

Please note this is a section from the full Annual Report the contents of which are below.



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Registered No. 48839

This document contains certain forward-looking statements within the meaning of section 21E of the US Securities Exchange Act of 1934, as amended and section 27A of the US Securities Act of 1933, as amended with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance.

The Group may also make forward-looking statements in other written materials, including other documents filed with or furnished to the SEC. In addition, the Group's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements in the Financial Review and Business Description with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management, and competition are forward looking in nature. These forward-looking statements can be identified by the fact that they do not

relate only to historical or current facts. Forward-looking statements often use words such as "anticipate," "target," "expect," "estimate," "intend," "plan," "goal," "believe," or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group's actual future results may differ materially from those set out in the Group's forward-looking statements. There are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any further disclosures Barclays may make in documents it files with the SEC.

## Financial review

Profit/(loss) before tax and total assets and weighted risk assets

### Profit/(loss) before tax

	2002	2001	2000
	£m	restated £m	restated £m
Personal Financial Services	867	803	557
Barclays Private Clients	281	553	553
Barclaycard	615	504	429
Business Banking	1,219	1,050	1,006
Barclays Africa	89	123	93
Barclays Capital	581	655	517
Barclays Global Investors	110	78	59
Other operations <sup>1</sup>	(179)	(28)	79
Head office functions	(121)	(80)	(64)
Goodwill amortisation	(254)	(229)	(51)
Exceptional items	(3)	(4)	214
<b>Profit before tax</b>	<b>3,205</b>	<b>3,425</b>	<b>3,392</b>

**Note 1** Other operations now include South American Corporate Banking activities previously included in Barclays Capital and Business Banking, prior periods have been restated accordingly.

### Total assets and weighted risk assets

	Total assets			Weighted risk assets		
	2002	2001	2000	2002	2001	2000
	£m	restated £m	restated £m	£m	restated £m	restated £m
Personal Financial Services	71,871	64,314	60,993	41,100	36,154	34,156
Barclays Private Clients	14,016	13,886	14,098	11,713	9,197	8,390
Barclaycard	10,669	9,404	9,867	10,647	9,467	9,685
Business Banking	47,315	44,132	41,344	50,449	46,272	43,636
Barclays Africa	2,632	2,756	2,291	1,892	1,943	1,661
Barclays Capital	236,472	201,301	167,197	53,496	51,943	45,380
Barclays Global Investors	494	308	259	666	563	653
Other operations and head office functions	8,379	8,250	7,157	2,785	3,334	3,479
Goodwill	3,934	4,091	4,269	–	–	–
Retail life-fund assets	7,284	8,170	8,711	–	–	–
<b>Total</b>	<b>403,066</b>	<b>356,612</b>	<b>316,186</b>	<b>172,748</b>	<b>158,873</b>	<b>147,040</b>

## Summary statutory profit and loss account

	2002 £m	2001 restated £m	2000 restated £m
Operating income	11,327	11,142	9,494
Operating expenses	(6,624)	(6,554)	(5,492)
Operating profit before provisions	4,703	4,588	4,002
Provisions for bad and doubtful debts	(1,484)	(1,149)	(817)
Provisions for contingent liabilities and commitments	(1)	(1)	1
Operating profit	3,218	3,438	3,186
Loss from joint ventures	(5)	(1)	(1)
Loss from associated undertakings	(5)	(8)	(7)
(Loss)/profit on disposal/termination of Group undertakings	(3)	(4)	214
<b>Profit on ordinary activities before tax</b>	<b>3,205</b>	<b>3,425</b>	<b>3,392</b>

## Further analysis of profit and loss account

	2002 £m	2001 restated £m	2000 restated £m
Interest receivable	12,096	13,513	11,799
Interest payable	5,839	7,512	6,686
Profit on repurchase of loan capital	–	–	2
Net interest income	6,257	6,001	5,115
Net fees and commissions receivable	3,925	3,737	3,356
Dealing profits	833	1,011	677
Other operating income	364	428	353
Operating income	11,379	11,177	9,501
Administration expenses – staff costs	(3,630)	(3,578)	(3,047)
Administration expenses – other	(2,171)	(2,181)	(1,900)
Depreciation and amortisation	(303)	(308)	(256)
Operating expenses	(6,104)	(6,067)	(5,203)
Operating profit before provisions	5,275	5,110	4,298
Provisions for bad and doubtful debts	(1,484)	(1,149)	(817)
Provisions for contingent liabilities and commitments	(1)	(1)	1
Loss from joint ventures and associated undertakings	(10)	(9)	(8)
<b>Operating profit</b>	<b>3,780</b>	<b>3,951</b>	<b>3,474</b>
Restructuring charge	(187)	(171)	(232)
Woolwich integration costs	(80)	(89)	(7)
Woolwich fair value adjustments	(51)	(33)	(6)
Goodwill amortisation	(254)	(229)	(51)
Exceptional items	(3)	(4)	214
<b>Profit on ordinary activities before tax</b>	<b>3,205</b>	<b>3,425</b>	<b>3,392</b>
Earnings per ordinary share before restructuring charge, integration costs, Woolwich fair value adjustments, goodwill amortisation and exceptional items	40.9p	43.2p	40.5p
Post-tax return on average shareholders' funds (on a consistent basis with earnings per share above)	17.7%	20.1%	25.0%

The above presentation of operating profit for the years ended 31st December 2002, 2001 and 2000 differs from the statutory operating profit shown on page 136 in that it is shown before charging for costs directly associated with the integration of Woolwich plc, Woolwich fair value adjustments, goodwill amortisation and the restructuring charge relating to staff displacement and related costs.

Woolwich fair value adjustments consist of £52m net interest charge (2001: £35m) and £1m of credit to operating expenses (2001: £2m).

## Introduction

The Group's profit before tax reduced by 6% to £3,205m (2001: £3,425m). This reduction reflected an adverse movement of £178m attributable to the impact of the 24% decline in the FTSE 100 Index on income from the life assurance funds and a 29% increase in credit risk provisions to £1,484m (2001: £1,149m). Statutory earnings per share reduced by 8% to 33.7p.

To facilitate a better understanding of profit trends the business analysis of operating profit below excludes the impact of the restructuring charge, costs directly associated with the integration of Woolwich plc, Woolwich fair value adjustments and goodwill amortisation. Further details on these alternative presentations are provided on page 97.

Personal Financial Services increased operating profit by 8% to £1,027m (2001: £949m). Income was up 1% at £2,968m (2001: £2,952m). Costs which totalled £1,606m fell 1% (2001: £1,624m) while provisions were down 13% at £334m (2001: £382m).

Barclays Private Clients operating profit decreased by 44% to £333m (2001: £596m) largely reflecting the impact of the sharp reduction in income from the closed long-term assurance funds. Costs increased to £944m (2001: £915m) although were lower than last year when excluding the £72m (2001: £31m) of costs attributable to the change in treatment of the regulated sales force.

Barclaycard increased operating profit by 21% to £628m (2001: £520m) driven by strong income growth of 14% to £1,582m (2001: £1,386m). Excluding the acquisition of Providian UK, income grew 10% and costs 6%. Provisions increased by 7% to £402m (2001: £374m).

Business Banking increased operating profit by 15% to £1,262m (2001: £1,100m) reflecting volume growth and the benefits of tight cost management. Income grew by 5% to £2,508m (2001: £2,382m) and costs fell by 4% to £1,018m (2001: £1,061m). Provisions increased to £226m (2001: £210m).

Barclays Africa operating profit decreased 19% to £105m (2001: £130m) with the fall in profit being mainly attributable to Zimbabwe. All businesses, including Zimbabwe, remained profitable in local currencies.

Barclays Capital operating profit fell by 10% to £593m (2001: £662m). Income was up 7% to £2,239m (2001: £2,087m), benefiting from increased market share through a broadening business mix and further progress in building the client franchise. Costs fell 1% to £1,312m (2001: £1,322m). Provisions rose to £334m (2001: £103m) reflecting continued difficult economic conditions (particularly in the US) primarily in the telecommunications and energy sectors.

