accounts.

For US disclosure purposes, the aggregate emoluments of all Directors and officers of Barclays PLC (1996 27 persons, 1995 23 persons) for the year ended 31st December 1996 amounted to £10,819,000 (1995 £6,888,000). In addition, the aggregate amount set aside, for the year ended 31st December 1996, to provide pension benefits for the Directors and officers amounted to £427,000 (1995 £423,000). The aggregate emoluments of all Directors and officers of Barclays Bank PLC (1996 27 persons, 1995 23 persons) for the year ended 31st December 1996 amounted to £10,647,000 (1995 £6,707,000). In addition, the aggregate amount set aside by the Bank and its subsidiary undertakings, for the year ended 31st December 1996, to provide pension benefits for the Directors and officers amounted to £427,000 (1995 £423,000).

Executive Committee

The Executive Committee meets weekly and performs Group management functions. It comprises Martin Taylor (Chairman), Bill Gordon, Bill Harrison, 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 (from 1st February 1996)

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 and reports on the effectiveness of the Group's systems of internal control.

Remuneration and Nominations Committee

Sir Denys Henderson, *Chairman*
Peter Jarvis CBE
Sir Nigel Mobbs
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 meeting to consider the nomination of prospective Directors, the Chairman of Barclays PLC and one other executive Director may attend as ex-officio members.

Following Sir Denys Henderson's retirement from the Board after the 1997 annual general meeting, Peter Jarvis will succeed him as chairman of the committee.

Activities

The activities of the Group are described on pages 6 to 11 and the developments of the Group's business during the year is analysed in the Financial review on pages 12 to 66.

Community involvement

The Group continued to support the community, with world-wide contributions totalling over £11.5 million (1995 £9.8 million). Within this figure, UK charitable donations amounted to £4.4 million (1995 £2.6 million). UK charities and other voluntary organisations also benefited from a variety of sponsorships. The Group made no political donations in the United Kingdom during 1996.

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. 84% 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, in September 1996, Barclays announced the formation of the Barclays Group European Forum. This will allow 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.

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 for 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 22nd April 1997 and a notice convening the meeting will be included in a separate letter to shareholders. In addition to the regular business concerning the receipt of the 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, the renewal of the Board's authority to allot shares, to approve a new long term incentive plan for certain BZW executives and to make certain amendments to the articles of association of the Company.

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

By order of the Board
Howard Trust Group Secretary
17th February 1997

Members of the committee as at 31st December 1996

Sir Denys Henderson, Chairman
Peter Jarvis CBE
Sir Nigel Mobbs DL
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. It determines Group policy on executive remuneration and the remuneration of executive Directors and other senior Group employees, within terms of reference agreed by the Board, in consultation with the Chairman and the Chief Executive.

Following Sir Denys Henderson's retirement from the Board after the 1997 annual general meeting, Peter Jarvis will succeed him as chairman of the committee.

Barclays has complied in full throughout 1996 with the best practice provisions on the role and constitution of remuneration committees contained in the Listing Rules of the London Stock Exchange. The Listing Rules also contain best practice provisions on remuneration policy, service contracts and compensation to which the committee has given full consideration in framing the Group's executive remuneration policy.

Executive remuneration policy

Overall objective The Group's executive remuneration policy is to provide a competitive package which enables the Group to attract, motivate, reward and retain a management group of senior executives of high quality.

In addition to a basic salary, executive Directors and senior executives may participate in a range of short and longer term remuneration schemes designed to meet the overall objectives of the remuneration policy. In determining the balance between individual basic pay and other elements of remuneration, account is taken of the nature of the role performed by the individual and market practice.

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 have no service contracts with the Group. Their fees are determined by the Board. Non-executive Directors normally retire at the first annual general meeting following their sixty-fifth birthday.

Short term remuneration

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

Annual bonus scheme and executive share award scheme Directors on Barclays Bank PLC service contracts (Andrew Buxton, Bill Gordon, Sir Peter Middleton, Oliver Stocken and Martin Taylor) qualify for an annual award of cash and shares generally comprising up to 30% of annual salary for individual performance and up to 20% of annual salary for team performance. In 1996, team performance was linked to the Group's level of achievement over a range of measures including operating income and profit before tax. Bill Harrison qualifies for an annual award based on his individual performance, market considerations and BZW's profit before tax, including a minimum award in respect of 1997. Details of awards made to Directors in respect of 1996 are set out in the table of Directors' emoluments. Normally, 60% of any award to a Director is paid as a cash bonus, with the balance comprising a provisional allocation of shares under the executive share award scheme.

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

In February 1996, payments to fund purchases of shares were made to the Barclays Group Employees' Benefit Trust and 6 provisional allocations in respect of 75,085 shares were made to Directors in respect of awards accrued in 1995 and reported as emoluments in that year. Cumulative allocations to Directors up to 31st December 1996 are set out in the table on page 83. The amounts shown in the Directors' emoluments table for the executive share award scheme in 1996 represent payments which are expected to be made to the trustee to fund purchases of shares to be provisionally allocated in 1997, including the 20% share bonus.

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. These benefits are generally reported at their approximate value for tax purposes.

Longer term remuneration

Barclays Group Performance Share Plan This plan provides an incentive to executives to deliver sustained, superior returns to shareholders by linking the amount received by participants to Barclays total shareholder return (TSR) over a three year period. TSR represents share price growth plus dividends.

Each year, executives participating in the plan will be awarded rights (exercisable three years after the date of grant) to acquire a number of shares, the maximum value of which at the date of the award will not exceed each executive's annual salary. The percentage of those shares which executives may actually acquire will be a function of Barclays TSR compared with other companies in the FT-SE 100 index over a three year performance period. Shares acquired under the plan must normally be held for a further year, subject to meeting any tax liability. The first three year performance period commenced on 1st July 1996 and the awards made in 1996 are exercisable in respect of a proportionate number of shares ranging between 20 per cent and 100 per cent for TSR rankings between 60th and 25th best positions against the other FT-SE 100 companies.

BZW Long Term Incentive Plan A resolution will be proposed at the annual general meeting on 22nd April 1997 to introduce a new long term incentive plan for certain BZW executives linked to the performance of BZW and Barclays share price. The resolution is contained in the notice of the 1997 annual general meeting included with the Chairman's letter to shareholders which also contains a description of the plan. Participants in the new BZW plan in any year will not normally be eligible for awards under the Barclays Group Performance Share Plan or the Executive Share Option Scheme in that year.

Executive Share Option Scheme The terms of the Executive Share Option Scheme are described on page 130 and details of all outstanding executive Directors' options are given in the table at the end of this report. As part of the arrangements for his joining the Group, Bill Harrison received a grant of options under this scheme as well as an award under the Barclays Group Performance Share Plan. From 1996 onwards, serving executive Directors and senior executives who receive an award in any year under the Barclays Group Performance Share Plan will not be granted options under the Executive Share Option Scheme in that year.

SAYE Share Option Scheme In common with other eligible UK employees, executive Directors are also able to 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 date options are granted.

Details of executive Directors' options under the Executive Share Option and SAYE Share Option Schemes are set out in the table at the end of this report.

Directors' emoluments

	Salary & fees £000	Benefits & other £000	Annual bonus £000	Profit share £000	1996 Total £000	1995 Total £000	Executive share award scheme 1996 £000	Executive share award scheme 1995 £000
Executive								
ARF Buxton	**361**	**10**	**102**	**33**	**506**	482	**81**	74
WJ Gordon	**217**	**7**	**60**	**20**	**304**	172	**48**	42
WR Harrison	**100**	**1,502**	**1,250**	**-**	**2,852**	-	**180**	-
Sir Peter Middleton	**279**	**10**	**74**	**26**	**389**	358	**59**	49
OHJ Stocken	**261**	**56**	**69**	**24**	**410**	342	**55**	52
JM Taylor	**515**	**13**	**245**	**47**	**820**	685	**116**	106
Non-executive								
ME Baker	**32**	**-**	**-**	**-**	**32**	29	**-**	-
Sir Denys Henderson	**34**	**-**	**-**	**-**	**34**	31	**-**	-
PJ Jarvis	**28**	**-**	**-**	**-**	**28**	10	**-**	-
Lord Lawson	**31**	**-**	**-**	**-**	**31**	28	**-**	-
Sir Nigel Mobbs	**46**	**-**	**-**	**-**	**46**	49	**-**	-
J Peelen	**28**	**-**	**-**	**-**	**28**	27	**-**	-
Sir Nigel Rudd	**26**	**-**	**-**	**-**	**26**	-	**-**	-
Former Directors								
D Band	**56**	**2**	**-**	**-**	**58**	546	**-**	252
Sir Derek Birkin	**-**	**-**	**-**	**-**	**-**	11	**-**	-
S Ogata	**-**	**-**	**-**	**-**	**-**	68	**-**	-
FAL Robinson	**304**	**2**	**25**	**7**	**338**	328	**-**	-
Lord Wright	**16**	**-**	**-**	**-**	**16**	29	**-**	-
	2,334	**1,602**	**1,825**	**157**	**5,918**	3,195	**539**	575

Notes

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

(b) Total pension contributions of £293,000 (1995 £269,000) which were made on behalf of the Directors during the year are not included in the table above. See note 56 to the accounts.

(c) The fees of non-executive Directors are based on their responsibilities, including membership of Board committees. Sir Denys Henderson's fees include an additional payment for chairing the Remuneration and Nominations Committee and Sir Nigel Mobbs' fees include an additional payment for chairing the Audit Committee.

(d) The amounts shown for the executive share award scheme in 1996 represent payments which are expected to be made to the trustee to fund the provisional allocation of shares in 1997, including the 20% share bonus.

(e) Mr Harrison's salary, benefits and other remuneration reflect the arrangements for his joining the Group in September 1996 under which he received a cash sum of £1,500,000 in September 1996 and which include a minimum cash bonus in respect of 1996 (payable in March 1997).

(f) The figure shown under Benefits & other for Mr Stocken includes the payment of a bonus entitlement of £49,350, related to the market price of Barclays PLC ordinary shares.

(g) The 1996 figures shown for Mr Band represent his emoluments for the period from 1st January 1996 to 28th March 1996, the date of his death.

(h) Mr Robinson's emoluments include his salary entitlement of £230,000 at the date of his retirement from the Board and also a bonus, payable in 1997, in respect of his service up to that date.

(i) Lord Wright's emoluments include a payment of £5,425 on his retirement from the Board during the year.

Pension arrangements

In April 1996, the Faculty and Institute of Actuaries (the F&IA) made recommendations on the disclosure of directors' pension benefits. The London Stock Exchange has asked the F&IA for clarification on certain points, prior to issuing a final Listing Rule, which is not now expected until later in 1997. The disclosure below is, as last year, based on the accrued benefit method, which is supported by the committee and is one of the options proposed by the F&IA.

Annual pension accrued assuming retirement at contractual date All executive Directors, except Bill Harrison, are members of either the main Group pension scheme or the BZW scheme as described below. The amounts shown in the table below represent the annual pension accrued to date within these schemes and 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 1996	Pension accrued during the year £000	At 31st December 1996 £000	At 31st December 1995 £000
Executive					
ARF Buxton	57	**33**	**12**	**229**	217
WJ Gordon	57	**41**	**18**	**148**	130
Sir Peter Middleton	62	**5**	**9**	**38**	29
OHJ Stocken	55	**17**	**12**	**135**	123
JM Taylor	44	**3**	**1**	**4**	3
Former Directors					
D Band	54 *	**7** *	**3**	**81** *	78
FAL Robinson	58 **	**37** **	**1**	**145** **	144

* At date of death on 28th March 1996 ** At retirement on 6th May 1996

Notes

(a) 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.

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

(c) 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 the age of 60. 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 has come 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. All pensions are reviewed annually, with a guaranteed increase in line with retail price inflation up to a maximum of 5%.

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

(e) Within the Group's main pension scheme, Mr Taylor is entitled to a pension on retirement of one-sixtieth of his final pensionable salary, up to the level of the earnings cap, for each year of service. Additionally, a notional contribution (1996 £75,897, 1995 £73,825) of 17.5% of the balance of his pensionable salary in excess of the earnings cap is accrued on his behalf outside the pension scheme and is payable as a lump sum.

(f) Mr Harrison's pension arrangement involves a notional contribution of £330,000 per annum (increasing in line with salary), which will accrue notionally on a monthly basis on his behalf outside the pension scheme and is payable either as an annuity or as a lump sum. The accrual in 1996 was £110,000.

Ordinary shares awarded to Directors under the Barclays Group Performance Share Plan (see page 80)

	Number of shares: Awards granted	Number of shares: At 31st December 1996	Value of award £000	Date from which exercisable	Latest expiry date
ARF Buxton	25,810	25,810	219	05/09/99	05/09/03
WJ Gordon	15,910	15,910	135	05/09/99	05/09/03
WR Harrison	32,310	32,310	300	10/09/99	10/09/03
Sir Peter Middleton	20,153	20,153	171	05/09/99	05/09/03
OHJ Stocken	18,739	18,739	159	05/09/99	05/09/03
JM Taylor	36,771	36,771	312	05/09/99	05/09/03

Notes

(a) The first awards granted under the plan were made in August 1996. All grants made to Directors in 1996 had a value equal to 60% of salary. The grant to Mr Harrison had a value equal to 100% of salary.

(b) The value of awards shown in this table is the market value of the shares at the date the award was granted.

(c) Subject to the conditions of the award being met, awards are exercisable on payment by the Director of £1.

(d) Following the exercise of an award, sufficient shares may be sold to pay any tax charge which arises. The balance of shares acquired must normally be held by the Director for at least one year.

Ordinary shares provisionally allocated to Directors under the Executive Share Award Scheme as at 31st December 1996 (see page 79)

Executive Directors	**Number of shares**
ARF Buxton	31,141
WJ Gordon	18,249
Sir Peter Middleton	24,993
OHJ Stocken	43,799
JM Taylor	19,348
Retired during 1996	
FAL Robinson	12,070

Directors' options to purchase ordinary shares of Barclays PLC under the Executive and SAYE Share Option Schemes (see page 80)

	At 1st January 1996		Number of options During the year Granted	Exercised	At 31st December 1996	Exercise price £	Market price at exercise date £	Date from which exercisable	Latest expiry date
ARF Buxton	74,582		-	74,582	-	2.88	9.31	n/a	23/08/98
	70,100		-	-	70,100	3.71	-	now	29/08/00
	70,000		-	-	70,000	5.50	-	31/08/97	30/08/04
	50,000		-	-	50,000	7.04	-	30/08/98	29/08/05
	3,973	*	489	-	4,462	2.72-7.97	-	01/11/97	30/04/01
WJ Gordon	22,600		-	-	22,600	3.71	-	now	29/08/00
	21,500		-	-	21,500	5.01	-	now	26/08/03
	30,000		-	-	30,000	5.50	-	31/08/97	30/08/04
	25,000		-	-	25,000	7.04	-	30/08/98	29/08/05
	3,651	*	-	1,617	2,034	2.72-3.62	7.98	now	30/04/98
WR Harrison	-		128,997	-	128,997	9.07	-	16/09/99	15/09/03
	-		3,307	-	3,307	9.07	-	16/09/99	15/09/06
Sir Peter Middleton	32,000		-	-	32,000	5.50	-	31/08/97	30/08/04
OHJ Stocken	3,522		-	-	3,522	3.16	-	now	22/03/97
	85,800		-	-	85,800	5.01	-	now	26/08/03
	14,700		-	-	14,700	5.44	-	31/03/97	30/03/04
	15,000		-	-	15,000	5.50	-	31/08/97	30/08/04
	30,000		-	-	30,000	5.97	-	30/03/98	29/03/05
	25,000		-	-	25,000	7.04	-	30/08/98	29/08/05
	3,303	*	1,301	323	4,281	2.72-7.97	7.98	now	30/04/04
JM Taylor	196,900		-	-	196,900	5.44	-	31/03/97	30/03/04

* SAYE options.

Notes

(a) The closing mid-market price of the shares at 31st December 1996 was 1001p (1995 739p), the highest mid-market price during 1996 was 1036p and the lowest mid-market price was 688p.

(b) No options lapsed during the year.

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

On behalf of the Board

Sir Denys Henderson

Chairman, Remuneration and Nominations Committee

17th February 1997

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 66.

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 68 to 70.

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, BZW, Asset Management Group, International and Private Banking and in North America, Japan, Australia and South East Asia.

Statement of Directors' responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors' reports set out on page 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 145 and 148 to 156, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

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

In addition to our audit of the accounts, we have reviewed your statements on page 85 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 Accounting 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 control 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 reflects 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 and Registered Auditors
London, England, 17th February 1997

UK audit report to the members of Barclays PLC

We have audited the accounts on pages 89 to 145 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 90 and the additional information contained on pages 81 and 84.