Barclays Global Investors operating profit increased 41% to £110m (2001: £78m). Income increased by 5% to £550m (2001: £523m) and costs were down 1% at £439m (2001: £444m).

Total Group provisions of £1,484m comprised £132m (2001: £36m) in respect of South American Corporate Banking and £1,352m (2001: £1,113m) of other provisions.

Non-performing lendings increased by £655m to £4,526m. Potential problem loans decreased by £98m to £1,304m. Coverage of non-performing lendings reduced from 72.1% to 68.0% while the coverage of total potential credit risk was broadly unchanged at 52.8% (2001: 52.9%).

Shareholders' funds increased by £720m primarily due to profit retentions. Weighted risk assets increased by £13.9bn (9%) to £173bn. The tier 1 ratio increased from 7.8% to 8.2% while the total risk asset ratio increased from 12.5% to 12.8%. Total assets increased by £46bn to £403bn, including a £35bn increase within Barclays Capital.

## Analysis of results by business

The following section analyses the Group's performance within the businesses. Inter-business activities are included within these figures. The total income and expenditure for the businesses therefore does not necessarily equate to the amounts reported in the Group's results.

Operating profit, where applicable, excludes Woolwich fair value adjustments, costs associated with the integration of Woolwich plc and the restructuring charge relating to staff displacement and related costs. Goodwill amortisation is not reflected in the business analysis. Further details on these alternative presentations are provided on page 97.

The following results incorporate, where applicable, those of the Woolwich plc business from its acquisition on 25th October 2000. The primary impact is reflected in Personal Financial Services.

Comparative figures have been restated as a result of the changes in accounting policy and accounting presentation as set out on pages 133 and 134.



## Personal Financial Services

### Financial performance

	2002 £m	2001 £m	2000 £m
Net interest income	1,892	1,954	1,396
Net fees and commissions	794	806	559
Other operating income	282	192	143
Operating income	2,968	2,952	2,098
Operating costs	(1,606)	(1,624)	(1,176)
Provisions for bad and doubtful debts	(334)	(382)	(277)
(Loss)/profit from joint ventures and associated undertakings	(1)	3	–
Operating profit	1,027	949	645
Restructuring costs	(39)	(37)	(76)
Integration costs	(70)	(76)	(6)
Fair value adjustment	(51)	(33)	(6)
Profit before tax and exceptional items	867	803	557

Personal Financial Services operating profit increased 8% (£78m) to £1,027m (2001: £949m).

There was a strong focus on managing the risk profile of the business and tight control of costs. There was also significant progress in the change programme that involved major restructuring, investment in infrastructure and improvements to the customer offering. Woolwich integration synergies were realised ahead of plan, providing support to this investment and helping the business absorb the impact of a lower interest rate environment.

Operating income was up 1% at £2,968m (2001: £2,952m).

Net interest income decreased by 3% (£62m) to £1,892m (2001: £1,954m). Margin pressures, particularly within mortgages, have been actively managed with increased balances mitigating some of the compression. Growth of Openplan, a proposition in which customer retention and product penetration are high, also resulted in some self induced margin pressure.

Total UK mortgage balances increased 13%, in line with market growth, to £58.7bn (2001: £51.9bn). Openplan from Barclays attracted a total of £2.9bn of mortgage balances, of which over 80% were new to Barclays. Net new lending of £6.9bn (2001: £4.3bn) represented an increase of 60% and a market share of 8.7% (2001: 7.8%). Significant volume growth was achieved in the first half of the year. Growth slowed in the second half reflecting a tightening of risk policies in uncertain economic conditions and as a response to more aggressive pricing evident in the market. The sharp increase in volume, primarily generated through the Barclays branches and intermediary channels, resulted in a short term drag on profit of £53m caused mainly by incentives combined with additional mortgage origination and servicing costs. Despite slower growth in the second half of the year, pipeline mortgage balances at the 31st December 2002 stood at £3.1bn (31st December 2001: £3.5bn).

Average retail savings balances increased 7% to £28.8bn (2001: £27.0bn). Barclays branded savings balances increased 22%, a leading market position in new business generation. Openplan from Barclays attracted a total of £10.3bn of savings balances of which 44% were new to Barclays.

Average retail consumer lending balances increased 8% to £6.4bn (2001: £5.9bn). The volume of lending continued to be managed actively and resulted in growth lower than the market. Ongoing improvements in risk management and lending quality has improved net revenues. Consumer lending margins have increased on the core portfolio during the year.

Net fees and commissions decreased 1% (£12m) to £794m (2001: £806m). In difficult market conditions, income from independent financial advice was £15m lower.

The number of current accounts increased 4% to 10.5 million (2001: 10.1 million), with Additions and Platinum accounts rising 27% to 1.75 million (2001: 1.38 million). Higher fees have been generated through these value-added current accounts.

Other operating income increased 47% (£90m) to £282m (2001: £192m). The contribution from payment protection income increased strongly (18%) to £171m (2001: £145m) reflecting consumer lending activities. An increase of £59m resulted from a revision of the estimated amounts expected to be repaid on banking liabilities in the light of experience since the Woolwich acquisition in 2000 and to align Woolwich with Barclays practice.

Operating costs were down 1% (£18m), to £1,606m (2001: £1,624m), despite significant continued investment in infrastructure and the higher costs associated with increased business volumes. Improved productivity and the implementation of a new organisation design underpinning the business transformation resulted in a reduction in non-customer facing staff of 1,100. The cost income ratio improved to 54% (2001: 55%).

Provisions decreased by 13% (£48m) to £334m (2001: £382m) despite growth in lending balances. This primarily reflected the implementation of specific initiatives to improve the overall risk profile of our lending portfolio, particularly in relation to consumer loans and current accounts. Credit quality remained strong with a reduction in potential problem loans. Coverage ratios improved during the second half of the year for both the secured and unsecured portfolios, despite the reduction in provisions.

Latest loan to value ratios within the mortgage book averaged 45%. Buy to let balances represented less than 5% of the total mortgage book and the latest loan to value ratios for these loans averaged 57%. Lending criteria for buy to let mortgages were tightened in the second half of the year.

The Openplan proposition continued to be highly successful in attracting new customers and retaining existing customers. Fully launched in April 2002, Openplan from Barclays attracted 778,000 customers across the UK (2001: 10,000). Product penetration was 4.3, well above the average of 2.5 outside Openplan. Openplan from The Woolwich customer numbers rose to 1,206,000 (2001: 960,000) and product penetration increased to 3.25 (2001: 3.08). There is evidence that Openplan facilitates the development of a deeper and more enduring customer relationship through higher product penetration and lower attrition rates.

Personal Financial Services operating profit in 2001 was £949m (2000: £645m). The year on year comparison is impacted by the inclusion of a significant element of the Woolwich plc business which was acquired on 25th October 2000.

Net interest income in 2001 was £1,954m (2000: £1,396m) primarily reflecting the inclusion of Woolwich where the contribution from mortgage and other lending activities compensated for margin pressure on deposit income. In other parts of the business, increased net interest income was driven by strong growth in deposit balances and by continued growth in consumer lending balances.

Net fees and commissions in 2001 were £806m (2000: £559m) primarily reflecting the inclusion of Woolwich where there was a good performance from IFA operations and fees from mortgage related activities. Additional current account and overdraft lending activity, and higher income from the fee-based Additions current account also contributed to the increase.

Other operating income in 2001 was £192m (2000: £143m). In addition to the impact of the inclusion of Woolwich the increase reflects higher levels of payment protection insurance and underwriting which benefited from improved volumes relating to customer lending and credit card borrowing.

Operating costs in 2001 were £1,624m (2000: £1,176m). Apart from the inclusion of Woolwich, where the level of costs was impacted by increased business, costs were maintained not withstanding the growth in business volumes.