Respective responsibilities of Directors and auditors As described on page 86, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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

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

Opinion In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1996 and of the profit of the Company and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditors
London, England, 17th February 1997

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 145 and Barclays Bank PLC and its subsidiary undertakings on pages 89 to 145 and 148 to 156 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 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 1996, 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 1996 and the determination of the consolidated shareholders' equity at 31st December 1996 and 1995 to the extent summarised in note 60 and note g to the consolidated financial statements.

Price Waterhouse
Chartered Accountants and Registered Auditors
London, England, 17th February 1997

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. The requirements of Financial Reporting Standard (FRS) 8 'Related Party Transactions' have been implemented in these accounts. There have been no significant changes in accounting policies in the year.

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.

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 for notional tax.

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

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

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

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

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

i Off-balance sheet instruments including derivatives

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

j Pensions and other post-retirement benefits

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

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

k Finance lease receivables

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

l Deferred tax

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

m Foreign currencies

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

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

n Loan fees

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

Future UK accounting developments

In October 1996, the ASB issued FRS1 (revised) 'Cash Flow Statements'. This standard will be implemented in 1997.

US GAAP

Significant differences exist between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States, and the approximate effect on attributable profit and shareholders' funds of Barclays PLC is set out in note 60 on page 137.

Accounting presentation

Changes in accounting presentation
In order to present trading revenues in accordance with common practice in investment banking, dealing profits now includes all profits and losses relating to trading activities, including interest and dividends arising from long and short positions and funding costs. Other trading revenues, mainly from foreign exchange transactions, have been reclassified as fees and commissions receivable where appropriate. As a result of this change, 1995 dealing profits have been increased by a net £15m and 1994 dealing profits reduced by a net £94m. Net fees and commissions have increased by £94m for 1995 and £91m for 1994. Interest receivable of £1,797m in 1995 and £1,428m in 1994 and interest payable of £1,810m in 1995 and £1,460m in 1994, reported within net interest income in those years, is now included in dealing profits. There is no impact on total operating income, costs, profit before tax or shareholders' funds. The memorandum analysis given for certain balance sheet items between banking business and trading business has also been restated.

Write-down of surplus properties, which amounted to £3m in 1995 and £4m in 1994, is now reported in Depreciation and amortisation (see note 7).

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

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

In note 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 £9bn of assets reported under this heading in 1996, it is estimated that £4bn relates to customers domiciled in Other European Union countries and £1bn relates to customers domiciled in the United States.

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

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

Note 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 1996, only the United Kingdom accounted for more than 10% of the total profit before tax, total assets or total revenues. At 31st December 1995 no single country, apart from the United Kingdom (1994 the United Kingdom and the United States), accounted for more than 10% of total assets or total revenues. 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 1996:

	Date
Barclays Registrars	15th March 1996
Cyprus onshore banking branches	30th April 1996
Barclays Bank of Canada	31st August 1996
Spain consumer lending business	1st October 1996
Camden Motors	29th November 1996

In addition, a further part disposal of the Group's investment in 3i Group plc was made in June 1996.

The effect of these disposals on the profit for the year is shown in note 8 to the accounts.

	Note	1996 £m	1995 £m	1994 £m
Interest receivable:				
Interest receivable and similar income arising from debt securities		**977**	867	581
Other interest receivable and similar income		**7,796**	8,398	7,970
		8,773	9,265	8,551
Interest payable		**4,821**	5,427	4,833
Profit/(loss) on redemption of loan capital	1	**32**	-	(60)
Net interest income		**3,984**	3,838	3,658
Fees and commissions receivable		**3,168**	2,969	2,986
Less: fees and commissions payable		**(223)**	(202)	(196)
Dealing profits	2	**415**	409	290
Other operating income	3	**254**	237	192
Operating income		**7,598**	7,251	6,930
Administrative expenses - staff costs	4	**2,980**	2,907	2,680
Administrative expenses - other	6	**1,807**	1,765	1,655
Depreciation and amortisation	7	**301**	335	241
Operating expenses		**5,088**	5,007	4,576
Operating profit before provisions		**2,510**	2,244	2,354
Provisions for bad and doubtful debts	17	**215**	396	602
Provisions for contingent liabilities and commitments	35	**9**	3	-
Provisions		**224**	399	602
Operating profit		**2,286**	1,845	1,752
Profit on disposal of Group undertakings	8	**70**	238	107
Profit on ordinary activities before tax		**2,356**	2,083	1,859
Tax on profit on ordinary activities	9	**670**	676	608
Profit on ordinary activities after tax		**1,686**	1,407	1,251
Minority interests - equity		**(22)**	(18)	(16)
Minority interests - non-equity	10	**(25)**	(25)	(56)
Profit for the financial year attributable to the members of Barclays PLC (Net income)		**1,639**	1,364	1,179
Dividends	11	**(479)**	(421)	(343)
Profit retained for the financial year		**1,160**	943	836
Earnings per £1 ordinary share	12	**104.2p**	83.6p	72.4p

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 145 on 17th February 1997.

	1996 **£m**	1995 £m	1994 £m
Profit for the financial year attributable to the members of Barclays PLC	**1,639**	1,364	1,179
Exchange rate translation differences	**(209)**	52	38
Revaluation of interest in associated undertakings	**-**	-	25
Loss on redemption of preference shares	**-**	-	(18)
Total recognised gains relating to the year	**1,430**	1,416	1,224
Prior year adjustment	**-**	-	(104)
	1,430	1,416	1,120

	Note	1996 £m	1996 £m	1995 £m	1995 £m
Assets					
Cash and balances at central banks			**729**		767
Items in course of collection from other banks			**3,021**		2,666
Treasury bills and other eligible bills	13		**4,472**		7,213
Loans and advances to banks	14		**29,023**		28,865
Loans and advances to customers	15		**89,410**		82,405
Loans subject to non-recourse finance arrangements	19	**387**		514	
Less: non-returnable finance		**(379)**		(504)	
			8		10
Debt securities	20		**31,367**		23,262
Equity shares	21		**2,813**		1,988
Interests in associated undertakings	22		**86**		69
Intangible fixed assets	23		**222**		229
Tangible fixed assets	24		**2,092**		2,063
Other assets	26		**15,194**		12,832
Prepayments and accrued income	28		**1,884**		1,815
			180,321		164,184
Long-term assurance fund assets attributable to policyholders	27		**5,681**		4,642
Total assets			**186,002**		168,826

Andrew Buxton Chairman

Martin Taylor Chief Executive

Oliver Stocken Finance Director

	Note	1996 £m	1996 £m	1995 £m	1995 £m
Liabilities					
Deposits by banks	29		**34,156**		29,971
Customer accounts	30		**96,564**		88,254
Debt securities in issue	31		**11,834**		7,136
Items in course of collection due to other banks			**1,596**		1,899
Other liabilities	32		**21,779**		22,784
Accruals and deferred income	33		**2,285**		2,097
Provisions for liabilities and charges - deferred tax	34		**725**		617
Provisions for liabilities and charges - other	35		**399**		137
Dividend	11		**309**		268
Subordinated liabilities:					
Undated loan capital - convertible to preference shares	36		**292**		322
Undated loan capital - non-convertible	36		**1,343**		1,667
Dated loan capital - non-convertible	37		**1,396**		1,571
Other subordinated liabilities - non-convertible	38		**56**		91
			172,734		156,814
Minority interests and shareholders' funds					
Minority interests - equity		**65**		62	
Minority interests - non-equity	10	**255**		281	
Total minority interests			**320**		343
Called up share capital	39	**1,542**		1,623	
Share premium account		**1,186**		1,136	
Capital redemption reserve		**120**		25	
Other capital reserve		**320**		320	
Revaluation reserve		**44**		57	
Profit and loss account		**4,055**		3,866	
Shareholders' funds - equity	40		**7,267**		7,027
			7,587		7,370
			180,321		164,184
Long-term assurance fund liabilities to policyholders	27		**5,681**		4,642
Total liabilities and shareholders' funds			**186,002**		168,826

	Note	1996 £m	1995 £m
Memorandum items	47		
Contingent liabilities:			
Acceptances and endorsements		**647**	1,036
Guarantees and assets pledged as collateral security		**5,425**	5,645
Other contingent liabilities		**4,741**	4,947
		10,813	11,628
Commitments - sale and option to resell transactions		**2**	150
Commitments - standby facilities, credit lines and other		**47,143**	43,534
		47,145	43,684

	1996 £m	1995 £m	1994 £m
Share premium account			
At beginning of year	**1,136**	1,098	1,063
Premium arising on shares issued	**50**	38	35
At end of year	**1,186**	1,136	1,098
Capital redemption reserve			
At beginning of year	**25**	-	-
Repurchase of ordinary shares	**95**	25	-
At end of year	**120**	25	-
Other capital reserve			
At beginning of year	**320**	320	-
Redemption of preference shares of subsidiary undertaking	-	-	320
At end of year	**320**	320	320
Revaluation reserve			
At beginning of year	**57**	62	51
Exchange rate translation differences	**(6)**	-	1
Revaluation of interest in associated undertakings	-	-	25
Realisation of revaluation surplus	**(7)**	(7)	(16)
Other items	-	2	1
At end of year	**44**	57	62
Profit and loss account			
At beginning of year	**3,866**	3,045	2,470
Profit retained	**1,160**	943	836
Exchange rate translation differences	**(203)**	52	37
Repurchase of ordinary shares	**(686)**	(156)	-
Transfer to capital redemption reserve	**(95)**	(25)	-
Redemption of preference shares of subsidiary undertaking	-	-	(320)
Loss on redemption of preference shares	-	-	(18)
Goodwill arising on acquisitions	**(3)**	(2)	(3)
Goodwill written back on disposals	-	5	27
Realisation of revaluation surplus	**7**	7	16
Other items	**9**	(3)	-
At end of year	**4,055**	3,866	3,045
Total reserves	**5,725**	5,404	4,525

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the consolidated profit retained and other reserves of overseas subsidiary and associated undertakings at 31st December 1996 totalled £289m (1995 £328m, 1994 £119m). 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 £489m (1995 £486m, 1994 £489m) 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	1996 £m	1996 £m	1995 £m	1995 £m	1994 £m	1994 £m
Net cash inflow/(outflow) from operating activities	49		**15,388**		(3,517)		10,200
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(278)**		(296)		(321)	
Dividends received from associated undertakings		**6**		10		63	
Ordinary dividends paid		**(438)**		(366)		(271)	
Preference dividends paid by subsidiary undertaking		**(25)**		(25)		(56)	
Dividends paid to minority shareholders		**(8)**		(10)		(9)	
Net cash outflow from returns on investment and servicing of finance			**(743)**		(687)		(594)
Tax paid			**(519)**		(633)		(311)
Investing activites:							
Capital expenditure		**(444)**		(325)		(367)	
Acquisition of subsidiary undertakings	54	**(13)**		(251)		-	
Acquisition of associated undertakings		**(15)**		-		(1)	
Acquisition of minority interests		**-**		-		(6)	
Sale of property and equipment		**67**		74		78	
Purchase of investment securities		**(7,431)**		(6,900)		(4,902)	
Redemption of investment securities		**1,043**		1,625		2,419	
Sale of investment securities		**3,566**		2,173		2,051	
Sale of subsidiary and associated undertakings	50	**47**		1,812		404	
Net cash outflow from investing activities			**(3,180)**		(1,792)		(324)
Net cash inflow/(outflow) before financing			**10,946**		(6,629)		8,971
Financing:	51						
Issue of loan capital and other subordinated liabilities		**318**		-		-	
Redemption of loan capital and other subordinated liabilities		**(631)**		(31)		(611)	
Redemption of preference shares in subsidiary undertaking		**-**		-		(338)	
Repurchase of ordinary shares		**(781)**		(181)		-	
Issue of ordinary shares		**64**		50		47	
Net cash outflow from financing			**(1,030)**		(162)		(902)
Increase/(decrease) in cash and cash equivalents	52		**9,916**		(6,791)		8,069

Profit and loss account and changes in reserves	1996 £m	1995 £m	1994 £m
Interest income	**2**	2	2
Operating expenses:			
Management charge from subsidiary undertaking	**2**	2	2
Operating profit	**-**	-	-
Dividends from subsidiary undertaking	**1,260**	602	343
Profit on ordinary activities before tax	**1,260**	602	343
Tax on profit on ordinary activities	**-**	-	-
Profit on ordinary activities after tax	**1,260**	602	343
Dividends	**(479)**	(421)	(343)
Profit retained by Barclays PLC	**781**	181	-
Profit retained by subsidiary undertakings	**372**	755	882
Profit/(loss) retained by associated undertakings	**7**	7	(46)
Profit retained for the financial year	**1,160**	943	836
Premium arising on shares issued	**50**	38	35
Reduction in reserves arising from repurchase of shares	**(686)**	(156)	-
Other movements in investment in Barclays Bank PLC	**(203)**	54	70
Profit and loss account and other reserves brought forward	**5,404**	4,525	3,584
Profit and loss account and other reserves carried forward	**5,725**	5,404	4,525

Balance sheet	Note	1996 £m	1995 £m
Fixed assets			
Investment in Barclays Bank PLC	41	**7,267**	7,027
Current assets			
Amounts falling due within one year:			
Due from subsidiary undertaking		**28**	25
Cash at bank and in hand - balance with subsidiary undertaking		**281**	243
		309	268
Current liabilities			
Amounts falling due within one year - dividend		**(309)**	(268)
Net current assets		**-**	-
Assets less current liabilities		**7,267**	7,027
Capital and reserves			
Called up share capital	39	**1,542**	1,623
Share premium account		**1,186**	1,136
Capital redemption reserve		**120**	25
Revaluation reserve		**3,538**	3,362
Profit and loss account		**881**	881
Shareholders' funds - equity	40	**7,267**	7,027

Andrew Buxton Chairman
Martin Taylor Chief Executive
Oliver Stocken Finance Director

1 Profit /(loss) on redemption of loan capital

The repurchase of $400m of undated loan capital resulted in a profit of £32m. In 1994, the early redemption of $700m and DM250m of dated loan capital resulted in a loss of £60m.

2 Dealing profits

	1996	1995	1994
	£m	£m	£m
Interest rate related	**203**	219	200
Foreign exchange	**67**	91	38
Equities and other	**145**	99	52
	415	409	290

Of the total dealing profits, £259m was earned from securities (1995 £204m, 1994 £95m).

3 Other operating income

	1996	1995	1994
	£m	£m	£m
Income from associated undertakings	**23**	26	35
Dividend income from equity shares	**20**	17	13
Profits on disposal of investment securities	**29**	33	18
Increase in shareholders' interest in the long-term assurance fund	**67**	56	12
Property rentals	**36**	29	29
Other income	**79**	76	85
	254	237	192

4 Administrative expenses – staff costs

	1996	1995	1994
	£m	£m	£m
Salaries and accrued incentive payments	**2,274**	2,140	2,055
Social security costs	**214**	194	195
Pension costs	**80**	145	117
Post-retirement health care	**18**	22	39
UK profit sharing	**96**	83	76
Other staff costs	**298**	323	198
	2,980	2,907	2,680

Staff costs include £105m (1995 £179m, 1994 £73m) relating to staff reductions and relocations.

Average number of employees

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

	1996	1995	1994
Executives and managers	**16,600**	17,300	18,200
Clerical staff	**66,400**	70,200	71,700
Others	**4,400**	4,600	4,800
	87,400	92,100	94,700

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:	**2,000**	2,100	2,200

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

Pensions

The majority of UK employees are members of the Barclays Bank (1964) Pension Fund (the 1964 Fund). The payments made every year to the trust fund are determined on an actuarial basis designed to provide sufficient resources during the working life of permanent employees to pay pensions to them after their retirement and, after their death, to surviving spouses or dependants. Such pensions are based on pensionable salaries (excluding allowances, bonuses and overtime) at or near retirement age, normally 60, and are related to the length of service with the Bank before retirement. Pensions are limited to a maximum of two-thirds of salary for 40 years' service or more. Pensions to surviving spouses of former staff are paid at the rate of approximately 50% of the member's pension, or potential pension in the case of death before retirement. The pension scheme is non-contributory but staff may make voluntary contributions to secure additional benefits. The pension funds of certain other subsidiary undertakings are similarly constituted.

The total pension cost for the Group was £80m (1995 £145m, 1994 £117m), of which £25m (1995 £75m, 1994 £72m) related to the 1964 Fund, £22m (1995 £25m, 1994 £22m) to other UK schemes and £33m (1995 £45m, 1994 £23m) to overseas schemes. In 1995, the pension cost for overseas schemes includes a one-off charge of £21m in France.

Formal actuarial valuations of the 1964 Fund are carried out triennially, the latest was completed as at 30th September 1995. The principal actuarial assumptions adopted at that valuation were that, over the long term, the annual rate of return on new investments would be $2^1/_2$% higher than the annual increase in total pensionable remuneration, $4^1/_2$% higher than the annual increase in present and future pensions in payment and $4^1/_2$% higher than the annual increase in dividends receivable. The market value of the 1964 Fund at the date of the valuation was £7,703m and the actuarial value of the assets was sufficient to cover 125% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme reflects the benefit of the surplus disclosed by the valuation, without which it would have been approximately 19%. Following the valuation, the rate was reduced in 1996 to $2^1/_2$% of the total pensionable payroll (1995 $7^1/_2$%).