Provisions in 2001 were £382m (2000: £277m). In addition to the inclusion of Woolwich, provisions also rose in other consumer lending portfolios albeit at a rate below the growth in consumer lending balances.

## Barclays Private Clients



### Financial performance

	2002 £m	2001 £m	2000 £m
Net interest income	766	829	788
Net fees and commissions	594	567	579
Income from the long-term assurance business	(51)	127	114
Other operating income	14	24	36
Operating income	1,323	1,547	1,517
Operating costs	(944)	(915)	(895)
Provisions for bad and doubtful debts	(37)	(36)	(23)
Loss from joint ventures and associated undertakings	(9)	–	–
Operating profit	333	596	599
Restructuring costs	(44)	(34)	(46)
Integration costs	(8)	(9)	–
Profit before tax and exceptional items	281	553	553

Barclays Private Clients operating profit fell 44% (£263m) to £333m (2001: £596m), with a large part of the decrease attributable to the impact of falling equity markets affecting the income of the closed long-term assurance funds.

On 11th October 2002, the Caribbean businesses of Barclays and Canadian Imperial Bank of Commerce were combined to form FirstCaribbean International Bank Ltd, generating a one-off economic profit contribution of £206m. The gain is recognised in the statement of total recognised gains and losses and in the economic profit for the year of Barclays Private Clients. From 11th October 2002, the interest in FirstCaribbean was accounted for as an associated undertaking.

Excluding the impact of the closed long-term assurance funds and adjusting for the change to the Caribbean business, the operating profit decline was 10%.

Operating income decreased 14% (£224m) to £1,323m (2001: £1,547m) mainly reflecting the impact of the fall in income from the closed long-term assurance funds. Income from long-term assurance business was also impacted by the cost of customer redress for endowment policies. Income was resilient in a difficult market environment.

Net interest income decreased 8% (£63m), to £766m (2001: £829m). The increased income generated from higher average customer deposits, up 2%, and average loans, up 3%, was offset by margin compression and the effects of lower interest rates.

Net fees and commissions increased 5% (£27m), to £594m (2001: £567m). On a comparative basis, this included £72m (2001: £31m) of commission income associated with the regulated sales force and previously offset against costs and borne within the life assurance fund. Excluding this and the Caribbean income, net fees and commissions decreased by 2% reflecting the impact of market conditions on the appetite for investment products. Average daily deal volumes in UK retail stockbroking were slightly down on 2001, at 6,300 (2001: 6,400). The stockbroking business continued to maintain its leading UK position with a 12% (2001: 11%) market share of retail stockbroking, as measured by retail client orders.

Operating costs were up 3% (£29m), to £944m (2001: £915m). Costs were tightly managed and were lower than 2001 when excluding the £72m (2001: £31m) of costs attributable to the change in treatment of the regulated sales force as detailed above. Headcount was tightly managed with a net reduction of 600 in the year, excluding the impact of the Caribbean transaction. Strategic investment spend at £87m, almost 10% of operating costs, was maintained at a level similar to 2001, despite the challenging market environment.

Total customer funds, comprising customer deposits and assets under management (including assets now managed by Legal & General under the strategic alliance), fell by £8bn to £85bn (31st December 2001: £93bn). This included a reduction of £4bn as a result of the Caribbean transaction and the sale of the US based Americas private banking business to the Royal Bank of Canada in June 2002.

Despite the volatile markets, 2002 witnessed a net increase in customer numbers of 1% and higher volumes of business with existing customers. In the UK, regulated product sales volumes increased 43%. Openplan was launched for UK affluent customers, building on the successful launch in Spain in September 2001. In the UK, 95,000 affluent customers joined Openplan, which attracted £3.7bn of savings and £1.6bn of mortgage balances. In Spain, 36,000 new customers were attracted to the bank in 2002 with 40% of the new customer flow choosing Openplan. In Spain, our market share of net new mortgage business increased to 5.0% in 2002 from 0.5% at the point of launch of Openplan in September 2001.

Sales of Legal & General life and pension products were maintained at levels broadly similar to 2001, but sales of funds and bonds were impacted by poor market sentiment for investment products. With the success of the Legal & General strategic alliance in the UK, similar arrangements in France with Axa and Fidelity were established during 2002.

Operating profit in 2001 of £596m was at a similar level to that in 2000 (£599m). Operating income in 2001 increased by 2% compared to 2000 benefiting from the diversity of the product, geography and client mix, despite difficult market conditions.

Net interest income in 2001 increased by 5% to £829m (2000: £788m). Increased lending volumes and average deposits were partially offset by margin compression in deposits, due to reduced interest rates.

Net fees and commissions in 2001 decreased by 2% to £567m (2000: £579m), primarily due to lower fund management and brokerage fees. This was partially offset by commission income of £35m from the sale of Legal & General products.

Income from long-term assurance in 2001 increased by 11% to £127m (2000: £114m).

Operating costs in 2001 increased by 2% to £915m (2000: £895m). This increase includes the £31m relating to the regulated sales force and field sales managers following the Legal & General strategic alliance where costs were previously borne within the long-term assurance fund.

## Barclaycard

### Financial performance

	2002 £m	2001 £m	2000 £m
Net interest income	886	807	681
Net fees and commissions	696	579	518
Operating income	1,582	1,386	1,199
Operating costs	(552)	(489)	(454)
Provisions for bad and doubtful debts	(402)	(374)	(304)
Loss from joint ventures	-	(3)	(2)
Operating profit	628	520	439
Restructuring costs	(12)	(13)	(9)
Integration costs	(1)	(3)	(1)
Profit before tax and exceptional items	615	504	429

Barclaycard's operating profit increased 21% (£108m) to £628m (2001: £520m).

Operating income increased 14%. Excluding the impact of the acquisition of Providian UK, the increase was 10%.

Net interest income increased 10% (£79m) to £886m (2001: £807m). This was mainly due to good growth in average UK extended credit balances, up 9% to £6.5bn (2001: £6.0bn), and to continued cardholder rate management coupled with falling interest rates. Period end extended credit balances were 19%, or £1.1bn, higher (at £7.1bn) than at 31st December 2001, of which Providian UK contributed £434m. Recruitment of UK customers reached a record 1,218,000 (2001: 763,000) in the period, up 60%, driven by the continued application of Information Based Customer Management (IBCM) capabilities. Despite strong competition in the market throughout 2002, Barclaycard increased its market share of new cards issued.

Net fees and commissions increased 20% (£117m) to £696m (2001: £579m), principally as a result of replacing UK annual fees with fees based on account activity.

Operating costs increased 13% (£63m) to £552m (2001: £489m). Excluding Providian UK, costs grew 6%. The cost income ratio was maintained at 35% (2001: 35%).

Provisions, which increased 7% (£28m) to £402m (2001: £374m), rose in line with the growth in average extended credit balances and broadly tracked Risk Tendency. The provisions impact of strong customer recruitment was mitigated by a number of new risk management initiatives primarily focused on collections.

Barclaycard International businesses recorded an operating loss of £13m (2001: loss £20m). Operating profits were recorded for the last four months of 2002, delivering profitability ahead of schedule. Income increased 30% and average extended credit balances rose by 29%.

Operating profit in 2001 increased by 18% to £520m (2000: £439m).

Net interest income in 2001 increased by 19% to £807m (2000: £681m). This was mainly as a result of good growth in average UK extended credit balances which rose 9% to £6.0bn (2000: £5.5bn), and improved cardholder rate management coupled with lower interest rates.

Fees and commissions in 2001 increased by 12% to £579m (2000: £518m) principally reflecting the impact of replacing UK annual account fees with fees based on account behaviour.

Operating costs in 2001 increased 8% to £489m (2000: £454m). This was largely attributable to higher strategic investment costs arising from increased recruitment of customers outside the UK and investment in capacity to facilitate the growing number of online users.

Provisions in 2001 increased 23% to £374m (2000: £304m) and was mainly attributable to growth in lending across the UK and international businesses and the continuing high levels of recruitment during the last two years.

## Business Banking

### Financial performance

	2002 £m	2001 £m	2000 £m
Net interest income	1,620	1,553	1,488
Net fees and commissions	864	833	787
Other operating income	24	(4)	8
Operating income	2,508	2,382	2,283
Operating costs	(1,018)	(1,061)	(1,078)
Provisions for bad and doubtful debts	(226)	(210)	(120)
Loss from associated undertakings	(2)	(11)	(1)
Operating profit	1,262	1,100	1,084
Restructuring costs	(42)	(49)	(78)
Integration costs	(1)	(1)	–
Profit before tax and exceptional items	1,219	1,050	1,006

Business Banking operating profit increased 15% (£162m) to £1,262m (2001: £1,100m), reflecting improved income growth and tight cost management.

Net interest income increased 4% (£67m) to £1,620m (2001: £1,553m) partly as a result of increased volumes. Average lending balances increased 4% to £42.6bn and average deposit balances increased 3% to £43.9bn. Lending margins continued to ease modestly, but stabilised in the second half of the year. Deposit margins improved slightly, reflecting good growth in higher margin products combined with changes in the product mix.

Lending growth was concentrated towards large business customers. The strategy for the large business sector is to take advantage of profitable market opportunities and to increase industry focus and expertise within the relationship management teams. Lending volumes to medium business customers showed encouraging signs of growth in the second half of the year, while lending to the small business sector continued to be affected by weak economic conditions. The Sales Financing product range remained a high growth area with turnover volume up 57%. The overall lending portfolio remained well diversified by industrial classification.

Net fees and commissions increased 4% (£31m) to £864m (2001: £833m). Lending related fees increased strongly and included an increased contribution from leveraged finance. Money transmission income fell as a result of price competition and a reduction in average fee levels due to the migration to more efficient, lower cost, electronic payment mechanisms. Foreign exchange related income was flat despite a reduction in volumes.

Other operating income mainly represented income from a restructuring of the leasing portfolio.

Operating costs fell 4% (£43m) to £1,018m (2001: £1,061m), reflecting continued management focus on operational cost efficiency. Business as usual costs fell by 1% as a result of a reduction in headcount but also reflected the impact of the discontinuation of the BarclaysB2B customer proposition in the first half of 2002. The cost income ratio improved to 41% (2001: 45%).

Provisions increased 8% (£16m) to £226m (2001: £210m), broadly in line with expectations. Conditions in a number of industries were weaker, although the composition of the lending stock and flow by risk grade for end 2002 against end 2001 remained steady. Provisions remained below Risk Tendency.

Operating profit in 2001 increased by 1% to £1,100m (2000: £1,084m).

Net interest income in 2001 increased 4% to £1,553m (2000: £1,488m) reflecting increased lending and deposit balances partly offset by a slight reduction in the overall margin.

Net fees and commissions in 2001 increased 6% to £833m (2000: £787m). Lending related fees growth was driven by good activity levels in Large Business. Money transmission income fell with higher volumes offset by the impact of competitive pressures on fee levels. Foreign exchange related income increased strongly as a result of higher turnover.

Operating costs in 2001 fell 2% to £1,061m (2000: £1,078m).

Provisions in 2001 increased 75% to £210m (2000: £120m) this reflected weaker economic conditions especially in the manufacturing sector.



## Barclays Africa

### Financial performance

	2002 £m	2001 £m	2000 £m
Net interest income	160	176	179
Net fees and commissions	114	130	126
Other operating income	1	6	7
Operating income	275	312	312
Operating costs	(143)	(157)	(156)
Provision for bad and doubtful debts	(27)	(25)	(47)
Operating profit	105	130	109
Restructuring costs	(16)	(7)	(16)
Profit before tax and exceptional items	89	123	93

Operating profit decreased 19% (£25m) to £105m (2001: £130m). This decrease was mainly attributable to the situation in Zimbabwe, where there was a decline in operating profit of £14m. All businesses remained profitable in local currencies.

Net interest income fell 9% (£16m) to £160m (2001: £176m) primarily attributable to the effects of Zimbabwe. Excluding Zimbabwe, net interest income increased 2% (£3m) to £151m (2001: £148m) reflecting growth in customer balances, with lending up 29% to £1.5bn and deposits rising 25% to £2.5bn. Net interest margins fell due to the impact of lower interest rates, particularly affecting deposit margins.

Net fees and commissions decreased 12% (£16m) to £114m (2001: £130m), mainly due to Zimbabwe.

Operating costs declined 9% (£14m) to £143m (2001: £157m) largely as a result of the impact of Zimbabwe. The cost income ratio increased marginally to 52% (2001: 50%) with tight control of costs offsetting increased strategic investment spend.

Provisions increased by 8% (£2m) to £27m (2001: £25m).

Operating profit in 2001 increased by 19% to £130m (2000: £109m), primarily as a result of a £22m reduction in the net provisions charge to £25m.



## Barclays Capital

### Financial performance

	2002 £m	2001 £m	2000 £m
Net interest income	889	639	474
Dealing profits	827	1,006	680
Net fees and commissions	463	389	453
Other operating income	60	53	39
Operating income	2,239	2,087	1,646
Operating costs	(1,312)	(1,322)	(1,061)
Provisions for bad and doubtful debts	(334)	(103)	(66)
Operating profit	593	662	519
Restructuring costs	(12)	(7)	(2)
Profit before tax and exceptional items	581	655	517

Operating profit fell 10% to £593m (2001: £662m), due to increased provisions as the difficult economic conditions affected specific sectors. Operating income grew 7% to £2,239m (2001: £2,087m). This reflects the underlying strength of the Barclays Capital business model and continued progress in building the client franchise. Weighted risk assets grew 3% to £53bn (2001: £52bn). The average daily value at risk (DVaR) remained relatively low at £23m (2001: £19m).

Secondary income, comprising net interest income and dealing profits, primarily arises from market activities including client risk management and financing solutions. The increase to £1,716m (2001: £1,645m) reflected strong growth in net interest income to £889m (2001: £639m), in particular from money markets and structured capital markets. Dealing profits fell to £827m (2001: £1,006m). The fall resulted from poor conditions in the credit and equity markets partially offset by strong gains in fixed income and commodities.

Primary income, net fees and commissions, increased to £463m (2001: £389m). This growth was driven by the Credit business with strong performances from primary bonds and structured capital markets. This reflected both increasing market share and the depth and quality of client relationships. Net fees and commissions included £87m (2001: £61m) of internal fees for structured capital market activities arranged by Barclays Capital.

Operating costs fell 1% to £1,312m (2001: £1,322m). There was continued strategic investment in product, client coverage and distribution capabilities, offset by focused cost reduction in other areas. Revenue related costs fell in line with performance. Staff costs were maintained at 53% (2001: 53%) of operating income less provisions. Headcount remained flat at 5,500.

Provisions increased to £334m (2001: £103m). The increase reflected continued difficult economic conditions (particularly in the US), primarily in the telecommunications and energy sectors. In the second half, provisions largely arose from the further deterioration of existing non performing loans.

Operating profit in 2001 increased 28% to £662m (2000: £519m).

Secondary income in 2001 increased 43% to £1,645m (2000: £1,154m) reflecting strong growth in net interest income and dealing profits. Both the Rates and Credit businesses performed well.

Primary income in 2001 fell 14% to £389m (2000: £453m) mainly due to lower financing volumes in syndicated loans.

Operating costs in 2001 rose 25% to £1,322m (2000: £1,061m), largely due to variable revenue related costs increasing in line with performance.

Provisions in 2001 increased to £103m (2000: £66m). There was an increase in new and increased provisions in the US, primarily relating to a small number of large loans.