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

Post-retirement benefits

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

There are some 8,600 pensioners currently covered under the scheme. In addition, there are some 9,300 members of staff who may become eligible if they remain with the Group until retirement.

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

Profit sharing scheme

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

	1996 £m	1995 £m	1994 £m
Property and equipment expenses			
Hire of equipment	**28**	33	36
Property rentals	**199**	211	204
Other property and equipment expenses	**612**	589	553
Other administrative expenses	**968**	932	862
	1,807	1,765	1,655

The statutory and regulatory audit and accountancy fees paid to the Group's main auditors comprised £4.8m (1995 £4.6m, 1994 £4.5m) in respect of the Group's audit and £3.1m (1995 £4.2m, 1994 £2.0m) relating to other accounting and regulatory work required of them. Of total consultancy fees of £80m (1995 £88m, 1994 £70m) included in Other administrative expenses above, the Group's main auditors received £3.8m (1995 £4.6m, 1994 £4.3m).

Of the fees for regulatory and other non-audit work paid to the Group's main auditors, £3.1m (1995 £5.6m, 1994 £4.1m) related to the United Kingdom.

7 Depreciation and amortisation

	1996 £m	1995 £m	1994 £m
Property depreciation	**107**	97	74
Equipment depreciation	**175**	181	158
Goodwill amortisation	**13**	-	-
Loss on sale of equipment	**6**	4	5
Write-down of surplus properties	**-**	3	4
	301	285	241
Provision for diminution in the value of the local head office in Paris	**-**	50	-
	301	335	241

8 Profit on disposal of Group undertakings

	1996 £m	1995 £m	1994 £m
Net profit on disposal of Group undertakings	**70**	238	107

The net profit on disposal of Group undertakings comprised £74m of profits on disposal (1995 £250m) and losses on disposal of £4m (1995 £12m).

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. The remaining interest in 3i Group plc was sold in January 1997 and the resulting gain of £42m will be included in the 1997 results.

No goodwill previously written off to reserves was attributable to the 1996 disposals. The net profit on disposal in 1995 was arrived at after charging £5m of goodwill arising on acquisition (1994 £27m). No tax was payable on the 1996 gains (1995 £84m, 1994 £26m).

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

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.

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

9 Tax

The charge for tax assumes a United Kingdom corporation tax rate of 33% and comprises:	**1996 £m**	1995 £m	1994 £m
Current tax:			
United Kingdom	**333**	376	481
Overseas	**151**	192	84
Total current tax	**484**	568	565
Deferred tax charge/(credit):			
United Kingdom	**177**	70	66
Overseas	**(1)**	29	(41)
Total deferred tax	**176**	99	25
Associated undertakings, including overseas tax of £5m (1995 £7m, 1994 £4m)	**10**	9	18
Total charge	**670**	676	608

Analysis of deferred tax charge/(credit):			
Leasing transactions	**133**	2	(27)
Short-term and other timing differences	**43**	97	52
	176	99	25

Current tax includes £57m (1995 £41m, 1994 £13m) in respect of advance corporation tax on franked investment income, together with notional tax, based on a United Kingdom corporation tax rate of 33%, of £36m (1995 £56m, 1994 £19m) on certain structured product and leasing transactions and £22m (1995 £19m, 1994 £4m) on the shareholders' interest in the long-term assurance fund.

Available overseas tax credits of £81m (1995 £63m, 1994 £37m) 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.

10 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 (1995 and 1994 $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 154.

11 Dividends – Barclays PLC

Dividends per ordinary share	**1996 £m**	1995 £m	1994 £m
Interim	**176**	153	130
Final	**309**	268	213
	485	421	343
Over-accrual in prior year	**(6)**	-	-
	479	421	343
		(pence per share)	
Interim	**11.50**	9.50	8.00
Final	**20.00**	16.50	13.00
	31.50	26.00	21.00

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 resulted from repurchases and cancellation of shares, which took place subsequent to the dividends being accrued but before payment.

12 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 £1,639m (1995 £1,364m, 1994 £1,179m) and are related to the weighted average of ordinary shares in issue during the year of 1,573 million (1995 1,632 million, 1994 1,629 million). The exercise of existing options granted under the Executive and SAYE Share Option Schemes would not have a material effect on earnings per ordinary share.

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

13 Treasury bills and other eligible bills

	1996 £m	1995 £m
Treasury bills	**2,770**	5,464
Other eligible bills	**1,702**	1,749
	4,472	7,213
Treasury bills and other eligible bills comprise:		
Banking business	**3,768**	6,684
Trading business	**704**	529
	4,472	7,213

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 £36m at 31st December 1996 (1995 £143m).

14 Loans and advances to banks

	1996 £m	1995 £m
Repayable		
on demand	**958**	1,804
not more than three months	**22,106**	15,262
over three months but not more than one year	**4,367**	10,917
over one year but not more than five years	**1,298**	663
over five years	**315**	250
	29,044	28,896
Less:		
Allowances (mainly country risk)	**(21)**	(31)
	29,023	28,865
By geographical area		
Banking business:		
United Kingdom	**6,799**	11,965
Other European Union	**3,484**	4,295
United States	**2,477**	3,233
Rest of the World	**3,386**	3,581
Total banking business	**16,146**	23,074
Total trading business	**12,898**	5,822
	29,044	28,896

At 31st December 1996 and 1995, 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 £687m at 31st December 1996 (1995 £649m).

Additional analyses are provided within the loans and advances, provisions and allowances for bad and doubtful debts and potential credit risk lendings sections on pages 42 to 55 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.

15 Loans and advances to customers

Repayable	1996 £m	1996 £m	1995 £m	1995 £m
on demand		**9,562**		12,790
not more than three months		**31,066**		19,151
over three months but not more than one year		**6,666**		8,265
over one year but not more than five years		**17,523**		18,272
over five years		**26,832**		26,794
		91,649		85,272
Less:				
Allowances	**(2,109)**		(2,697)	
Interest in suspense	**(130)**		(170)	
		(2,239)		(2,867)
		89,410		82,405

By geographical area	1996 £m	1995 £m
Banking business:		
United Kingdom	**63,659**	60,122
Other European Union	**5,673**	8,126
United States	**2,897**	3,107
Rest of the World	**2,979**	4,033
Total banking business	**75,208**	75,388
Total trading business	**16,441**	9,884
	91,649	85,272

At 31st December 1996, there were loans and advances to customers of £479m (1995 £402m) outstanding from associated undertakings and joint ventures.

Banking business loans and advances to customers include finance lease receivables of £6,392m (1995 £5,742m) which are stated in the balance sheet after deducting £4,802m (1995 £4,182m) of unearned charges and interest.

Assets acquired in the year for letting under finance leases amounted to £1,686m (1995 £1,459m).

Additional analyses are provided within the loans and advances, provisions and allowances for bad and doubtful debts and potential credit risk lendings sections on pages 42 to 55 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.

16 Exposures to countries experiencing liquidity problems

	Developing countries		Developed countries	
	1996 £m	1995 £m	1996 £m	1995 £m
Country risk exposure (a)	**157**	202	**115**	191
Country risk allowances (b)	**(62)**	(109)	**(17)**	(59)
Country risk exposure, net of allowances	**95**	93	**98**	132

(a) Excluding £993m (1995 £1,199m) of trade debts that were current and not affected by restrictions on payment.

(b) In addition, allowances of £1m (1995 £6m) are held in respect of the Group's share of similar lendings by other companies in which the Group has an interest.

17 Allowances for bad and doubtful debts

Movements in allowances for bad and doubtful debts	1996 Specific £m	1996 General £m	1996 Total £m	1995 Specific £m	1995 General £m	1995 Total £m
Allowances at beginning of year	**1,875**	**853**	**2,728**	2,342	850	3,192
Acquisitions and disposals	**(13)**	**(11)**	**(24)**	(28)	-	(28)
Exchange and other adjustments	**(86)**	**(26)**	**(112)**	40	8	48
	1,776	**816**	**2,592**	2,354	858	3,212
Provision for the year, net of recoveries of £167m (1995 £198m)	**275**	**(60)**	**215**	401	(5)	396
Amounts written off, net of recoveries	**(677)**	**-**	**(677)**	(880)	-	(880)
Allowances at end of year	**1,374**	**756**	**2,130**	1,875	853	2,728

Allowances at 31st December	1996 £m	1995 £m
Specific allowances - credit risk:		
United Kingdom	**834**	963
Other European Union	**353**	502
United States	**59**	121
Rest of the World	**48**	115
	1,294	1,701
General allowances - credit risk	**756**	853
	2,050	2,554
Specific allowances - country risk	**80**	174
	2,130	2,728

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

18 Interest in suspense

Movement in interest in suspense	1996 £m	1995 £m
At beginning of year	**170**	143
Net interest suspended during year	**50**	52
	220	195
Interest written off	**(79)**	(24)
Exchange and other adjustments	**(11)**	(1)
At end of year	**130**	170

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	1996 £m	1995 £m
Before allowances	**528**	733
After allowances	**260**	448

19 Loans subject to non-recourse finance arrangements

At 31st December 1996, loans subject to non-recourse finance arrangements comprised portfolios of mortgage loans. At 31st December 1995, such loans also included a portfolio of personal consumer 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 1996			Outstanding at 31st December 1995		
	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 Personal Loan Finance (No. 1) PLC	Consumer loans	2/11/93	-	-	-	44	41	3
Gracechurch Mortgage Finance (No. 2) PLC	Personal mortgages	28/4/94	**178**	**173**	**5**	217	213	4
Gracechurch Mortgage Finance (No. 3) PLC	Personal mortgages	14/7/94	**209**	**206**	**3**	253	250	3
			387	**379**	**8**	514	504	10

The floating rate notes issued by Gracechurch Personal Loan Finance (No. 1) PLC were repaid in full in December 1996. 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 these securitisation companies or their parent companies.

In addition, loans and advances to customers at 31st December 1996 includes £70m (1995 £81m) of mortgage loans transferred to Gracechurch Mortgage Finance PLC where the linked presentation has not been used.

20 Debt securities

	1996 Balance Sheet	Gross unrealised gains	Gross unrealised losses	1996 Valuation	1995 Balance Sheet	Gross unrealised gains	Gross unrealised losses	1995 Valuation
Investment securities:	£m	£m	£m	£m	£m	£m	£m	£m
UK government	**3,023**	**12**	**-**	**3,035**	2,785	10	-	2,795
other government	**4,239**	**157**	**(1)**	**4,395**	3,267	174	(1)	3,440
other public bodies	**326**	**9**	**-**	**335**	318	6	(1)	323
other issuers	**3,128**	**47**	**(4)**	**3,171**	2,327	40	-	2,367
	10,716	**225**	**(5)**	**10,936**	8,697	230	(2)	8,925
Other debt securities:								
UK government	**1,762**	**-**	**-**	**1,762**	1,478	-	-	1,478
other government	**5,469**	**-**	**-**	**5,469**	4,289	-	-	4,289
other public bodies	**133**	**-**	**-**	**133**	255	-	-	255
bank and building society certificates of deposit	**8,067**	**-**	**-**	**8,067**	4,126	-	-	4,126
other issuers	**5,220**	**-**	**-**	**5,220**	4,417	-	-	4,417
	31,367	**225**	**(5)**	**31,587**	23,262	230	(2)	23,490

	1996 Balance Sheet	1996 Valuation	1995 Balance Sheet	1995 Valuation
Debt securities comprise:	£m	£m	£m	£m
Banking business	**17,775**	**17,995**	13,174	13,402
Trading business	**13,592**	**13,592**	10,088	10,088
	31,367	**31,587**	23,262	23,490

	1996 Cost	1996 Provisions	1996 Balance Sheet
Movements in Investment securities	£m	£m	£m
At beginning of year	**8,710**	**(13)**	**8,697**
Exchange adjustments	**(684)**	**-**	**(684)**
Acquisitions	**7,346**	**-**	**7,346**
Redemption of Investment securities	**(1,043)**	**-**	**(1,043)**
Sale of Investment securities	**(3,408)**	**-**	**(3,408)**
Provisions raised	**-**	**(5)**	**(5)**
Transfers	**(123)**	**(4)**	**(127)**
Write-offs	**(3)**	**3**	**-**
Amortisation of discounts and premiums	**(60)**	**-**	**(60)**
At end of year	**10,735**	**(19)**	**10,716**

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 1996 includes securities which are subject to sale and repurchase agreements of £6,311m (1995 £8,126m), subordinated debt securities of £nil (1995 £2m) and unamortised net premium on available for sale securities of £90m (1995 £119m). The value of securities due within one year at 31st December 1996 was £11,366m (1995 £6,216m). The Group had no holdings of securities issued by associated undertakings at 31st December 1996 or 31st December 1995.

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m (1995 £0.1m). As part of its normal market making activities, BZW holds positions in Barclays Bank PLC's loan capital and Barclays PLC's ordinary shares.

Gross gains of £1m (1995 £8m) and gross losses of £nil (1995 £2m) 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.

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

	1996 Balance Sheet £m	1996 Valuation £m	1995 Balance Sheet £m	1995 Valuation £m
Investment securities	**164**	**296**	132	260
Other securities	**2,649**	**2,649**	1,856	1,856
	2,813	**2,945**	1,988	2,116

Movements in Investment securities	1996 Cost £m	1996 Provisions £m	1996 Balance Sheet £m
At beginning of year	**139**	**(7)**	**132**
Exchange adjustments	**(18)**	**4**	**(14)**
Acquisitions	**85**	**-**	**85**
Sale of Investment securities	**(68)**	**-**	**(68)**
Transfers	**32**	**-**	**32**
Provisions raised	**-**	**(3)**	**(3)**
At end of year	**170**	**(6)**	**164**

The total value of equity shares included above, which are subject to sale and repurchase agreements, was £489m at 31st December 1996 (1995 £912m).

Gross unrealised gains on equity shares amounted to £132m (1995 £128m). There were no unrealised losses in either year.

Gross gains of £89m (1995 £61m) 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.

22 Interests in associated undertakings

Share of net assets	1996 £m	1995 £m
At beginning of year	**69**	43
Exchange and other adjustments	**(5)**	-
Acquisitions	**15**	-
Disposals	**(1)**	-
Transfers	**1**	19
Profit retained	**7**	7
At end of year	**86**	69

Associated undertakings included £62m in respect of banks (1995 £50m).

Dividend income from associated undertakings amounted to £6m (1995 £10m).

On an historical cost basis, the Group's interests in associated undertakings at 31st December 1996 amounted to £50m (1995 £35m).

23 Intangible fixed assets

Goodwill	1996 £m	1995 £m
At beginning of year	**229**	-
Additions	**28**	229
Amortisation charge for year	**(13)**	-
Exchange and other adjustments	**(22)**	-
At end of year	**222**	229

Goodwill arising on the acquisition on 31st December 1995 of Wells Fargo Nikko Investment Advisors, together with the MasterWorks division of Wells Fargo Bank, has been capitalised and is being amortised over 20 years from 1st January 1996. Additions include a fair value adjustment of £21m in respect of this acquisition as described in note 54.

24 Tangible fixed assets

Cost or valuation	Property 1996 £m	Equipment 1996 £m	Property 1995 £m	Equipment 1995 £m
At beginning of year	**2,218**	**1,469**	2,102	1,403
Acquisitions and disposals of Group undertakings	**(19)**	**(7)**	2	13
Exchange and other adjustments	**(94)**	**(53)**	36	10
Additions at cost	**245**	**229**	145	185
Sale of assets	**(52)**	**(179)**	(54)	(121)
Fully depreciated assets written off	**(1)**	**(24)**	(6)	(21)
Write-down of surplus properties	**-**	**-**	(7)	-
At end of year	**2,297**	**1,435**	2,218	1,469
Accumulated depreciation and diminution in value				
At beginning of year	**640**	**984**	497	881
Acquisitions and disposals of Group undertakings	**(2)**	**(6)**	-	6
Exchange and other adjustments	**(44)**	**(34)**	15	25
Charge for year	**107**	**175**	147	181
Sale of assets	**(21)**	**(134)**	(13)	(88)
Fully depreciated assets written off	**(1)**	**(24)**	(6)	(21)
At end of year	**679**	**961**	640	984
Cost or valuation				
At valuation				
1979 to 1993	**997**	**-**	1,069	-
At cost	**1,300**	**1,435**	1,149	1,469
	2,297	**1,435**	2,218	1,469
Accumulated depreciation	**(679)**	**(961)**	(640)	(984)
Net book value	**1,618**	**474**	1,578	485

Balance sheet value of property	1996 £m	1995 £m
Freehold	**1,025**	1,065
Leasehold over 50 years unexpired	**63**	89
Leasehold up to 50 years unexpired	**428**	326
Assets in the course of construction	**102**	98
	1,618	1,578

Historical cost of property	1996 £m	1995 £m
At cost	**1,971**	1,866
Accumulated depreciation and diminution in value	**(669)**	(636)
Net book value	**1,302**	1,230

24 Tangible fixed assets (continued)

The net book value of property occupied by the Group for its own use was £1,594m at 31st December 1996 (1995 £1,451m). The net book value included £31m (1995 £37m) in respect of property held under finance leases, on which the depreciation charge was £2m (1995 £2m, 1994 £2m). The net book value included £nil (1995 £1m) in respect of equipment held under finance leases, on which the depreciation charge was £nil (1995 £nil, 1994 £3m). The book value of property at 31st December 1996 included £323m (1995 £360m) in respect of land.

The depreciation charge for 1995 included £50m in respect of permanent diminution in the value of the local head office in Paris.

25 Commitments for capital expenditure not provided in these accounts

At 31st December 1996, commitments for capital expenditure under contract amounted to £39m (1995 £99m).

26 Other assets

	1996 £m	1995 £m
Balances arising from off-balance sheet financial instruments	**11,671**	9,855
Items in transit	**729**	685
Shareholders' interest in the long-term assurance fund	**451**	406
London Metal Exchange warrants and other metals trading positions	**714**	677
Sundry debtors	**1,629**	1,209
	15,194	12,832

27 Long-term assurance fund

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

	1996 £m	1995 £m
Value of the shareholders' interest at beginning of year	**406**	369
Value of the shareholders' interest at end of year	**451**	406
Increase for the year after tax	**45**	37
Increase before tax	**67**	56

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

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

The long-term assurance fund assets attributable to policyholders comprise:	£m	£m
Assets:		
Investments	**5,597**	4,555
Group undertakings	**50**	64
Other debtors	**70**	50
	5,717	4,669
Current liabilities	**36**	27
	5,681	4,642

28 Prepayments and accrued income

	1996 £m	1995 £m
Accrued interest and commission	**1,790**	1,739
Prepayments	**94**	76
	1,884	1,815

29 Deposits by banks

Repayable	1996 £m	1995 £m
on demand	**1,999**	1,928
not more than three months	**28,018**	24,067
over three months but not more than six months	**2,458**	1,840
over six months but not more than one year	**794**	945
over one year but not more than five years	**247**	697
over five years	**640**	494
	34,156	29,971

By geographical area		
Banking business:		
United Kingdom	**10,276**	13,556
Other European Union	**6,126**	6,933
United States	**2,324**	1,906
Rest of the World	**2,910**	2,125
Total banking business	**21,636**	24,520
Total trading business	**12,520**	5,451
	34,156	29,971

Deposits by banks at 31st December 1996 included £2m due to associated undertakings (1995 £2m). Deposits by banks are mostly over £25,000.

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

30 Customer accounts

Repayable	1996 £m	1995 £m
on demand	**39,192**	34,943
not more than three months	**48,767**	45,948
over three months but not more than six months	**2,782**	2,291
over six months but not more than one year	**1,631**	1,617
over one year but not more than five years	**2,901**	2,384
over five years	**1,291**	1,071
	96,564	88,254

By geographical area	1996 £m	1995 £m
Banking business:		
United Kingdom	**68,620**	65,473
Other European Union	**6,108**	7,547
United States	**3,384**	1,913
Rest of the World	**5,309**	6,593
Total banking business	**83,421**	81,526
Total trading business	**13,143**	6,728
	96,564	88,254

By type	1996 £m	1995 £m
In offices in the United Kingdom:		
current and demand accounts - interest free	**8,526**	10,031
current and demand accounts - interest bearing	**9,388**	9,737
savings accounts	**21,935**	21,533
other time deposits - retail	**15,776**	13,553
other time deposits - wholesale	**23,085**	15,720
In offices outside the United Kingdom:		
current and demand accounts - interest free	**1,576**	1,354
current and demand accounts - interest bearing	**1,966**	2,680
savings accounts	**958**	993
other time deposits	**13,354**	12,653
	96,564	88,254

There were no balances due to associated undertakings at 31st December 1996 or 31st December 1995.

Deposits in offices in the United Kingdom received from non-residents amounted to £18,185m (1995 £17,289m).

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

	1996 £m	1995 £m
Bonds and medium term notes repayable:		
within one year	**220**	248
one year and over	**315**	724
	535	972
Other debt securities in issue repayable:		
not more than three months	**7,269**	4,182
over three months but not more than one year	**2,302**	533
over one year but not more than five years	**624**	525
over five years	**1,104**	924
	11,834	7,136

Debt securities at 31st December 1996 included certificates of deposit of £9,771m (1995 £4,592m) and commercial paper of £1,202m (1995 £1,202m). There were no balances due to associated undertakings at 31st December 1996 or 31st December 1995.

32 Other liabilities

	1996 £m	1995 £m
Obligations under finance leases payable:		
not more than one year	**34**	63
over one year but not more than five years	**87**	93
over five years	**203**	242
	324	398
Less: future finance charges	**146**	178
	178	220
Balances arising from off-balance sheet financial instruments	**12,341**	10,717
Short positions in securities	**5,526**	7,440
Current tax	**397**	430
Sundry creditors	**2,999**	3,467
Items in transit	**338**	510
	21,779	22,784

Short positions in securities comprise:		
Treasury bills and other eligible bills	**1,553**	1,417
Debt securities - government	**3,174**	5,244
Debt securities - other public sector	**-**	108
Debt securities - other	**257**	172
Equity shares	**542**	499
	5,526	7,440

33 Accruals and deferred income

	1996 £m	1995 £m
Accrued interest and commission	**1,147**	1,066
Other accruals and deferred income	**1,138**	1,031
	2,285	2,097

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:

	1996 £m	1995 £m
At beginning of year	**617**	460
Exchange and other adjustments	**(68)**	58
Charge to profit and loss account	**176**	99
At end of year	**725**	617

	1996 £m	1995 £m
Deferred tax at 31st December:		
Leasing transactions	**830**	700
Other timing differences	**(105)**	(83)
	725	617

Potential tax liabilities not provided in the accounts in respect of leasing transactions are computed at estimated future tax rates and amounted to £252m (1995 £209m). 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	**23**	**-**	**114**	**137**
Reclassifications	**-**	**90**	**154**	**244**
Exchange and other adjustments	**(1)**	**(20)**	**(1)**	**(22)**
Charge to profit and loss account	**9**	**7**	**139**	**155**
Amounts utilised or written off	**(1)**	**(5)**	**(109)**	**(115)**
At end of year	**30**	**72**	**297**	**399**

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

Other provisions include post-retirement health care liabilities accrued of £73m (1995 £68m).

Provisions for employee pension obligations and certain other provisions have been reclassified from accruals and other liabilities.

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:

	1996 £m	1995 £m
Convertible to preference shares		
8% Convertible Capital Notes, Series E ($500m)	**292**	322
Non-convertible		
Junior Undated Floating Rate Notes ($215m, 1995 $247m)	**125**	159
Undated Floating Rate Primary Capital Notes Series 1 ($403m, 1995 $511m)	**236**	329
Undated Floating Rate Primary Capital Notes Series 2 ($483m, 1995 $743m)	**282**	479
Undated Floating Rate Primary Capital Notes Series 3	**200**	200
9.875% Undated Subordinated Notes	**300**	300
9% Permanent Interest Bearing Capital Bonds	**100**	100
7.875% Undated Subordinated Notes	**100**	100
	1,343	1,667

Security and subordination

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

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

Interest

The Junior Notes, the Undated Floating Rate Primary Capital Notes Series 1 (the Series 1 Notes) and the Undated Floating Rate Primary Capital Notes Series 2 (the Series 2 Notes), bear interest fixed in advance for periods of six months. At 31st December 1996, the rates were $5^{13}/_{16}$% (1995 $6^{1}/_{16}$%) on the Junior Notes, $6^{1}/_{8}$% (1995 $5^{15}/_{16}$%) on the Series 1 Notes and $5^{13}/_{16}$% (1995 $6^{1}/_{8}$%) 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 1996, the rate was $6^{9}/_{16}$% (1995 $7^{5}/_{16}$%). In each case, interest is fixed at $^{1}/_{4}$% or $^{1}/_{2}$% above rates determined by reference to the London inter-bank market for each interest period. In the case of the Series 3 Notes, the rate will rise to 0.7% above LIBOR in October 1999 and 1% above LIBOR in October 2009.

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

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

Interest payable on undated loan capital amounted to £129m (1995 £148m, 1994 £130m).

Repayment and conversion

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

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

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

During the year, the Bank repurchased $400m of Junior Notes, Series 1 Notes and Series 2 Notes at a discount of $48m (£32m).

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	1996 £m	1995 £m
The Bank			
10¼% Senior Subordinated Bonds 1997		**250**	250
12¾% Senior Subordinated Bonds 1997		**200**	200
8.8% Subordinated Redeemable Bonds 1998 (FFr 600m)		**68**	79
9.5% Subordinated Redeemable Bonds 2001 (FFr 350m)		**39**	46
Floating Rate Senior Subordinated Bonds 2001		**-**	50
Floating Rate Unsecured Capital Loan Stock 2006	(a, b)	**4**	4
Floating Rate Subordinated Notes 2006 (DM 350m)	(a)	**132**	-
Floating Rate Subordinated Notes 2006 (Yen 20,000m)	(a)	**101**	-
16% Unsecured Capital Loan Stock 2002/07	(a)	**100**	100
Variable Floating Rate Subordinated Notes 2009 (Yen 5,000m)	(a)	**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)	**25**	-
Barclays Overseas Investment Company B.V. (BOIC)			
6% Guaranteed Bonds 1996 (Yen 40,000m)		**-**	249
Guaranteed Floating Rate Notes 2001 (ECU 105m)		**-**	87
Guaranteed Notes 2007 (Yen 15,000m)	(a)	**76**	94
Barclays North American Capital Corporation (BNACC)			
11⅝% Guaranteed Capital Notes 2003 ($165m)	(a)	**96**	107
10½% Guaranteed Capital Notes 2017 ($123m)	(a)	**72**	79
9¾% Guaranteed Capital Notes 2021 ($312m)	(a)	**182**	200
		1,396	1,571

	1996	1995
Repayable		
not more than one year	**450**	249
over one year but not more than two years	**68**	450
over two years but not more than five years	**39**	79
over five years	**839**	793
	1,396	1,571

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 and the Floating Rate Unsecured Capital Loan Stock 2010 bear interest at rates fixed in advance for periods of three months. At 31st December 1996, the rates in force were $6^1/_2$% (1995 $6^1/_4$%) on the Floating Rate Unsecured Capital Loan Stock 2006, 3.325% on the Floating Rate Subordinated Notes 2006 (DM), 0.58828% on the Floating Rate Subordinated Notes 2006 (Yen), 0.6% on the Variable Floating Rate Subordinated Notes 2009 and $6^7/_{16}$% (1995 $6^3/_8$%) on the Floating Rate Unsecured Capital Loan Stock 2010.

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.

37 Dated loan capital – non-convertible (continued)

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 (0.83359% at 31st December 1996, 0.85313% at 31st December 1995). 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 £66m (1995 £67m, 1994 £71m).

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 redeemed all the Floating Rate Senior Subordinated Bonds 2001 and BOIC redeemed all the Guaranteed Floating Rate Notes 2001. BOIC repaid all the 6% Guaranteed Bonds 1996 upon maturity.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 1996 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

	1996	1995
Repayable	**£m**	£m
over two years but not more than five years	**56**	62
over five years	**-**	29
	56	91

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 (1995 £2,000m), comprising 1,999 million (1995 1,999 million) ordinary shares of £1 each and 1million (1995 1 million) staff shares of £1 each.

	1996	1995	1994
Called up share capital, allotted and fully paid	**£m**	£m	£m
Ordinary shares:			
At beginning of year	**1,622**	1,635	1,623
Issued to staff under profit sharing schemes	**-**	-	1
Issued to staff under the SAYE Share Option Scheme (see below)	**10**	7	8
Issued under Share Dividend Scheme	**3**	4	2
Issued under Executive Share Option Scheme	**1**	1	1
Repurchase of shares	**(95)**	(25)	-
At end of year	**1,541**	1,622	1,635
Staff shares	**1**	1	1
	1,542	1,623	1,636

It is not yet possible to quantify the amount which will be issued in 1997 under the Share Dividend Scheme in respect of the final dividend for the 1996 financial year. Profit sharing allocations will be met by purchases of ordinary shares in the open market.

56.8 million (1995 58.6 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.7 million (1995 3.6 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for ordinary shares between 1997 and 2006, at prices ranging from 272p to 907p per share.

In February and August 1996, the Company repurchased ordinary shares with a nominal value of £95m at a total cost of £781m. In August 1995, ordinary shares with a nominal value of £25m were repurchased at a total cost of £181m.

40 Shareholders' funds

	Consolidated £m	Barclays PLC £m	Associated undertakings £m
At beginning of year	**7,027**	**7,027**	**34**
Proceeds of shares issued (net of expenses)	**64**	**64**	**-**
Exchange rate translation differences	**(209)**	**-**	**(5)**
Repurchase of ordinary shares	**(781)**	**(781)**	**-**
Goodwill arising on acquisitions	**(3)**	**-**	**-**
Revaluation of investment in subsidiary undertaking	**-**	**176**	**-**
Other items	**9**	**-**	**-**
Profit retained	**1,160**	**781**	**7**
At end of year	**7,267**	**7,267**	**36**

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

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 £240m during the year comprised the cost of additional shares of £64m and an increase of £176m in other net assets of Barclays Bank PLC. The cost of the investment was £3,280m (1995 £3,216m).

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 £944m (1995 £1,151m, 1994 £1,135m), including interest income of £512m (1995 £480m, 1994 £444m).

43 Assets and liabilities denominated in sterling and foreign currencies

	1996 £m	1995 £m
Denominated in sterling	**111,175**	90,786
Denominated in currencies other than sterling	**74,827**	78,040
Total assets	**186,002**	168,826
Denominated in sterling	**115,311**	92,743
Denominated in currencies other than sterling	**70,691**	76,083
Total liabilities	**186,002**	168,826

44 Assets pledged to secure liabilities

At 31st December 1996, the amount of assets pledged to secure liabilities, primarily in respect of settlement and payment systems, was £999m (1995 £1,078m). The secured liabilities outstanding amounted to £2,821m (1995 £1,413m).

45 Future rental commitments under operating leases

At 31st December 1996, the Group held various leases on land and buildings, many for extended periods, and other leases for equipment.

	1996 Property	1996 Equipment	1995 Property	1995 Equipment
Annual commitments under non-cancellable operating leases expiring:	£m	£m	£m	£m
not more than one year	**3**	**1**	8	-
over one year but not more than five years	**18**	**-**	24	2
over five years	**141**	**-**	147	-
	162	**1**	179	2

The following aggregate rental payments outstanding at 31st December 1996 fall due as follows:

	Year ended 31st December					Total
	1997	1998	1999	2000	2001	thereafter
	£m	£m	£m	£m	£m	£m
Aggregate rental payments	163	159	158	154	151	1,772

The rentals for leasehold land, buildings and equipment, included in operating expenses for the year ended 31st December 1996, amounted to £227m (1995 £244m, 1994 £240m).

46 Principal subsidiary undertakings

Country of registration or incorporation		Percentage of equity capital held
England	Barclays Bank PLC - ordinary shares	100*
England	Barclays de Zoete Wedd Holdings Limited	100
England	Barclays Private Bank Limited	100*
England	Barclays Mercantile Business Finance Limited	100
England	Barclays Asset Management Limited	100*
Guernsey	Barclays Finance Company (Guernsey) Limited	100
Jersey	Barclays Bank Finance Company (Jersey) Limited	100
Jersey	Barclays Private Bank and Trust Limited	100*
Isle of Man	Barclays Finance Company (Isle of Man) Limited	100
Italy	Barclays Financial Services Italia SpA	100
France	BZW Société de Bourse 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	BZW Securities (Japan) Limited	100*

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

Barclays Bank PLC also has in issue 34,920,000 (1995 34,920,000) non-cumulative dollar-denominated preference shares of $0.01 each, none of which are held by Barclays PLC.

In 1992, the Group acquired a 100% interest in Imry Holdings Limited (Imry), a company registered in England, as a result of enforcing security against a loan to Chester Holdings (UK) Limited, the parent company of Imry. The interest is held exclusively with a view to subsequent resale and therefore has not been consolidated. Had Imry been consolidated, there would have been no material effect on total assets, shareholders' funds or profit before tax of the Group in either 1996 or 1995.