## Barclays Global Investors

### Financial performance

	2002 £m	2001 £m	2000 £m
Net interest income	12	5	6
Net fees and commissions	538	518	435
Other operating income	–		(1)
Operating income	550	523	440
Operating costs	(439)	(444)	(381)
Loss from associated undertakings	(1)	(1)	–
Operating profit before tax and exceptional items	110	78	59

Barclays Global Investors operating profit increased 41% (£32m) to £110m (2001: £78m) reflecting strong asset gathering, a greater proportion of higher margin active funds business, good investment performance across a range of products and ongoing cost management.

Fees and commissions increased by 4% (£20m) to £538m (2001: £518m) despite significantly lower stock market levels. Within an increasingly diverse set of business lines, this increase reflected the continued expansion in the advanced active business and growth of Global iShares (Exchange Traded Funds). These more than offset the impact of the decline in the stock market levels and lower securities lending fee spreads (which were the result of a more stable interest rate environment) and the impact of exchange rate translation movements.

New business from strong asset gathering coupled with a shift in asset mix towards higher margin active products drove growth in management fees. Performance fees benefited from strong advanced active product investment performance and new assets within incentive contracts. A change in the timing of the recognition of management fees has contributed £11m to the growth in fees. 58% of management fees are derived from active asset management.

Operating costs of £439m were down 1% relative to 2001. Increased performance related pay was offset by improved efficiency and the impact of exchange rate translation movements. The cost income ratio improved to 80% (2001: 85%).

Total assets under management decreased 13% (£68bn) to £462bn (2001: £530bn). This was the net result of an increase of £56bn attributable to new assets being more than offset by £52bn due to exchange rate translation movements and £72bn attributable to adverse market movements. Assets under management comprised £338bn (73%) of indexed assets, £41bn (9%) of managed cash assets and £83bn (18%) of active assets.

Growth in Global iShares (Exchange Traded Funds) continued to be strong. Global iShares assets grew to £22bn, up 47% (2001: £15bn). The launch of the first Fixed Income iShares in the US in the third quarter of the year demonstrated the ongoing commitment to market leading innovation.

Operating profit in 2001 increased 32% to £78m (2000: £59m) in a year of significantly lower stock market levels.

Fees and commissions in 2001 increased by 19% to £518m (2000: £435m). The increase was driven by a large increase in performance fees as a result of strong active product performance, increased securities lending revenues as a result of increases in stock lending volumes and spreads, and by higher transition fees due to increased business in client portfolio restructuring.

Operating costs in 2001 increased by 17% to £444m (2001: £381m) primarily reflecting higher performance related staff costs.

### Other operations

#### Financial performance

	2002 £m	2001 £m	2000 £m
Property costs	12	14	31
Central services	(17)	(10)	2
Management of Group capital	(37)	5	15
South American Corporate Banking	(127)	(18)	25
Operating (loss)/profit	(169)	(9)	73
Restructuring costs	(10)	(19)	6
(Loss)/profit before tax and exceptional items	(179)	(28)	79

The loss in South American Corporate Banking for the full year 2002 of £127m (2001: £18m) reflected provisions relating to various Latin American exposures primarily in Argentina.

The Management of Group capital includes the internal fees charged by Barclays Capital for structured capital markets activities. In 2002, these fees amounted to £87m (2001: £61m).

The reduced property surplus in 2001 reflects decreased disposal activity. The increased deficit in Central services reflects additional investment in core technology and operational infrastructure.

The decreased surplus in 2001 in Management of Group capital was attributable to reduced credits arising in centrally managed transition businesses partially offset by lower internal fees payable. The loss in South American Corporate Banking reflected the higher level of provisions relating to various Latin American exposures primarily in Argentina.

### Head office functions

#### Financial performance

	2002 £m	2001 £m	2000 £m
Operating costs	(109)	(75)	(53)
Restructuring costs	(12)	(5)	(11)
Total	(121)	(80)	(64)

The increase in operating costs of £34m primarily reflects increased expenditure relating to marketing and central systems costs.

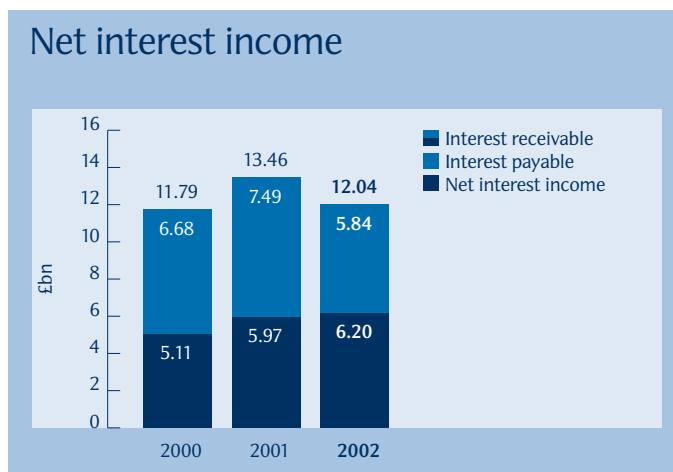
The increase in 2001 operating costs reflected expenditure on various group initiatives, the cost of which were held centrally.

## Results by nature of income and expense

In the tables below, statutory basis refers to the presentation of the Group's results in the statutory profit and loss account on page 136. In addition, income and cost totals are shown excluding, where appropriate, Woolwich fair value adjustments and costs associated with the integration of Woolwich plc, the restructuring charge relating to staff displacement and related costs and goodwill amortisation, to assist in the analysis of the ongoing business performance. Further details on these alternative presentations are provided on page 97.

Consideration of the results for 2001 and 2002 as compared to 2000 is materially impacted by the acquisition of Woolwich plc on 25th October 2000.

Comparative figures have been restated as a result of the changes in accounting policy and accounting presentation as set out on pages 133 to 134.



### Net interest income

	2002 £m	2001 £m	2000 £m
Interest receivable	12,044	13,458	11,788
Interest payable	(5,839)	(7,492)	(6,682)
Profit on redemption/ repurchase of loan capital	–	–	2
Statutory basis	6,205	5,966	5,108
Excluding Woolwich fair value adjustments	6,257	6,001	5,115

Group net interest income increased by 4% to £6,205m, reflecting growth in balances which more than offset a 16 basis point fall in the Group net interest margin to 2.75%.

Average interest earning assets increased by 10% to £225bn, primarily due to a £6bn increase in UK mortgage balances within Personal Financial Services and increases of £4bn in holdings of debt securities and £5bn of lending to banks in Barclays Capital.

Domestic average interest earning assets increased by 8% to £152bn (2001: £141bn), predominantly driven by the £6bn increase in mortgage balances in Personal Financial Services. International average interest earning assets increased by 15% to £73bn (2001: £64bn), primarily driven by an increase in Barclays Capital wholesale activities.

The reduction in the Group net interest margin reflected decreases in both the domestic and international margins.

The domestic margin has shown a decrease of 14 basis points reflecting active management of margins across the UK businesses in competitive market conditions, particularly in the mortgage market, and a low interest rate environment. The international margin has fallen by 11 basis points mainly as a result of managing down the higher yielding South American Corporate Banking business and an increase in non performing loans in the US.

The benefit of free funds fell 0.08% to 0.33% as a result of the reduction in interest rates.

The overall benefit of free funds on a hedged basis rose to 0.55% (2001: 0.53%) reflecting an increase in the effective rate of the hedge more than offsetting the fall in the liability interest rates.

Net interest income of £5,966m in 2001, including the impact of the inclusion of Woolwich for the whole year, was 17% higher than 2000 (£5,108m).

In 2001, overall banking margins were 17 basis points down on the level recorded in 2000 (3.08%). The adverse impact on the margin of the acquisition of Woolwich plc was mitigated in part by the benefit of a gain on closure of a surplus hedge following the acquisition of Woolwich plc. Increased margins in Barclaycard in part offset margin pressure in Personal Financial Services, Barclays Private Clients and Business Banking.

In 2001, the benefit of free funds fell 0.09% from its 2000 level of 0.50%. The fall in short term market rates increased the contribution to the net margin from the central management of Group interest rate exposure to 0.11% from 0.05%.