The Group holds all the issued shares of Imry and all of the £100m preference shares in its subsidiary, Imry Jersey Limited. The shareholdings were valued at £56m at 31st December 1996 (1995 £56m). Imry's accounts are made up to 31st March. At 31st December 1996, the unaudited consolidated capital and reserves of Imry (including the Imry Jersey Limited preference shares held by the Group) amounted to £81m (1995 £89m) and its total assets amounted to £326m (1995 £354m). The unaudited loss before taxation of Imry for the 12 months ended 31st December 1996 was £1m (1995 profit £8m, 1994 profit £12m). There were outstandings of £94m (1995 £82m) 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 £7m (1995 £6m). There were no other material transactions between Imry and the Group during the year.

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.

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 1996.

	1996 Contract or underlying principal amount £m	1995 Contract or underlying principal amount £m
Contingent liabilities		
Acceptances and endorsements	**647**	1,036
Guarantees and assets pledged as collateral security	**5,425**	5,645
Other contingent liabilities	**4,741**	4,947
Off-balance sheet credit risk	**10,813**	11,628
Commitments		
Commitments arising out of sale and option to resell transactions	**2**	150
Other commitments:		
documentary credits and other short-term trade-related transactions	**622**	511
forward asset purchases and forward forward deposits placed	**144**	421
undrawn note issuance and revolving underwriting facilities	**328**	134
undrawn formal standby facilities, credit lines and other commitments to lend:		
over one year	**10,828**	10,366
in one year or less	**35,221**	32,102
Off-balance sheet credit risk	**47,145**	43,684

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 page 60 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

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

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

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

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

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

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

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

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

Accounting treatment of credit related instruments

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

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

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

For a further description of the nature and management of credit risks and market risks, see Risk management and Treasury asset and liability management on pages 40 and 62 of the Financial review.

Netting

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

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

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.

	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
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 set off		(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		

Collateral held that reduced credit risk in respect of derivative instruments at 31st December 1996, but did not meet the offset criteria, amounted to £674m.

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

	1995 Contract or underlying principal amount £m	1995 Year end Positive fair value £m	1995 Year end Negative fair value £m	1995 Average Positive fair value £m	1995 Average Negative fair value £m
Foreign exchange derivatives					
Forward foreign exchange	229,421	2,823	3,077	3,762	3,530
Currency swaps	31,441	1,401	1,449	1,632	2,072
OTC options bought and sold	26,366	265	297	347	367
Other foreign exchange contracts	2,752	8	8	5	5
OTC derivatives	289,980	4,497	4,831	5,746	5,974
Exchange traded futures - bought and sold	395	-	-	1	-
Total	290,375	4,497	4,831	5,747	5,974
Interest rate derivatives					
Swaps	364,066	11,211	11,664	9,605	10,118
Forward rate agreements	65,711	122	152	108	119
OTC options bought and sold	93,560	661	639	526	543
Other interest rate contracts	31	-	-	-	-
OTC derivatives	523,368	11,994	12,455	10,239	10,780
Exchange traded futures - bought and sold	127,036	7	2	35	25
Exchange traded options - bought and sold	21,562	-	-	1	1
Total	671,966	12,001	12,457	10,275	10,806
Equity and stock index derivatives					
OTC options bought and sold	9,312	384	483	336	406
Equity swaps and forwards	747	22	19	23	32
OTC derivatives	10,059	406	502	359	438
Exchange traded futures - bought and sold	3,165	-	-	1	-
Exchange traded options - bought and sold	8,283	271	253	168	145
Total	21,507	677	755	528	583
Commodity derivatives					
OTC options bought and sold	174	11	10	31	27
Commodity swaps and forwards	7,746	101	84	171	221
OTC derivatives	7,920	112	94	202	248
Exchange traded futures - bought and sold	12,762	211	229	411	462
Exchange traded options - bought and sold	585	12	6	37	20
Total	21,267	335	329	650	730
Total trading derivatives		17,510	18,372		
Effect of set off		(7,655)	(7,655)		
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 26 and 32)		9,855	10,717		

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

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

The following table, which includes only the derivative components of the Group's hedging programme, summarises the nominal values, fair values and book values of derivatives held for the purpose of managing the structural exposures (non-trading). Included in the amounts below were £4,247m (1995 £1,956m) contract amount of foreign exchange derivatives and £58,917m (1995 £38,458m) of interest rate derivatives which were made for asset and liability management purposes with independently managed dealing units of the Group.

	1996 Contract or underlying principal amount £m	1996 Positive fair value £m	1996 Negative fair value £m	1996 Positive book value £m	1996 Negative book value £m	1995 Contract or underlying principal amount £m	1995 Positive fair value £m	1995 Negative fair value £m
Foreign exchange derivatives								
Forward foreign exchange	2,377	24	9	11	12	305	4	4
Currency swaps	3,261	18	72	15	7	2,191	25	53
OTC options bought and sold	12	-	-	-	-	-	-	-
Total	5,650	42	81	26	19	2,496	29	57
Interest rate derivatives								
Swaps	59,057	417	482	546	576	38,753	458	340
Forward rate agreements	8,676	5	2	-	-	4,341	2	2
OTC options bought and sold	398	3	-	-	-	739	-	-
Other interest rate related contracts	116	2	-	-	-	-	-	-
OTC derivatives	68,247	427	484	546	576	43,833	460	342
Exchange traded futures - bought and sold	4,154	-	-	-	-	1,768	3	1
Total	72,401	427	484	546	576	45,601	463	343
Equity, stock index and commodity derivatives	198	84	81	86	81	-	-	-

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

	One year or less £m	Over one year but not more than five years £m	Over five years £m	Total £m
£/French Franc	10	619	800	1,429
£/Japanese Yen	25	537	-	562
£/US Dollar	208	228	121	557
US Dollar/Australian Dollar	211	234	-	445
US Dollar/Deutsche Mark	311	19	-	330
£/Deutsche Mark	44	216	47	307
US Dollar/Greek Drachma	270	-	-	270
£/Australian Dollar	263	-	-	263
US Dollar/Italian Lire	138	-	-	138
US Dollar/Spanish Peseta	136	-	-	136
Deutsche Mark/Japanese Yen	130	-	-	130
Other	788	152	143	1,083
	2,534	2,005	1,111	5,650

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

The residual maturity analysis of the underlying principal amounts of OTC and non-margined exchange traded derivatives held for trading purposes or asset and liability management purposes at 31st December 1996 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	269,171	8,187	612	277,970
Currency swaps	13,573	21,524	9,448	44,545
OTC options bought and sold	75,655	2,044	68	77,767
Other foreign exchange contracts	642	7	-	649
OTC derivatives	359,041	31,762	10,128	400,931
Exchange traded futures - bought and sold	89	-	-	89
Exchange traded options - bought and sold	1	-	-	1
Total	359,131	31,762	10,128	401,021
Interest rate derivatives				
Swaps	171,417	271,758	93,464	536,639
Forward rate agreements	81,065	29,290	-	110,355
OTC options bought and sold	39,921	72,137	19,563	131,621
Other interest rate contracts	15	28	117	160
OTC derivatives	292,418	373,213	113,144	778,775
Exchange traded futures - bought and sold	115,163	6,477	24	121,664
Exchange traded options - bought and sold	20,768	1,168	-	21,936
Total	428,349	380,858	113,168	922,375
Equity and stock index derivatives				
OTC options bought and sold	12,439	5,562	7	18,008
Equity swaps and forwards	903	120	-	1,023
OTC derivatives	13,342	5,682	7	19,031
Exchange traded futures - bought and sold	3,763	-	-	3,763
Exchange traded options - bought and sold	6,448	310	2	6,760
Total	23,553	5,992	9	29,554
Commodity derivatives				
OTC options bought and sold	163	146	-	309
Commodity swaps and forwards	3,011	556	-	3,567
OTC derivatives	3,174	702	-	3,876
Exchange traded futures - bought and sold	10,653	536	-	11,189
Exchange traded options - bought and sold	458	1	-	459
Total	14,285	1,239	-	15,524

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 1996 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	**4,386**	**711**	**130**	**5,227**
Interest rate derivatives	**281**	**3,131**	**1,935**	**5,347**
Equity and stock index derivatives	**461**	**164**	**-**	**625**
Commodity derivatives	**550**	**34**	**-**	**584**
	5,678	**4,040**	**2,065**	**11,783**

Net replacement cost analysed by counterparty as follows:	£m
Central banks	**1,183**
Banks, building societies and other financial institutions	**7,617**
Other corporate and public bodies	**2,983**
	11,783

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.

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

	1996	1995	1994
	£m	£m	£m
Operating profit	**2,286**	1,845	1,752
Provisions for bad and doubtful debts	**215**	396	602
(Increase)/decrease in net interest and commission receivable	**(107)**	(109)	25
Depreciation and amortisation	**295**	331	236
Net profit on disposal of fixed assets and investments	**(23)**	(36)	(10)
(Profit)/loss on redemption of loan capital	**(32)**	-	60
Interest on dated and undated loan capital and other subordinated liabilities	**268**	298	317
Income from associated undertakings	**(23)**	(26)	(35)
Increase in value of the long-term assurance fund	**(67)**	(56)	(12)
Other non-cash items	**(93)**	(112)	(32)
Net cash flow from trading activities	**2,719**	2,531	2,903
Net increase/(decrease) in deposits and debt securities in issue	**22,411**	(1,775)	(7,153)
Net (decrease)/increase in accrued expenses and other credit balances	**(226)**	2,779	4,478
Net (increase)/decrease in loans and advances	**(5,386)**	(4,573)	8,548
Net (increase)/decrease in other assets and prepayments	**(2,713)**	91	(1,972)
Net (increase)/decrease in other debt securities and equity shares	**(2,968)**	(2,181)	2,682
Net change in items in transit	**(898)**	364	27
Net decrease/(increase) in treasury and other eligible bills	**2,337**	(796)	680
Other non-cash movements	**112**	43	7
Net cash inflow/(outflow) from operating activities of Barclays PLC	**15,388**	(3,517)	10,200

50 Sale of subsidiary and associated undertakings during the year

	1996 £m	1995 £m	1994 £m
Goodwill written back	-	5	27
Advances and other accounts	**816**	1,637	1,225
Deposits and other borrowings	**(780)**	(42)	(951)
Net assets disposed of	**36**	1,600	301
Net profit on disposal	**11**	212	103
Settled by net cash received	**47**	1,812	404

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 £686m paid in respect of the repurchase of 95 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	**1,989**	**1,571**	**91**	**1,623**	**281**	**1,136**
Exchange rate and other movements	**(91)**	**(121)**	**(7)**	-	**(26)**	-
Profit on redemption of loan capital	**(32)**	-	-	-	-	-
Net cash (outflow)/inflow from financing	**(231)**	**(54)**	**(28)**	**(81)**	-	**50**
At end of year	**1,635**	**1,396**	**56**	**1,542**	**255**	**1,186**

52 Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents are short-term highly liquid investments, which are readily convertible into known amounts of cash without notice, and which were within three months of maturity when acquired.

	1996 £m	1995 £m	Change £m
Cash and balances at central bank	**729**	767	(38)
Treasury bills and other eligible bills	**2,822**	2,994	(172)
Loans and advances to banks	**18,989**	12,254	6,735
Loans and advances to customers	**640**	1,968	(1,328)
Certificates of deposit	**4,691**	865	3,826
	27,871	18,848	9,023

	1996 £m	1996 £m	1995 £m	1995 £m	1994 £m	1994 £m
Balance at beginning of year		**18,848**		25,293		17,196
Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate movements	**9,916**		(6,791)		8,069	
Effect of exchange rate movements	**(893)**		346		28	
		9,023		(6,445)		8,097
Balance at end of year		**27,871**		18,848		25,293

53 Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings

	1996 £m	1995 £m
Cash consideration	**16**	298
Cash at bank and in hand acquired	**(3)**	(12)
Treasury bills and other eligible bills	-	(35)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings	**13**	251

54 Acquisitions

1996 acquisitions

The Group made the following acquisitions of subsidiary undertakings in 1996 which are accounted for on an acquisition basis.

Company	% Acquired	Consideration £m	Date
Bangkok Securities Company Ltd	**50**	**7**	**20 September 1996**
Australian Mortgage Securities Ltd	**100**	**6**	**12 November 1996**

In addition, consideration totalling £3m was paid in respect of other immaterial, acquisitions.

Consideration was paid in cash for all acquisitions during the year. There was no significant deferred or contingent consideration. The subsidiary undertakings acquired are not material to the Group and would not have made a significant contribution to the Group results had they been consolidated for the whole of 1996. The book value of the assets of the acquired subsidiary undertakings was £10m and the book value of the liabilities £4m. No significant fair value adjustments were made.

There were no assets written down in the twelve months preceding the relevant acquisition dates, nor provisions for reorganisation and restructuring costs included within the liabilities of the acquired entities. There were no costs incurred during the year in reorganising, restructuring or integrating the acquired businesses within the Group and no provisions have been raised for costs relating to these acquisitions.

1995 acquisitions

The Group made a number of acquisitions of subsidiary undertakings in 1995 which were accounted for on an acquisition basis. The Group has been able to quantify a liability in respect of deferred employee compensation which existed at the date of acquisition but had not been provided in the accounts at that date. Accordingly a fair value adjustment of £21m has been made to adjust the goodwill arising to reflect this liability, in accordance with Group accounting policy of accruing deferred employee compensation.

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 15.

c) Pension funds

The Group provides a number of normal banking and financial services for the Barclays Bank pension funds (principally the Barclays Bank (1964) Pension Fund), which are conducted on similar terms to third party transactions and are not individually material. In aggregate, amounts included in the accounts are as follows:

	Amount in balance sheet 1996 £m	Amount in profit & loss 1996 £m
Liabilities of Group - banking facilities	**163**	**-**
Interest paid - banking facilities	**-**	**3**
Fees received - custody services	**-**	**1**
Fees received - investment management	**-**	**13**
Property rentals paid	**-**	**1**

No credit risk provisions have been made in 1996 against any debts due from any of the Barclays Bank pension funds and no amounts due from them have been written off in the year.

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

The aggregate emoluments of the Directors of Barclays PLC set out below are disclosed in accordance with Part I of Schedule 6 to the Companies Act 1985.

	1996 **£000**	1995 £000
Salaries	**2,093**	1,905
Fees	**241**	282
Benefits and other	**1,602**	64
Annual bonus and profit share	**1,982**	944
Executive share award scheme	**539**	575
Pension contributions	**293**	269
	6,750	4,039

In addition, pensions in respect of management services of former Directors amount to £136,433 (1995 £132,095).

For Directors who are members of the Group's main UK pension scheme, the pension contributions shown above have been calculated using the current contribution rate of 2.5% of pensionable salary. This rate reflects the benefit of the surplus in the scheme without which it would have been approximately 19%. For Directors who are members of the BZW pension scheme, the corresponding rates were 12.5% and 17.1%.

The emoluments of the Chairman (Mr Buxton) and the highest paid Director (Mr Harrison) (1995 Mr Band) amount to:

	Chairman		**Highest paid Director**	
	1996 **£000**	1995 £000	**1996** **£000**	1995 £000
Salary	**361**	350	**100**	225
Benefits and other	**10**	12	**1,502**	6
Annual bonus and profit share	**135**	120	**1,250**	315
Executive share award scheme	**81**	74	**180**	252
Pension contributions	**9**	26	**110**	23
	596	582	**3,142**	821

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

		1996	1995			**1996**	1995
£10,001 -	£15,000	**-**	2	£390,001 -	£395,000	**-**	1
£15,001 -	£20,000	**1**	-	£405,001 -	£410,000	**-**	1
£25,001 -	£30,000	**3**	4	£445,001 -	£450,000	**1**	-
£30,001 -	£35,000	**3**	1	£460,001 -	£465,000	**1**	-
£45,001 -	£50,000	**1**	1	£555,001 -	£560,000	**-**	1
£55,001 -	£60,000	**1**	-	£585,001 -	£590,000	**1**	-
£65,001 -	£70,000	**-**	1	£790,001 -	£795,000	**-**	1
£210,001 -	£215,000	**-**	1	£795,001 -	£800,000	**-**	1
£325,001 -	£330,000	**-**	1	£935,001 -	£940,000	**1**	-
£335,001 -	£340,000	**1**	-	£3,030,001 -	£3,035,000	**1**	-
£350,001 -	£355,000	**1**	-				

Further information on Directors' emoluments, shareholdings and options is given in the Report of 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 1996*		At 31st December 1996	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Executive				
ARF Buxton	44,463	2,625	44,233	9,000
WJ Gordon	13,986	-	13,754	-
WR Harrison	-	-	2,500	-
Sir Peter Middleton	2,941	-	3,992	-
OHJ Stocken	1,845	-	3,304	-
JM Taylor	3,358	-	4,409	-
Non-executive				
ME Baker	3,120	-	3,120	-
Sir Denys Henderson	20,000	-	20,000	-
PJ Jarvis	1,000	-	1,034	-
Lord Lawson	2,143	-	2,219	-
Sir Nigel Mobbs	10,391	10,281	10,391	10,281
J Peelen	590	-	611	-
Sir Nigel Rudd	-	-	1,000	-

* Or date appointed to the Board if later.

Beneficial interests in the table above 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 and the Executive Share Award Scheme are given in the Report of Remuneration and Nominations Committee on behalf of the Board on pages 78 to 84. At 31st December 1996, executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 1,724,637 Barclays PLC ordinary shares (1st January 1996: 937,877) held by the Barclays Group Employees' Benefit Trusts.

The beneficial and non-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 21 persons) at 31st December 1996 amounted to 149,501 £1 ordinary shares (0.01% 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 159 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 14 persons) held, at 31st December 1996, options to purchase 1,192,908 Barclays PLC £1 ordinary shares at prices ranging from 272p to 797p under the SAYE Share Option Scheme and ranging from 301p to 907p under the Executive Share Option Scheme, exercisable in the period from 1997 to 2006. Further details of Directors' holdings of options are given in the Report of Remuneration and Nominations Committee.

On 20th January 1997, Mr Stocken acquired 683 shares and, on 12th February 1997, Mr Gordon acquired 932 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 1996 and 17th February 1997.

58 Contracts with Directors and connected persons and with senior executives

The aggregate amounts outstanding at 31st December 1996 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	**3**	**1**	**232**
Quasi-loans and credit card accounts	**12**	**9**	**361**
Senior executives			
Loans	**20**	**-**	**1,469**
Quasi-loans and credit card accounts	**27**	**-**	**122**

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, d)	**1996 £m**	**1996 %**	1995 £m	1995 %	1994 £m	1994 %
Interest receivable						
United Kingdom	**6,057**	**69**	6,164	67	5,474	64
Foreign UK-based	**597**	**7**	588	6	601	7
Other European Union	**1,092**	**12**	1,330	14	1,205	14
United States	**394**	**5**	488	5	555	7
Rest of the World	**633**	**7**	695	8	716	8
	8,773	**100**	9,265	100	8,551	100
Fees and commissions receivable						
United Kingdom	**2,224**	**70**	2,202	74	2,067	69
Foreign UK-based	**39**	**1**	38	1	81	3
Other European Union	**275**	**9**	257	9	262	9
United States	**256**	**8**	115	4	161	5
Rest of the World	**374**	**12**	357	12	415	14
	3,168	**100**	2,969	100	2,986	100
Dealing profits						
United Kingdom	**263**	**63**	288	70	228	79
Foreign UK-based	**88**	**21**	93	23	44	15
Other European Union	**16**	**4**	14	3	8	3
United States	**20**	**5**	(11)	(2)	(5)	(2)
Rest of the World	**28**	**7**	25	6	15	5
	415	**100**	409	100	290	100
Other operating income						
United Kingdom	**154**	**61**	151	64	110	57
Other European Union	**56**	**22**	31	13	25	13
United States	**17**	**7**	26	11	46	24
Rest of the World	**27**	**10**	29	12	11	6
	254	**100**	237	100	192	100
Gross income						
United Kingdom	**8,698**	**70**	8,805	67	7,879	66
Foreign UK-based	**724**	**6**	719	6	726	6
Other European Union	**1,439**	**11**	1,632	13	1,500	12
United States	**687**	**5**	618	5	757	6
Rest of the World	**1,062**	**8**	1,106	9	1,157	10
	12,610	**100**	12,880	100	12,019	100
Profit/(loss) on ordinary activities before tax						
United Kingdom	**1,847**	**78**	1,614	78	1,406	75
Foreign UK-based	**205**	**9**	155	7	255	14
Other European Union	**(22)**	**(1)**	(266)	(13)	(191)	(10)
United States	**175**	**7**	440	21	237	13
Rest of the World	**151**	**7**	140	7	152	8
	2,356	**100**	2,083	100	1,859	100
Attributable profit						
United Kingdom	**1,297**	**79**	1,089	80	869	74
Foreign UK-based	**148**	**9**	104	7	185	15
Other European Union	**(19)**	**(1)**	(195)	(14)	(154)	(13)
United States	**121**	**7**	280	21	196	17
Rest of the World	**92**	**6**	86	6	83	7
	1,639	**100**	1,364	100	1,179	100

59 Segmental analysis (continued)

	1996	1996	1995	1995	1994	1994
Total assets	£m	%	£m	%	£m	%
United Kingdom	**135,101**	**72**	112,000	66	106,127	66
Foreign UK-based	**9,308**	**5**	11,222	7	11,732	7
Other European Union	**18,448**	**10**	19,484	12	17,364	11
United States	**12,551**	**7**	15,697	9	16,902	10
Rest of the World	**10,594**	**6**	10,423	6	10,278	6
	186,002	**100**	168,826	100	162,403	100
Net assets						
United Kingdom	**5,852**	**77**	5,377	73	4,363	67
Foreign UK-based	**260**	**3**	173	2	322	5
Other European Union	**513**	**7**	684	9	612	10
United States	**532**	**7**	650	9	726	11
Rest of the World	**430**	**6**	486	7	467	7
	7,587	**100**	7,370	100	6,490	100
By class of business (a, c, d)						
Gross income						
Commercial banking activities	**8,864**	**70**	9,793	76	9,222	77
Investment banking and asset management activities	**3,510**	**28**	2,873	22	2,670	22
Group central functions	**236**	**2**	214	2	127	1
	12,610	**100**	12,880	100	12,019	100
Profit/(loss) on ordinary activities before tax						
Commercial banking activities	**2,282**	**97**	2,042	98	1,768	95
Investment banking and asset management activities	**180**	**8**	169	8	172	9
Group central functions	**(106)**	**(5)**	(128)	(6)	(81)	(4)
	2,356	**100**	2,083	100	1,859	100
Total assets						
Commercial banking activities	**87,143**	**47**	86,402	51	87,744	54
Investment banking and asset management activities	**93,873**	**50**	79,257	47	71,602	44
Group central functions	**4,986**	**3**	3,167	2	3,057	2
	186,002	**100**	168,826	100	162,403	100
Net assets						
Commercial banking activities	**4,895**	**65**	4,979	68	4,622	71
Investment banking and asset management activities	**1,972**	**26**	1,621	22	1,160	18
Group central functions	**720**	**9**	770	10	708	11
	7,587	**100**	7,370	100	6,490	100

Notes

(a) The analyses above are for Barclays PLC. Figures for attributable profit differ for Barclays Bank PLC and are shown on page 155.

(b) Basis of geographical and business analysis – see Analyses by geographical segments and classes of business on page 91.

(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.

(d) Certain comparatives have been restated mainly to reflect changes in accounting presentation (see page 91).

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 Pension fund assets are assessed actuarially at the present value of the expected future investment income, which is consistent with UK Statement of Standard Accounting Practice (SSAP) 24. Most liabilities are discounted at a long-term interest cost and most variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current employees.	Under Statement of Financial Accounting Standards (SFAS) No. 87, the same basic actuarial method is used as under UK GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations from regular cost are allocated in equal amounts over the average remaining services lives of current employees.
Post-retirement benefits Post-retirement health care liabilities are assessed actuarially on a similar basis to pension liabilities under SSAP 24 and are discounted at a long-term interest cost. Variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current eligible employees.	Under SFAS No. 106, there are certain differences in the actuarial method used and variations in the computation of regular cost as compared with UK GAAP.
Leasing – Lessor Finance lease income is recognised in proportion to the funds invested in the lease using a method which results in a level rate of return on the net cash investment.	Application of SFAS No. 13 gives rise to a level rate of return on the investment in the lease, but without taking into account tax payments and receipts. This results in income being recognised in different periods than under UK GAAP.
Leasing – Lessee In accordance with UK Financial Reporting Standard 5, leases are now categorised as finance leases when the substance of the agreement is that of a financing transaction and the lessee assumes substantially all of the risks and benefits relating to the asset. All other leases are categorised as operating leases.	Leases are classified as capital leases when any of certain criteria are met as outlined under SFAS No. 13. All other leases are classified as operating leases.
Deferred tax Deferred tax is provided 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 allowance for bad and doubtful debts which is not deductible in arriving at UK taxable profits.	Under SFAS No. 109, a liability method is also used, but deferred tax assets and liabilities are calculated for all temporary differences, including the general allowance for bad and doubtful debts. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realised.
Property depreciation Depreciation is charged on the cost or revalued amounts of freehold and long leasehold properties over their estimated useful economic lives.	Freehold and long leasehold property is depreciated based on the historical cost.

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 debt and certain marketable equity securities, which are intended for use on a continuing basis, be recorded at fair value with unrealised gains and losses recorded in shareholders' equity.
Allowance and provision for credit losses The Group establishes, through charges or credits against profit, sufficient specific allowance to cover the estimated loss as soon as the recovery of a lending is identified as doubtful. General allowances are raised to cover losses which are judged to be present in the loan portfolio, but have not been specifically identified as such. This allowance is adjusted by an appropriate charge or release.	SFAS No. 114 requires the overall credit risk allowance of impaired loans to be determined based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or, as a practical expedient, on the loan's observable market value, or the fair value of collateral if the loan is collateral dependent. A corresponding charge or credit for bad debt provisions should accompany any adjustment in the overall credit risk allowance. Smaller balance 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 on certain structured products and leasing transactions and the shareholders' interest in the long-term fund.	Income before tax and the tax charge do not include adjustments for advance corporation tax and notional tax.
Acceptances	
Acceptances are not recorded within the balance sheet.	Acceptances and the related customer liabilities are recorded within the balance sheet.

Future developments

SFAS No. 125, 'Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities' establishes new criteria for determining whether a transfer of financial assets should be accounted for as a sale or as the pledge of collateral in a secured borrowing. SFAS No. 125 is to be adopted in 1997, except that for secured borrowings, repurchase agreements, securities lendings and similar transactions the standard will be effective from 1st January 1998.

Barclays is currently reviewing its likely impact on the reconciliations between UK and US GAAP.

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	1996 £m	1995 £m	1994 £m
Attributable profit of Barclays PLC Group (UK GAAP)		**1,639**	1,364	1,179
Goodwill		**(26)**	(23)	(19)
Pension cost	(a)	**(11)**	(26)	(84)
Post-retirement benefits	(b)	**(1)**	(1)	16
Leasing - Lessor	(c)	**(40)**	(53)	(52)
Leasing - Lessee	(d)	**2**	3	(99)
Deferred tax	(e)	**(39)**	(14)	12
Property depreciation		**2**	1	4
Loan origination fees and costs	(f)	**-**	24	24
Exchange of country risk debt		**-**	34	(5)
Share compensation schemes	(g)	**(5)**	(1)	-
Shareholders' interest in the long-term assurance fund		**(16)**	-	(13)
Disposal of revalued assets		**7**	7	16
Deficit on the revaluation of properties		**-**	3	4
Disposal of investment		**3**	(17)	4
Profit on disposal of revalued property		**9**	3	-
Advance corporation tax and notional tax		**(115)**	(116)	(36)
Tax effect on the above UK/US GAAP reconciling items		**136**	122	76
Approximate net income (US GAAP)		**1,545**	1,310	1,027
Barclays PLC Group		**p**	p	p
Primary earnings per £1 ordinary share		**97.8**	80.0	63.0
Fully diluted earnings per £1 ordinary share		**96.9**	78.6	62.1

	Note	Barclays PLC Group 1996 £m	Barclays PLC Group 1995 £m
Shareholders' funds (UK GAAP)		**7,267**	7,027
Goodwill		**274**	296
Pension cost	(a)	**(163)**	(152)
Post-retirement benefits	(b)	**10**	12
Leasing - Lessor	(c)	**(196)**	(155)
Leasing - Lessee	(d)	**6**	4
Deferred tax	(e)	**(2)**	47
Property depreciation		**(57)**	(59)
Share compensation schemes	(g)	**(6)**	(1)
Shareholders' interest in the long-term assurance fund		**(551)**	(532)
Revaluation of property		**(282)**	(299)
Net unrealised gain on investment securities	(h)	**264**	330
Dividend payable		**309**	268
Tax effect on the above UK/US GAAP reconciling items		**209**	162
Approximate shareholders' equity (US GAAP)		**7,082**	6,948

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 158.

a) Pension cost

In accordance with SFAS No. 87, 'Employers' Accounting for Pensions', the excess of plan assets over the projected benefit obligation, as at the transition date, is recognised as a reduction of pension expense on a prospective basis over approximately 15 years.

The provisions of SFAS No. 87 have only been applied to the main UK pension scheme, the Barclays Bank (1964) Pension Fund, which makes up over 90% of all the Group's schemes in terms of assets and actuarial liabilities.

The components of the pension expense which arise under SFAS No. 87 are estimated to be as follows:

	1996	1995	1994
	£m	£m	£m
Service cost	**219**	205	233
Interest cost	**496**	470	443
Actual return for the year on plan assets	**(1,121)**	(984)	(382)
Net amortisation and deferral	**442**	410	(138)
	36	101	156

The £36m US GAAP pension cost (1995 £101m, 1994 £156m) compares with £25m under UK GAAP (1995 £75m, 1994 £72m).

The following table presents the estimated funded status of the scheme under SFAS No. 87.

	1996	**1996**	1995	1995
	£m	**£m**	£m	£m
Plan assets as fair value		**8,584**		7,703
Accumulated benefit obligation - vested and non-vested	**(5,467)**		(5,330)	
Additional benefits based on estimated future salary levels	**(996)**		(1,008)	
Projected benefit obligation		**(6,463)**		(6,338)
Plan assets in excess of projected benefit obligation		**2,121**		1,365
Amounts available to be applied as reduction of future pension cost:				
Balance of initial transition amount		**(165)**		(191)
Accumulated actuarial difference		**(2,115)**		(1,322)
Accrued pension cost		**(159)**		(148)

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 1996 assumes a weighted average discount rate of 8.5% (1995 8%, 1994 8%). The other main assumptions are that, over the long term, the average discount rate would be 2% higher than the annual increase in total pensionable remuneration, and 4% higher than the annual increase in present and future pensions in payment.

b) Post-retirement benefits

The components of the charge for post-retirement health care which arises under SFAS No. 106 are estimated to be as follows:

	1996	1995	1994
	£m	£m	£m
Service cost	**2**	4	4
Interest cost	**11**	13	12
Amortisation of transition obligation	**6**	6	7
	19	23	23

The £19m US GAAP expense (1995 £23m, 1994 £23m) compares with £18m under UK GAAP (1995 £22m, 1994 £39m).

60 Differences between UK and US accounting principles (continued)

b) Post-retirement benefits (continued)

	1996 £m	1995 £m
Accumulated post-retirement health care obligation (unfunded):		
Pensioners	**114**	107
Eligible staff	**59**	56
	173	163
Represented by:		
Unrecognised transition obligation	**94**	100
Unrecognised net loss	**16**	7
Accrued post-retirement health care cost	**63**	56
	173	163

For the purposes of SFAS No. 106 the table above assumes a weighted average discount rate of 7.5% in the United Kingdom and in the United States.

Further details of the post-retirement health care expense under UK GAAP are given in note 5 to the accounts.

c) Leasing – Lessor
The leasing adjustment is dependent upon the value and average age of the leasing portfolio at each period end.

d) Leasing – Lessee
Under US GAAP, provisions are made for losses arising on subleases of certain operating leases which are treated as finance leases under UK GAAP.

e) Deferred tax
In accordance with SFAS No. 109, 'Accounting for Income Taxes', the components of the net US GAAP deferred tax liability are as follows:

	1996 £m	1995 £m
Deferred tax liabilities:		
Leasing transactions	**(1,083)**	(911)
Capital allowances	**(40)**	(23)
Other	**(10)**	(35)
Total deferred tax liabilities	**(1,133)**	(969)
Deferred tax assets:		
Specific allowances	**74**	87
General allowance	**250**	256
Tax losses	**240**	251
Leasing transactions	**1**	2
ACT	**4**	5
Other	**77**	48
Total deferred tax assets before valuation allowance	**646**	649
Less: valuation allowance	**(240)**	(250)
Deferred tax assets less valuation allowance	**406**	399
Net deferred tax liability under US GAAP	**(727)**	(570)

(i) The main components of the tax charge attributable to continuing operations are shown in note 9 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 as they are utilised.

f) Loan origination fees and costs
In 1993, Barclays prospectively implemented the SORP on advances, which has similar requirements to SFAS No. 91 for the treatment of fees and direct costs associated with the origination of lendings. Accordingly, from 1993 onward, there is no longer any difference in the recognition of income under UK and US GAAP in regard to these items. The adjustments to UK GAAP net profit for 1994 and 1995 reflect the amortisation of fees and costs deferred in prior periods under US GAAP.

60 Differences between UK and US accounting principles (continued)

g) Share compensation schemes

With effect from 1st January 1996, the Group adopted SFAS No. 123 'Accounting for Stock-Based Compensation'.