### Prevailing average interest rates

	2002 %	2001 %	2000 %
UK:			
Barclays Bank PLC base rate	4.00	5.12	5.96
London Inter-Bank Offered Rate (LIBOR):			
three month sterling	4.06	5.04	6.10
three month eurodollar	1.80	3.78	6.47
United States prime rate	4.68	6.92	9.24

### Average interest earning assets and liabilities – banking business

	2002 £m	2001 £m	2000 £m
Average interest earning assets:			
Group	225,178	205,017	166,200
Domestic	151,810	141,087	104,845
International	73,368	63,930	61,355
Average interest bearing liabilities:			
Group	199,708	184,105	147,949
Domestic	130,045	122,422	89,712
International	69,663	61,683	58,237

**Yields, spreads and margins – banking business (a)**

	2002 %	2001 %	2000 %
<b>Gross yield (b)</b>			
Group	5.35	6.56	7.09
Domestic	5.97	7.10	7.90
International	4.06	5.38	5.71
<b>Interest spread (c)</b>			
Group	2.42	2.50	2.58
Domestic	3.22	3.23	3.51
International	0.80	0.91	1.01
<b>Interest margin (d)</b>			
Group	2.75	2.91	3.08
Domestic	3.61	3.75	4.15
International	0.96	1.07	1.25

**Notes**

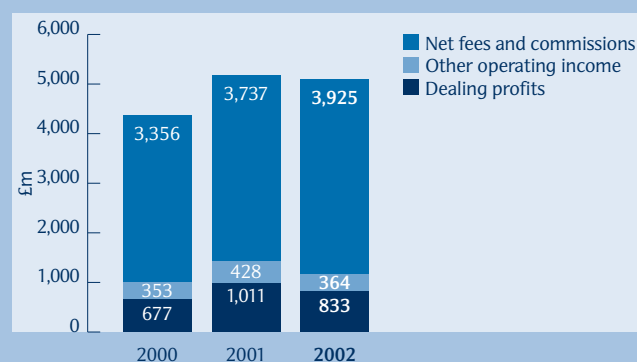
(a) Domestic business is conducted primarily in the UK in Sterling. International business is conducted primarily in foreign currencies. In addition to the business carried out by overseas branches and subsidiaries, international business is transacted in the United Kingdom by Barclays Capital.

The yields, spreads, and margins shown above exclude non-margin related items including profits and losses on the repurchase of loan capital and the unwinding of the discount on vacant leasehold property provisions.

- (b) Gross yield is the interest rate earned on average interest earning assets.
- (c) 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.
- (d) Interest margin is net interest income as a percentage of average interest earning assets.

The net interest income and average balances of the trading business are shown separately on the average balance sheet on pages 112 to 115.

**Non-interest income**



**Net fees and commissions**

	2002 £m	2001 £m	2000 £m
Fees and commissions receivable	4,454	4,202	3,676
Less: fees and commissions payable	(529)	(465)	(320)
<b>Statutory basis</b>	<b>3,925</b>	<b>3,737</b>	<b>3,356</b>

Group net fees and commissions increased by £188m (5%) to £3,925m, predominantly reflecting increases in Barclaycard and Barclays Capital.

In Barclaycard, the impact of replacing annual fees with fees based on account activity was the principal factor fuelling growth in net fees and commissions of 20% to £696m (2001: £579m).

Barclays Capital net fees and commissions increased 19% to £463m (2001: £389m). This growth was driven by the Credit business with strong performances from primary bonds and structured capital markets.

In Business Banking, net fees and commissions increased by 4% to £864m (2001: £833m).

Barclays Private Clients and Barclays Global Investors contributed increases totalling £47m. In Barclays Africa, there was a £16m reduction principally due to the situation in Zimbabwe. In Personal Financial Services, there was a reduction of £12m reflecting lower income from independent financial advice.

Personal Financial Services, Barclays Private Clients and Business Banking fees and commissions included £135m (2001: £129m) in respect of foreign exchange income on customer transactions with Barclays Capital.

Net fees and commissions in 2001, including the impact of the inclusion of Woolwich for the whole year, were 11% higher than in 2000 (£3,356m).

In addition to the inclusion of Woolwich plc there were strong performances in a number of areas in 2001. In Personal Financial Services net fees and commissions increased by 44% to £806m reflecting a good performance from IFA operations, fees from lending activities and higher fee income from fee-based Additions accounts. Barclaycard net fees and commissions increased by 12% to £579m, principally as a result of replacing UK annual account fees with fees based on account behaviour.

Barclays Global Investors net fees and commissions increased £83m to £518m largely driven by a large increase in performance fees.

In Barclays Capital net fees and commissions fell 14% to £389m (2000: £453m) mainly due to lower financing volumes in syndicated loans. In Barclays Private Clients net fees and commissions were £12m lower than in 2000 (£579m) primarily due to lower fund management and brokerage fees.



### Dealing Profits

	2002 £m	2001 £m	2001 £m
Rates related business	876	823	635
Credit related business	(43)	188	42
Statutory basis	833	1,011	677

Almost all the Group's dealing profits are generated in Barclays Capital.

Dealing profits fell to £833m (2001: £1,011m). The fall resulted from poor conditions in the credit and equity markets with losses in the credit related financing business and in equity related activities partially offset by strong gains in fixed income and commodities in the Rates business.

Total foreign exchange income was £496m (2001: £490m) and consisted of revenues earned from both retail and wholesale activities. The foreign exchange income earned on customer transactions by Personal Financial Services, Barclays Private Clients, Barclaycard, Business Banking, Barclays Africa and Barclays Global Investors, both externally and with Barclays Capital, is reported in those business units within fees and commissions.

Dealing profits in 2001 were 49% higher than in 2000 (£677m). The strong performance was underpinned by increased customer business, with client transaction volumes increasing by 77% and improved contributions from the US and Europe.



### Other operating Income

	2002 £m	2001 £m	2000 £m
Dividend income from equity shares	7	8	14
Profits on disposal of investment securities	58	37	45
Loss/income from the long-term assurance business	(51)	127	114
Property rentals	20	30	22
Premium income on insurance underwriting	178	158	126
Other income	152	68	32
Statutory basis	364	428	353

Other operating income decreased by £64m (15%) to £364m (2001: £428m).

Virtually all the Group's long-term assurance activity is based in the UK. This UK business, which closed to new business following the Legal & General alliance in 2001, was the main contributor to the reported loss of £51m for 2002 compared with an income contribution of £127m in 2001. The result mainly reflected the impact of movements in the stockmarkets. The FTSE 100 index declined 24% in 2002.

Income from the sale of Legal & General products following the alliance in 2001 is included in net fees and commissions.

The cost of redress for customers of Barclays Life and Woolwich Life who have claimed for the misselling of endowment policies was £19m for the year (2001: £3m).

Premium income on insurance underwriting rose by £20m to £178m as a result of increased payment protection income related to consumer lending activities.

Other income increased by £84m to £152m. An increase of £59m resulted from a revision of estimated amounts expected to be repaid on banking liabilities in the light of experience since the Woolwich acquisition in 2000 and to align Woolwich with Barclays practice. The increase also reflects income of £39m from a restructuring of the leasing portfolio.

Other operating income in 2001, including the impact of the inclusion of Woolwich plc for the whole year, was 21% higher than in 2000 (£353m).

In addition to the inclusion of Woolwich plc, the increase was primarily fuelled by a £32m increase in premium income on insurance underwriting reflecting increased volumes relating to consumer lending and credit card borrowings.

### Administrative expenses – staff costs

	2002 £m	2001 £m	2001 £m
Salaries and accrued incentive payments	3,159	3,149	2,655
Social security costs	240	243	178
Pension costs	(27)	(17)	(31)
Post-retirement health care	15	–	1
Other staff costs	368	339	416
Statutory basis	3,755	3,714	3,219
Included above:			
Restructuring charge	(124)	(114)	(171)
Woolwich integration costs	(2)	(24)	(1)
Woolwich fair value adjustments	1	2	–
Excluding Woolwich integration costs, Woolwich fair value adjustments and restructuring charges	3,630	3,578	3,047



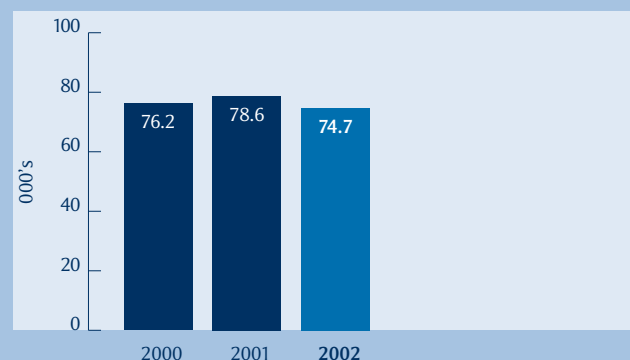
## Staff numbers (a)

	2002	2001	2000
Personal Financial Services (b)	29,600	32,100	30,600
Barclays Private Clients (c)	8,900	11,100	10,800
Barclaycard (d)	4,700	4,200	4,000
Business Banking	9,600	9,800	9,500
Barclays Africa (e)	7,500	8,000	8,000
Barclays Capital	5,500	5,500	4,900
Barclays Global Investors	2,100	2,100	2,100
Other operations (f)	6,300	5,400	5,900
Head office functions	500	400	400
<b>Total Group permanent and contract staff worldwide</b>	<b>74,700</b>	<b>78,600</b>	<b>76,200</b>
Temporary and agency staff worldwide	3,700	4,600	4,800
<b>Total including temporary and agency staff</b>	<b>78,400</b>	<b>83,200</b>	<b>81,000</b>

### Notes

- (a) Staff numbers are on a full time equivalent basis. United Kingdom permanent and contract staff are 59,000 (31st December 2001: 60,400).
- (b) Includes 800 regulated sales force (31st December 2001: 1,100) whose costs, following the strategic alliance with Legal & General in 2001, are included in administrative expenses – staff costs. During 2002, staff numbers in Personal Financial Services decreased by 600 as a result of restructuring. A further 700 staff relating to a mortgage call centre were outsourced to an associated undertaking while an additional 1,000 staff were transferred to shared service units reported within Other operations.
- (c) Excludes 200 administrative staff (31st December 2001: 500) whose costs are borne within the long-term assurance funds. Staff numbers at 31st December 2001 included 1,600 staff employed by the Barclays Caribbean business now part of FirstCaribbean, which is an associated undertaking and whose staff are not included in the table above. A further reduction of 500 resulted from restructuring.
- (d) Staff numbers at 31st December 2002 included 600 arising from the acquisition of the Providian UK credit card business.
- (e) During 2002, staff numbers in Africa decreased by 400 as a result of restructuring.
- (f) Staff numbers at 31st December 2002 included 1,000 transferred from Personal Financial Services.

## Staff numbers



### Staff costs

Staff costs, excluding the restructuring charge together with the integration costs and fair value adjustments arising from the acquisition of Woolwich plc, increased by 1% to £3,630m.

Salaries and accrued incentive payments were broadly flat. The impact of the annual UK pay award was offset by a reduction in Group staff numbers and in payments to temporary staff. In addition, staff costs included £55m (2001: £25m) relating to the regulated sales force following the formation of the strategic alliance with Legal & General from August 2001. Increased costs in Barclays Global Investors were in line with improved performance but were more than offset by a reduction in Barclays Capital.

Pension costs, calculated in accordance with SSAP 24, included a credit of £72m (2001: £72m) in respect of the Group's main UK pension schemes. Pension assets at the end of September 2002 were £9.5bn (2001: £10.7bn). Based on a valuation date of 30th September 2002, there was an actuarial funding ratio of 104% (2001: 110%).

Under FRS 17, there would have been a charge of £130m in respect of the Group's main UK pension scheme in 2002 and a deficit of £1.3bn. This compares with the surplus of £544m under SSAP 24 for 2002.

Permanent and contract staff numbers fell by 3,900 of which 1,600 were attributable to the treatment of the Caribbean business as an associated undertaking. The implementation of restructuring programmes resulted in a decrease of 2,600. This was primarily in Personal Financial Services, Barclays Private Clients and Barclays Africa, but it was spread across the businesses. A further 1,000 came from outsourcing, (of which 700 staff were outsourced to an associated undertaking), mainly of mortgage production administration. This was partly offset by an increase in Barclaycard of 500, mostly attributable to the acquisition of Providian UK and growth in other business areas of 800.

Staff costs in 2001, including the impact of the inclusion of Woolwich plc for the whole year except for costs of integration but excluding the restructuring charge, were £531m higher than in 2000 (£3,047m).

In addition to the inclusion of Woolwich, the increase in salaries and accrued incentive payments in 2001 largely reflects increased performance related payments and the cost of enhancing the product and distribution platform in Barclays Capital. Salaries and accrued incentive payments in 2001 include the cost of the Performance Incentive Plan (PIP) which was launched in that year. The PIP combines the previous bonus and profit sharing schemes into a single bonus scheme. In addition, staff costs in 2001 included £31m relating to the regulated sales force and field sales managers following the alliance with Legal & General from 1st August 2001.



#### Administrative expenses – other

	2002 £m	2001 £m	2000 £m
<b>Property and equipment expenses</b>			
Hire of equipment	12	16	20
Property rentals	180	183	157
Other property and equipment expenses	793	775	641
	<b>985</b>	<b>974</b>	<b>818</b>
<b>Other administrative expenses</b>			
Stationery, postage and telephones	294	318	261
Advertising and market promotion	238	212	221
Travel, accommodation and entertainment	136	143	123
Subscriptions and publications	86	83	65
Securities clearing and other operational expenses	29	36	26
Sundry losses, provisions and write-offs	121	141	115
Consultancy fees	85	133	158
Professional fees	161	137	106
Other expenses	177	126	74
Statutory basis	<b>2,312</b>	<b>2,303</b>	<b>1,967</b>
Included above:			
Restructuring charge	(63)	(57)	(61)
Woolwich Integration costs	(78)	(65)	(6)
Excluding Woolwich integration costs and restructuring charges	<b>2,171</b>	<b>2,181</b>	<b>1,900</b>

Administrative expenses – other were broadly flat. Property and equipment expenses were £11m higher, reflecting higher external information technology costs.

Other administrative expenses reduced by £2m. Increased advertising and market promotion expenditure, including costs relating to the launch of Barclaycard Direct, Openplan from Barclays and other campaigns, was offset by reductions in other areas.

In 2001, Administrative expenses-other, including the impact of Woolwich plc for the whole year, were £336m higher than in 2000 (£1,967m). In addition to the inclusion of Woolwich the increase was mainly attributable to higher levels of business and increased strategic investment.

#### Depreciation and amortisation

	2002 £m	2001 £m	2000 £m
Property depreciation	93	105	85
Equipment depreciation	198	194	166
Loss on sale of equipment	12	9	4
	<b>303</b>	<b>308</b>	<b>255</b>
Goodwill amortisation			
– Woolwich plc	206	206	38
– other	48	23	13
Statutory basis	<b>557</b>	<b>537</b>	<b>306</b>
Included above:			
Goodwill amortisation	(254)	(229)	(51)
Woolwich fair value adjustments	–	–	1
Excluding goodwill amortisation and Woolwich fair value adjustments	<b>303</b>	<b>308</b>	<b>256</b>

The increase in other goodwill amortisation results from the acquisition of the Providian UK credit card business and an increase in the goodwill charge for the Group's Brazilian subsidiary, Banco Barclays SA.

The acquisition of Woolwich plc resulted in goodwill of £4,121m with an estimated life of 20 years. This results in an annual charge of £206m against the £38m charged in the year of acquisition.