SFAS No.123 encourages the adoption of accounting for share compensation schemes based on their estimated fair value at the date of grant. The requirements are only applicable to options and other awards granted from 1st January 1995 onwards and, in the initial phase-in period, the amounts reported will not be representative of the effect on reported net income for future years.

The 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 average exercise price (£)		SAYE Share Option Scheme Number (000's)		SAYE Share Option Scheme Weighted average exercise price (£)	
	1996	1995	**1996**	1995	**1996**	1995	**1996**	1995
Outstanding at beginning of year	**915**	-	**7.04**	-	**8,538**	-	**6.28**	-
Granted in the year	**722**	915	**8.91**	7.04	**10,761**	8,547	**7.97**	6.28
Less: Forfeited in the year	**59**	-	**7.04**	-	**376**	9	**6.30**	6.28
Outstanding at end of year	**1,578**	915	**7.90**	7.04	**18,923**	8,538	**7.24**	6.28

The disclosures of options outstanding only relate to those granted from 1995 onwards.

None of the above options were exercisable at either 31st December 1996 or 1995.

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:

	1996 Exercise price range £	**1996** Weighted average Fair value £	**1996** Weighted average Remaining life Years	1995 Exercise price range £	1995 Weighted average Fair value £	1995 Weighted average Remaining life Years
Executive Share Option Scheme	**7.04-9.07**	**1.80**	**8**	7.04	1.35	10
SAYE Share Option Scheme	**6.28-7.97**	**2.33**	**5**	6.28	1.85	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 1996 are as follows:

	ESOS	SAYE
Risk-free interest rate	**8.20%**	**7.57%**
Expected life	**8**	**5**
Expected volatility	**21%**	**21%**

The expected dividends for both schemes are 44p with an assumed 10.6% 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.

56.8 million (1995 58.6 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.7 million (1995 3.6 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for ordinary shares between 1997 and 2006, at prices ranging from 272p to 907p per share.

60 Differences between UK and US accounting principles (continued)

h) 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 £80m at 31st December 1996 (1995 £39m). The estimated fair value of these securities was £168m (1995 £66m).

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 1996 or 1995.

i) 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 1996, the element of impaired loans outside the scope of SFAS No. 114 amounted to £1,230m (1995 £1,259m).

In accordance with SFAS No. 114, the Group's total impaired loans are those reported as non-performing on page 54, less impaired loans outside the scope of SFAS No. 114, and amount to £2,092m at 31st December 1996 (1995 £3,734m). Credit risk allowances of £952m, estimated in accordance with SFAS No. 114, were held against these loans (1995 £1,356m). The average level of such impaired lendings in 1996 was approximately £3,000m (1995 £4,300m).

Having compared the value of the impaired loan portfolio calculated in accordance with SFAS No. 114 with the carrying value under UK GAAP, no adjustment was required to either shareholders' equity at 31st December 1996 or 31st December 1995, 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 1996 on impaired loans within the scope of SFAS No. 114 was £33m (1995 £40m).

SFAS No. 114 modifies the accounting for in-substance foreclosure, in that only collateralised loans where the Group takes physical possession of the collateral, regardless of formal insolvency procedures, would be reclassified as 'other real estate owned' under US GAAP. At 31st December 1996, other real estate owned and borrowings which would be classified as in-substance foreclosure amounted to approximately £8m (1995 £68m) and are recorded at the lower of cost or market value.

j) 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 1996, 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.

k) Redundancy costs

Redundancy costs of some £130m were paid in 1996 (1995 £75m) in respect of approximately 3,600 employees (1995: 2,500). As at 31st December 1996, provisions existed amounting to some £65m (1995 £104m) in respect of approximately 1,500 employees (1995:2,500).

l) 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 and SFAS No. 95

There are many similarities between SFAS No. 95, as amended by SFAS No. 104, and the UK Financial Reporting Standard 1 (FRS 1), which was implemented by Barclays in 1991. The principal differences, which arise in the different classifications of certain transactions under the categories required by both statements, are:

	Classification under FRS 1	**Classification under SFAS No. 95**
Dividends received	Returns on investment and servicing of finance	Operating activities
Dividends paid	Returns on investment and servicing of finance	Financing activities
Tax paid	Tax paid	Operating activities
Net change in loans and advances, including finance lease receivables	Operating activities	Investing activities
Net change in deposits and debt securities in issue	Operating activities	Financing activities
Net change in short-term funding not included in cash and cash equivalents	Operating activities	Financing activities

Under FRS 1, transactions undertaken to hedge another transaction are reported under the same classification as that which is the subject of the hedge.

Interest paid in the year, including amounts relating to trading activities, was £6,731m (1995 £7,003m, 1994 £6,383m).

In the Statement of Cash Flows, cash is defined as cash in hand and deposits repayable on demand with any bank or other financial institution and cash equivalents are defined as short-term highly liquid investments which were within three months of maturity when acquired and are readily convertible into known amounts of cash without notice.

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

	Amount £m	**Ratio %**
As at 31st December 1996		
Total net capital resources	**10,189**	**10.4**
Tier 1 capital resources	**7,441**	**7.6**

	Amount £m	Ratio %
As at 31st December 1995		
Total net capital resources	10,147	10.9
Tier 1 capital resources	7,140	7.7

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).

63 Significant Group concentrations of credit risk (continued)

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 £48.8bn at 31st December 1996, of which £31.9bn consisted of placings and negotiable certificates of deposit and £8.8bn 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 1,500 banking groups in countries all over the world.

Credit risk in respect of the property sector, included within loans and advances to customers, totalled £4.3bn world wide at 31st December 1996, 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 extremely subjective in nature and involve several assumptions. There have been no significant changes in the estimation techniques or the methodology used compared with December 1995.

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 1996.

The estimated fair values at 31st December 1996, 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, 95 and 150, 151 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.

64 Fair values of financial instruments (continued)

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 £29,000m (1995 £28,900m), as compared to a recorded value, net of allowances for bad and doubtful debts, of £29,023m (1995 £28,865m). 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.

The fair value estimated for loans and advances to customers and finance lease receivables at 31st December 1996 was approximately £90,200m (1995 £83,300m), as compared to a recorded value, net of allowances for bad and doubtful debts, of £89,410m (1995 £82,405m).

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 (1995 £10m).

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 1996 the fair value of all debt securities and equity shares was approximately £34,500m (1995 £25,606m) compared to a recorded value of £34,180m (1995 £25,250m).

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 1996 was approximately £130,800m (1995 £118,200m), as compared to a recorded value of £130,720m (1995 £118,225m).

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 1996 was estimated to be £11,900m (1995 £7,200m), as compared to a recorded value of £11,890m (1995 £7,227m).

Dated and undated loan capital At 31st December 1996, 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 £1,500m (1995 £1,730m) and £1,600m (1995 £1,878m), compared with recorded values of £1,396m (1995 £1,571m) and £1,635m (1995 £1,989m) 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 £105m less than the positive book value (1995 £24m less than the positive book value) and their negative fair values were £30m lower than the negative book value (1995 £162m 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 Summarised financial information of BarclaysAmericanCorporation (BAC)

The following selected information for BAC, in lieu of it reporting separately, has been prepared under US GAAP.

	1996	1995
	$000	$000
Total assets	**356,529**	425,448
Senior debt	**97,816**	185,020
Subordinated debt	**96,649**	96,649
Shareholders' equity	**48,952**	30,887

$241,000 of the senior debt was due to affiliates (1995: $87,445,000)

	1996	1995	1994
	$000	$000	$000
Interest income	**15,629**	64,867	257,343
Interest expense	**(2,832)**	(39,612)	(147,882)
Provision for loan loss	**18,213**	12,171	(19,242)
Amortisation of purchased mortgage servicing rights	**-**	(2,500)	(58,500)
Net income/(loss)	**18,065**	212,722	104,897

All of the senior and subordinated debt of BAC is fully guaranteed by Barclays Bank PLC.

66 Ratio of earnings to fixed charges and preference share dividends

Ratio of earnings to fixed charges	**1996**	1995	1994	1993	1992
UK GAAP:					
Excluding interest on deposits	**1.80**	1.76	1.80	1.25	0.90
Including interest on deposits	**1.34**	1.28	1.30	1.09	0.97
US GAAP:					
Excluding interest on deposits	**1.78**	1.72	1.72	1.17	0.87
Including interest on deposits	**1.33**	1.27	1.27	1.06	0.97
Ratio of earnings to combined fixed charges and preference share dividends					
UK GAAP:					
Excluding interest on deposits	**1.78**	1.73	1.74	1.21	0.87
Including interest on deposits	**1.33**	1.28	1.28	1.07	0.97
US GAAP:					
Excluding interest on deposits	**1.76**	1.69	1.66	1.13	0.85
Including interest on deposits	**1.32**	1.26	1.25	1.05	0.96

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:

	1996	1995	1994	1993	1992
	(US dollars per pound sterling)				
High	**1.71**	1.64	1.64	1.59	2.00
Low	**1.49**	1.53	1.46	1.42	1.51
Average*	**1.56**	1.58	1.54	1.50	1.76
Year-end	**1.71**	1.55	1.57	1.48	1.51

*The average of the Noon Buying Rates on the last day of each month.

On 19th February 1997, the Noon Buying Rate was $1.61 per pound sterling. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into US dollars at that rate or at any of the above rates. For the purpose of presenting financial information in this report, exchange rates other than those shown above may have been used.

Glossary

Term used in annual report	**US equivalent or brief description**
Accounts	Financial statements
Advance corporation tax	No direct US equivalent. Tax paid on company distributions recoverable from UK taxes due on income
Allotted	Issued
Attributable profit	Net income
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Class of business	Industry segment
Fees and commissions receivable	Fee and commission income
Fees and commissions payable	Fee and commission expense
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interest receivable	Interest income
Interest payable	Interest expense
Loans and advances	Lendings
Loan capital	Long-term debt
Net asset value	Book value
Profit	Income
Profit and loss account	Income statement
Profit and loss account reserve	Retained earnings
Revaluation reserve	No direct US equivalent. Represents the increase in the valuation of certain assets as compared with historical cost
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Shareholders' funds	Shareholders' equity
Share premium account	Additional paid-up capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Tangible fixed assets	Property and equipment
Write-offs	Charge-offs

	Note	1996 £m	1995 £m	1994 £m
Interest receivable:				
Interest receivable and similar income arising from debt securities		**977**	867	581
Other interest receivable and similar income		**7,796**	8,398	7,970
		8,773	9,265	8,551
Interest payable		**4,821**	5,427	4,833
Profit/(loss) on redemption of loan capital	1	**32**	-	(60)
Net interest income		**3,984**	3,838	3,658
Fees and commissions receivable		**3,168**	2,969	2,986
Less: fees and commissions payable		**(223)**	(202)	(196)
Dealing profits	2	**415**	409	290
Other operating income	3	**254**	237	192
Operating income		**7,598**	7,251	6,930
Administrative expenses - staff costs	4	**2,980**	2,907	2,680
Administrative expenses - other	6	**1,807**	1,765	1,655
Depreciation and amortisation	7	**301**	335	241
Operating expenses		**5,088**	5,007	4,576
Operating profit before provisions		**2,510**	2,244	2,354
Provisions for bad and doubtful debts	17	**215**	396	602
Provisions for contingent liabilities and commitments	35	**9**	3	-
Provisions		**224**	399	602
Operating profit		**2,286**	1,845	1,752
Profit on disposal of Group undertakings	8	**70**	238	107
Profit on ordinary activities before tax		**2,356**	2,083	1,859
Tax on profit on ordinary activities	9	**670**	676	608
Profit on ordinary activities after tax		**1,686**	1,407	1,251
Minority interests - equity		**(22)**	(18)	(16)
Profit for the financial year attributable to the members of Barclays Bank PLC (Net income)		**1,664**	1,389	1,235
Dividends payable to Barclays PLC	c	**(1,260)**	(602)	(343)
Dividends payable to preference shareholders	c	**(25)**	(25)	(56)
Profit retained for the financial year		**379**	762	836

The note numbers refer to the notes on pages 99 to 145, whereas the note letters refer to those on pages 154 to 156.

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

	1996	1995	1994
	£m	£m	£m
Profit for the financial year attributable to the members of Barclays Bank PLC	***1,664***	*1,389*	*1,235*
Exchange rate translation differences	***(235)***	*54*	*4*
Revaluation of interest in associated undertakings	**-**	-	*25*
Total recognised gains relating to the year	***1,429***	*1,443*	*1,264*
Prior year adjustment	**-**	-	*(104)*
	1,429	*1,443*	*1,160*

	Note	1996 £m	1996 £m	1995 £m	1995 £m
Assets					
Cash and balances at central banks			**729**		767
Items in course of collection from other banks			**3,021**		2,666
Treasury bills and other eligible bills	13		**4,472**		7,213
Loans and advances to banks	14		**29,023**		28,865
Loans and advances to customers	15		**89,410**		82,405
Loans subject to non-recourse finance arrangements	19	**387**		514	
Less: non returnable finance		**(379)**		(504)	
			8		10
Debt securities	20		**31,367**		23,262
Equity shares	21		**2,813**		1,988
Interests in associated undertakings	22		**86**		69
Intangible fixed assets	23		**222**		229
Tangible fixed assets	24		**2,092**		2,063
Other assets	26		**15,194**		12,832
Prepayments and accrued income	28		**1,884**		1,815
			180,321		164,184
Long-term assurance fund assets attributable to policyholders	27		**5,681**		4,642
Total assets			**186,002**		168,826

The note numbers refer to the notes on pages 99 to 145.

	Note	1996 £m	1996 £m	1995 £m	1995 £m
Liabilities					
Deposits by banks	29		**34,156**		29,971
Customer accounts	30		**96,564**		88,254
Debt securities in issue	31		**11,834**		7,136
Items in course of collection due to other banks			**1,596**		1,899
Other liabilities	32		**21,779**		22,784
Balances due to Barclays PLC			**309**		268
Accruals and deferred income	33		**2,285**		2,097
Provisions for liabilities and charges - deferred tax	34		**725**		617
Provisions for liabilities and charges - other	35		**399**		137
Subordinated liabilities:					
Undated loan capital - convertible to preference shares	36		**292**		322
Undated loan capital - non-convertible	36		**1,343**		1,667
Dated loan capital - non-convertible	37		**1,396**		1,571
Other subordinated liabilities - non-convertible	38		**56**		91
			172,734		156,814
Minority interests and shareholders' funds					
Minority interests - equity			**65**		62
Called up share capital	a	**2,048**		2,034	
Share premium account		**1,469**		1,445	
Revaluation reserve		**44**		57	
Profit and loss account		**3,961**		3,772	
Shareholders' funds - equity and non-equity	b		**7,522**		7,308
			7,587		7,370
			180,321		164,184
Long-term assurance fund liabilities to policyholders	27		**5,681**		4,642
Total liabilities and shareholders' funds			**186,002**		168,826

	Note	1996 £m	1995 £m
Memorandum items	47		
Contingent liabilities:			
Acceptances and endorsements		**647**	1,036
Guarantees and assets pledged as collateral security		**5,425**	5,645
Other contingent liabilities		**4,741**	4,947
		10,813	11,628
Commitments - sale and option to resell transactions		**2**	150
Commitments - standby facilities, credit lines and other		**47,143**	43,534
		47,145	43,684

The note numbers refer to the notes on pages 99 to 145, whereas the note letters refer to those on pages 154 to 156.

	1996 £m	1995 £m	1994 £m
Share premium account			
At beginning of year	**1,445**	1,405	1,404
Premium arising on shares issued	**50**	38	35
Exchange rate translation differences	**(26)**	2	(34)
At end of year	**1,469**	1,445	1,405
Revaluation reserve			
At beginning of year	**57**	62	51
Exchange rate translation differences	**(6)**	-	1
Revaluation of interest in associated undertakings	**-**	-	25
Realisation of revaluation surplus	**(7)**	(7)	(16)
Other items	**-**	2	1
At end of year	**44**	57	62
Profit and loss account			
At beginning of year	**3,772**	2,951	2,376
Profit retained	**379**	762	836
Loss on redemption of preference shares	**-**	-	(18)
Redemption of preference shares	**-**	-	(320)
Exchange rate translation differences	**(203)**	52	37
Goodwill arising on acquisitions	**(3)**	(2)	(3)
Goodwill written back on disposals	**-**	5	27
Realisation of revaluation surplus	**7**	7	16
Other items	**9**	(3)	-
At end of year	**3,961**	3,772	2,951
Total reserves	**5,474**	5,274	4,418

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 1996 totalled £289m (1995 £328m, 1994 £119m). 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 £489m (1995 £486m, 1994 £489m) 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	1996 £m	1996 £m	1995 £m	1995 £m	1994 £m	1994 £m
Net cash inflow/(outflow) from operating activities	d		**15,426**		(3,469)		10,258
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(278)**		(296)		(321)	
Dividends received from associated undertakings		**6**		10		63	
Ordinary dividends paid		**(1,257)**		(595)		(329)	
Preference dividends paid		**(25)**		(25)		(56)	
Dividends paid to minority shareholders		**(8)**		(10)		(9)	
Net cash outflow from returns on investment and servicing of finance			**(1,562)**		(916)		(652)
Tax paid			**(519)**		(633)		(311)
Investing activites:							
Capital expenditure		**(444)**		(325)		(367)	
Acquisition of subsidiary undertakings	54	**(13)**		(251)		-	
Acquisition of associated undertakings		**(15)**		-		(1)	
Acquisition of minority interests		**-**		-		(6)	
Sale of property and equipment		**67**		74		78	
Purchase of investment securities		**(7,431)**		(6,900)		(4,902)	
Redemption of investment securities		**1,043**		1,625		2,419	
Sale of investment securities		**3,566**		2,173		2,051	
Sale of subsidiary and associated undertakings	50	**47**		1,812		404	
Net cash outflow from investing activities			**(3,180)**		(1,792)		(324)
Net cash inflow/(outflow) before financing			**10,165**		(6,810)		8,971
Financing:	e						
Issue of loan capital and other subordinated liabilities		**318**		-		-	
Redemption of loan capital and other subordinated liabilities		**(631)**		(31)		(611)	
Redemption of preference shares		**-**		-		(338)	
Issue of ordinary shares		**64**		50		47	
Net cash (outflow)/inflow from financing			**(249)**		19		(902)
Increase/(decrease) in cash and cash equivalents	52		**9,916**		(6,791)		8,069

The note numbers refer to the notes on pages 99 to 145, whereas the note letters refer to those on pages 154 to 156.

a Called up share capital

Ordinary shares

The authorised ordinary share capital of the Bank, at 31st December 1996, was 2,500 million (1995:2,500 million) ordinary shares of £1 each.

	1996	1995	1994
Called up ordinary share capital, allotted and fully paid	**£m**	£m	£m
At beginning of year	**2,034**	2,022	2,010
Issued for cash	**14**	12	12
At end of year	**2,048**	2,034	2,022

Preference shares

The authorised preference share capital of the Bank is 150 million (1995:150 million) shares of $0.01 each. At 31st December 1996, 34.92 million (1995:34.92 million) preference shares were outstanding and had been issued for a consideration of $436.5m (£255m), 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 1996 include £255m (1995 £281m) of non-equity share premium (see Preference shares in note a above). All other shareholders' funds represent equity interests.

c Dividends

	1996	1995	1994
On ordinary shares	**£m**	£m	£m
First interim dividend	**308**	181	130
Second interim dividend	**473**	153	195
Third interim dividend	**176**	243	-
Fourth interim dividend	**275**	-	-
Final dividend	**28**	25	18
	1,260	602	343

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and, in 1996, to fund the repurchase by Barclays PLC of 95 million of its ordinary shares at a total cost of £781m (1995:25 million at a total cost of £181m).

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 (£25m) in 1996, $40m (£25m) in 1995 and $86m (£56m) in 1994.

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

	1996	1995	1994
	£m	£m	£m
Net cash inflow/(outflow) from operating activities of Barclays PLC (see note 49)	**15,388**	(3,517)	10,200
Increase/(decrease) in balance due by Barclays Bank PLC to Barclays PLC	**38**	48	58
Net cash inflow/(outflow) from operating activities of Barclays Bank PLC	**15,426**	(3,469)	10,258

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	**1,989**	**1,571**	**91**	**2,034**	**1,445**
Exchange rate and other movements	**(91)**	**(121)**	**(7)**	**-**	**(26)**
Profit on redemption of loan capital	**(32)**	**-**	**-**	**-**	**-**
Net cash (outflow)/inflow from financing	**(231)**	**(54)**	**(28)**	**14**	**50**
At end of year	**1,635**	**1,396**	**56**	**2,048**	**1,469**

f Segmental analysis

	1996	**1996**	1995	1995	1994	1994
By geographical segments (a)	**£m**	**%**	£m	%	£m	%
Attributable profit						
United Kingdom	**1,322**	**79**	1,114	80	925	75
Foreign UK-based	**148**	**9**	104	8	185	15
Other European Union	**(19)**	**(1)**	(195)	(14)	(154)	(13)
United States	**121**	**7**	280	20	196	16
Rest of the World	**92**	**6**	86	6	83	7
	1,664	**100**	1,389	100	1,235	100

Notes

(a) For the basis of the geographical analysis, see Analyses by geographical segments and classes of business on page 91.

9 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	1996 £m	1995 £m	1994 £m
Approximate net income (US GAAP) of Barclays PLC Group (from page 137)		**1,545**	1,310	1,027
Preference share dividends of Barclays Bank PLC		**25**	25	56
Approximate net income (US GAAP) of Barclays Bank PLC Group		**1,570**	1,335	1,083

	Note	1996 £m	1995 £m
Shareholders' funds (UK GAAP) of Barclays Bank PLC Group		**7,522**	7,308
Goodwill		**274**	296
Pension cost	(a)	**(163)**	(152)
Post-retirement benefits	(b)	**10**	12
Leasing- Lessor	(c)	**(196)**	(155)
Leasing - Lessee	(d)	**6**	4
Deferred tax	(e)	**(2)**	47
Property depreciation		**(57)**	(59)
Share compensation schemes	(g)	**(6)**	(1)
Shareholders' interest in the long-term assurance fund		**(551)**	(532)
Revaluation of property		**(282)**	(299)
Net unrealised gain on investment securities	(h)	**264**	330
Dividend payable		**28**	25
Tax effect on the above UK/US GAAP reconciling items		**209**	162
Approximate shareholders' equity (US GAAP) of Barclays Bank PLC Group		**7,056**	6,986

The note numbers refer to the notes on pages 138 to 141.

	1996	1995	1994	1993	1992
Selected financial statistics	**%**	%	%	%	%
Attributable profit/(loss) as a percentage of:					
average total assets (note (a))	**0.92**	0.84	0.75	0.22	(0.20)
average shareholders' funds	**22.31**	20.19	20.14	6.27	(4.95)
Average shareholders' funds as a					
percentage of average total assets (note (a))	**4.11**	4.18	3.75	3.49	3.99
Selected profit and loss account data	**£m**	£m	£m	£m	£m
Interest receivable	**8,773**	9,265	8,551	9,611	11,853
Interest payable	**4,821**	5,427	4,833	5,757	8,216
Profit/(loss) on redemption of loan capital	**32**	-	(60)	22	-
Other operating income	**3,614**	3,413	3,272	3,525	3,075
Operating expenses	**5,088**	5,007	4,576	4,822	4,401
Provisions - bad and doubtful debts	**215**	396	602	1,869	2,465
- contingent liabilities and commitments	**9**	3	-	49	8
Profit/(loss) on disposal of Group undertakings	**70**	238	107	-	(82)
Profit/(loss) before tax	**2,356**	2,083	1,859	661	(244)
Attributable profit/(loss)	**1,664**	1,389	1,235	365	(300)
Selected balance sheet data	**£m**	£m	£m	£m	£m
Shareholders' funds	**7,522**	7,308	6,440	5,841	5,714
Dated and undated loan capital	**3,031**	3,560	3,541	4,183	3,765
Deposits by banks, customer accounts and debt securities in issue	**142,554**	125,361	125,165	133,288	126,393
Loans and advances to banks and customers	**118,441**	111,280	112,705	117,081	114,579
Total assets	**186,002**	168,826	162,403	166,051	159,902

Note

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

US GAAP financial data

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

	1996(b)	**1996**	1995	1994	1993	1992
Barclays PLC Group	**¢**	**p**	p	p	p	p
Earnings/(loss) per £1 ordinary share	**167.2**	**97.8**	80.0	63.0	12.3	(15.6)
Dividends per £1 ordinary share	**47.9**	**28.0**	22.5	16.7	12.5	21.2
Book value per £1 ordinary share	**787**	**460**	428	364	306	306
Net income/(loss) as a percentage of:		**%**	%	%	%	%
average total assets		**0.83**	0.78	0.61	0.12	(0.16)
average shareholders' equity		**22.52**	20.75	18.88	4.02	(4.77)
Dividends as a percentage of net income/(loss)		**28.35**	27.92	26.39	101.01	(135.60)
Average shareholders' equity as a percentage of average total assets		**3.67**	3.74	3.25	2.88	3.35
Barclays Bank PLC Group						
Net income/(loss) as a percentage of:						
average total assets		**0.84**	0.79	0.65	0.15	(0.13)
average shareholders' equity		**22.86**	20.94	18.91	4.66	(3.62)
Average shareholders' equity as a percentage of average total assets		**3.67**	3.77	3.42	3.18	3.63

Selected financial statement data

	$m	**£m**	£m	£m	£m	£m
Net income/(loss) (note (a)):						
Barclays PLC Group	**2,642**	**1,545**	1,310	1,027	199	(250)
Barclays Bank PLC Group	**2,685**	**1,570**	1,335	1,083	254	(205)
Shareholders' equity (note (a)):						
Barclays PLC Group	**12,110**	**7,082**	6,948	5,956	4,974	4,919
Barclays Bank PLC Group	**12,066**	**7,056**	6,986	6,040	5,466	5,358
Total assets	**317,942**	**185,931**	169,394	162,971	167,408	162,776

Notes

(a) Net income /(loss) 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 $1.71 to £1, the Noon Buying Rate for cable transfers in New York City, payable in pounds sterling, at 31st December 1996.

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

	1996	1995	1994	1993	1992
First interim	**11.50**	9.50	8.00	6.50	9.15
Final (1994 and earlier second interim)	**20.00**	16.50	13.00	8.65	6.00
	31.50	26.00	21.00	15.15	15.15

US Dollars per £1 ordinary share

	1996	1995	1994	1993	1992
First interim	**0.19**	0.15	0.13	0.10	0.15
Final (1994 and earlier second interim)	**0.32**	0.26	0.20	0.13	0.09
	0.51	0.41	0.33	0.23	0.24

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

	1996	1995	1994	1993	1992
First interim	**0.93**	0.75	0.63	0.50	0.82
Final (1994 and earlier second interim)	**1.61**	1.28	1.03	0.65	0.49
	2.54	2.03	1.66	1.15	1.31

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 1996 final dividend, payable in the United Kingdom on 29th April 1997, which is translated at 'Noon Buying Rate' applicable on 19th February 1997, the latest practical date for inclusion in this report. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into dollars at these rates.

At the 1993 annual general meeting, shareholders authorised the Directors for a five year period to offer shareholders the option to elect to receive new ordinary shares in lieu of cash dividends. Under the rules of the Share Dividend Scheme, such an election is not available to shareholders in the United States and Canada (including holders of Barclays American Depositary Receipts (ADRs)).

Dividends on the preference shares of Barclays Bank PLC

Dividends on the preference shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders of 11.25% on the aggregate liquidation values of Series C1 and Series C2 Preference Shares and 11.5% on the aggregate liquidation values of Series D1 and Series D2 Preference Shares.

Trading market for ordinary shares of Barclays PLC

The nominal capital of Barclays PLC is divided into 1,999,000,000 ordinary shares of £1 each (ordinary shares) and 1,000,000 staff shares of £1 each (staff shares). At the close of business on 31st December 1996, 1,540,969,484 £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 483 recorded holders of ordinary shares, including those holding ADRs, with US addresses at 31st December 1996, whose shareholdings represented approximately 0.47% 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
1996	p	p	US$	US$
Fourth quarter	**1,036**	**940**	**70**	**59**
Third quarter	**950**	**76**	**60**	**$41\frac{1}{4}$**
Second quarter	**800**	**721**	**$49\frac{3}{8}$**	**$43\frac{1}{4}$**
First quarter	**811**	**688**	**51**	**42**
1995				
Fourth quarter	810	725	$50\frac{1}{4}$	$45\frac{1}{4}$
Third quarter	766	681	$48\frac{1}{4}$	$43\frac{1}{4}$
Second quarter	714	623	$45\frac{1}{2}$	$40\frac{5}{8}$
First quarter	627	564	$41\frac{1}{4}$	36

At 31st December 1996, 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 1996, the Series C Preference Share ADR Units were held by 810 recorded holders and the Series D Preference Share ADR Units by 1,348 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
1996	US$	US$	US$	US$
Fourth quarter	**$28\frac{5}{8}$**	**$27\frac{5}{8}$**	**$29\frac{1}{8}$**	**28**
Third quarter	**$28\frac{1}{2}$**	**$27\frac{1}{2}$**	**$28\frac{3}{4}$**	**$27\frac{3}{8}$**
Second quarter	**29**	**$27\frac{9}{32}$**	**$29\frac{1}{8}$**	**$28\frac{1}{8}$**
First quarter	**$29\frac{3}{8}$**	**$28\frac{1}{8}$**	**$29\frac{1}{2}$**	**28**
1995				
Fourth quarter	29	$27\frac{3}{4}$	$29\frac{1}{4}$	$27\frac{7}{8}$
Third quarter	$28\frac{3}{4}$	$27\frac{3}{8}$	$29\frac{3}{8}$	$27\frac{3}{4}$
Second quarter	$28\frac{1}{8}$	$26\frac{5}{8}$	$28\frac{3}{4}$	$26\frac{3}{4}$
First quarter	$28\frac{5}{8}$	$26\frac{5}{8}$	$28\frac{5}{8}$	27

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 1996

Classification of shareholders	Shareholders Number	Shareholders Percentage of total holders	Shares held Number (millions)	Shares held Percentage of called up ordinary shares
Personal holders	**111,027**	**83.13**	**161.4**	**10.48**
Banks and nominee companies	**19,203**	**14.38**	**1,207.2**	**78.34**
Other companies	**2,552**	**1.91**	**119.9**	**7.78**
Insurance companies	**733**	**0.55**	**35.6**	**2.31**
Pension funds	**42**	**0.03**	**16.8**	**1.09**
Totals	**133,557**	**100.00**	**1,540.9**	**100.00**

Shareholding range				
1-100	**18,048**	**13.51**	**0.5**	**0.03**
101-250	**11,643**	**8.72**	**2.1**	**0.14**
251-500	**18,921**	**14.17**	**7.2**	**0.47**
501-1,000	**29,638**	**22.19**	**21.7**	**1.41**
1,001-5,000	**45,396**	**33.99**	**97.8**	**6.35**
5,001-10,000	**5,709**	**4.28**	**38.9**	**2.52**
10,001-25,000	**2,060**	**1.54**	**30.3**	**1.97**
25,001-50,000	**621**	**0.46**	**22.1**	**1.43**
50,001 and over	**1,521**	**1.14**	**1,320.3**	**85.68**
Totals	**133,557**	**100.00**	**1,540.9**	**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 the date of this report and are subject to any subsequent changes in UK or US law, or in any double tax convention between the United States and the United Kingdom.

For the purposes of the current US-UK double tax conventions relating to income tax (the 'Income Tax Convention') and estate and gift tax (the 'Estate Tax Convention') and for the purposes of the US Internal Revenue Code of 1986, as amended (the Code), the holders of ADRs are treated as owners of the underlying ordinary shares or preference shares, as the case may be.

Taxation of UK holders

Taxation of capital gains Since 6th April 1988, the market valuation at 31st March 1982 may be substituted for the original cost of shares purchased before that date. To arrive at the total cost of any holdings of shares of Barclays PLC, the amount subscribed for rights taken up in 1985 and 1988 should be added to the value of the holding calculated as above.

When selling shares, shareholders may also be entitled to indexation relief, which is calculated on the market value at 31st March 1982, on the cost of subsequent purchases from the date of such purchases and on the subscription for rights from the date of the subscription payment.

Shareholders are advised to consult an office of Barclays Bank Trust Company 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.

Taxation of premium on redemption or purchase of shares In the event that the Bank redeems preference shares, under provisions contained in the current Finance Bill, which have effect from 8th October 1996 but are not yet enacted, 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.

Scrip dividends Where a UK resident individual shareholder elects to receive new shares instead of a dividend in cash the individual will, in general, be taxed on the basis of having received gross income of an amount which, when reduced by income tax at the lower rate (currently 20% on that income), is equal to the cash dividend which would have been received if the election had not been made.

Normally, if a dividend is received in cash and the recipient's income tax liability is less than the tax credit attached to the dividend, the shareholder is entitled to make a repayment claim. However, no such repayment claim can be made for lower rate income tax credited as paid when new shares are taken instead of a cash dividend. If a shareholder does not pay income tax, he or she should consider carefully whether they should take new shares instead of a cash dividend.

However, for shareholders who pay income tax at the lower rate, basic rate or higher rate, the consequences for the individual of receiving scrip dividends are broadly the same as described in 'Taxation of dividends' above.

Special rules apply for scrip dividends received by UK resident trustees, UK resident corporate shareholders and UK resident gross funds.

Stamp duty On the purchase of shares, stamp duty 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 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.

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 Under the provisions contained in the current Finance Bill, referred to above, 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 are 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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