Other goodwill amortisation in 2001 was £10m higher than in 2000 (£13m). This arose in relation to the Group's Brazilian operation, Banco Barclays e Galicia SA, which was accounted for as a subsidiary from 1st January 2001.

#### Provisions for bad and doubtful debts

	2002 £m	2001 £m	2000 £m
Specific charge	1,486	1,165	777
General (release)/charge	(2)	(16)	40
Statutory basis	<b>1,484</b>	<b>1,149</b>	<b>817</b>

The net provisions charge for bad and doubtful debts increased by £335m to £1,484m.

The greater part of this increase occurred in the Barclays Capital (£231m) and in the South American Corporate Banking (£96m) portfolios. The increase in provisions at Barclays Capital reflected difficult economic conditions, mainly in the telecommunications and energy sectors, particularly in the US. The deterioration in the second half of 2002 was largely in existing non performing loans. The increase in provisions in South American Corporate Banking mainly related to Argentina.

Business Banking sustained an 8% increase in its bad debt provision charge, broadly in line with expectations. The charge for Barclaycard was £402m, 7% higher reflecting the acquisition of Providian UK and the growth in average extended credit balances of 9%. Within Personal Financial Services, the provision charge fell by 13%, reflecting in part improvements in risk management.

In 2001, the net provisions charge, including the impact of Woolwich for the whole year, was £332m higher than in 2000 (£817m). New and increased provisions were 47% higher at £1,440m while releases and recoveries of £275m were £71m higher. During 2001 there was a £40m reclassification from general provision to specific provision in Personal Financial Services based on the introduction of a statistical methodology enabling earlier recognition of specific impairment. This is reflected as a new and increased specific provision and a release of general provision.

#### Loss from joint ventures and associated undertakings

	2002 £m	2001 £m	2000 £m
Loss from joint ventures	(5)	(1)	(1)
Loss from associated undertakings	(5)	(8)	(7)
Statutory basis	(10)	(9)	(8)

In 2002 the loss from joint ventures relates primarily to an entity within Personal Financial Services.

The loss from associated undertakings includes a loss of £9m relating to FirstCaribbean (see page 156) which was due to integration and restructuring costs following the creation of the new enlarged business. It also includes £1m relating to the amortisation of the goodwill arising on completion of the Caribbean transaction.

The loss from associated undertakings in 2001 is attributable to start up costs of new ventures in Business Banking. The loss from associated undertakings in 2000 largely arose from the Group's then associated undertaking Banco Barclays e Galicia SA.

#### (Loss)/profit on disposal/termination of Group undertakings

	2002 £m	2001 £m	2000 £m
Profit on disposal of other Group undertakings	8	(4)	214
Loss on termination of Group activities	(11)	–	–
Statutory basis	(3)	(4)	214

The profit on disposal of Group undertakings in 2002 relates primarily to a £7m release of provisions in connection with a transaction in previous years which are no longer required. The gross gain on the sale of the US based Americas private banking business was broadly offset by goodwill written off.

The net loss on disposal of Group undertakings in 2001 represented losses of £19m offset by gains of £15m. The net loss included goodwill written off of £1m.

In 2000, the profit on disposal of Group undertakings includes a £186m profit on the sale of Dial and £18m profit on the sale of Barclays Property Investment Management in October 2000.

#### Tax

The overall tax charge is explained in the following table:

	2002 £m	2001 £m	2000 £m
Tax charge at average UK corporation tax rate of 30% (2001: 30%, 2000: 30%)	961	1,027	1,017
Prior year adjustments	(25)	34	9
Effect of change in non-allowable general provisions	(2)	(11)	24
Effect of non-allowable property write-downs and depreciation	12	17	6
Net effect of differing tax rates overseas	(70)	(65)	(43)
Net effect of overseas losses not available for relief in the UK	(40)	(17)	(5)
Other non-allowable expenses	8	(21)	16
Gains covered by capital losses brought forward	(3)	(49)	(53)
Goodwill	69	67	11
Other items	45	(39)	(81)
<b>Overall tax charge</b>	<b>955</b>	<b>943</b>	<b>901</b>
<b>Effective tax rate %</b>	<b>29.8</b>	<b>27.5</b>	<b>26.6</b>

The charge for the year assumes a UK corporation tax rate of 30% for the year 2002 (2001: 30%). The effective rate of tax is 29.8% (2001: 27.5%). The increase in the rate from last year is primarily due to the absence of tax-free disposals, coupled with a reduction in the payments made to the qualifying employee trust reflecting the reduced share price and a reduction in the benefit generated by the utilisation of overseas losses.

Included in the charge is a credit of £38m (2001: £11m charge) tax on the decrease in shareholders' interest in the long-term assurance funds.

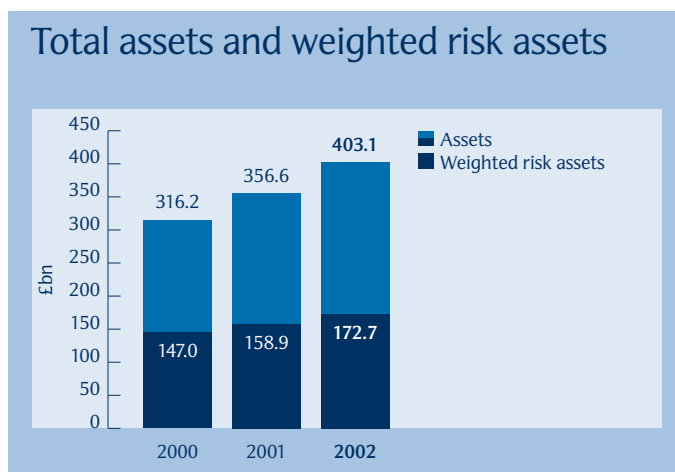
#### Restructuring charge

The total restructuring charge is £187m, with the main elements relating to Business Banking (£42m), Barclays Private Clients (£44m), Personal Financial Services (£39m), Barclays Africa (£16m) and Barclaycard (£12m).

Accrued provisions at 31st December 2002 for restructuring and closure costs amounted to £117m (31st December 2001: £130m). Expenditure of £85m was incurred during the year against provisions raised as at 31st December 2001 and £122m in respect of the 2002 programme.

In 2001 the Group incurred a restructuring charge of £171m (2000: £232m).

## Total assets and liabilities



The Group's balance sheet grew by 13% (£46bn) to £403bn. Weighted risk assets rose by 9% to £173bn.

Within Personal Financial Services, total assets grew by 12% to £72bn. Weighted risk assets increased by 14% to £41bn primarily as a result of strong growth in UK mortgage balances, up 13% to £58.7bn (31st December 2001: £51.9bn), and good growth in other secured and unsecured lending.

Barclays Private Clients total assets of £14bn were at a similar level to 2001, with the increase in assets resulting from the growth of Openplan in Spain being offset by the effect of the Caribbean transaction. Weighted risk assets increased by £2.5bn reflecting the growth in Openplan assets and the inclusion of 100% of the weighted risk assets of the Caribbean associate, FirstCaribbean International Bank (see Capital Ratios on pages 116 and 117).

Within Barclaycard, total assets increased by £1.3bn in the year to £10.7bn. Weighted risk assets increased by 12% to £10.6bn. The increase reflected higher extended credit balances and the inclusion of the Providian UK business.

Within Business Banking, total assets grew by 7% to £47bn. Weighted risk assets increased by 9% during the same period. Growth was predominantly in lending to larger business customers.

Barclays Capital total assets increased by 17% (£35bn) to £236bn during 2002 due to increases in reverse repo balances and government securities. Reverse repo balances, which are fully collateralised, increased £22bn, driven by growth in money markets and prime brokerage. There were also increases in government debt securities within the fixed income business of £9bn. Total weighted risk assets increased by only 3% to £53bn (2001: £52bn), reflecting the higher quality and therefore lower risk weightings associated with reverse repos and government backed securities.

### Repo transactions

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

The following amounts were included in the balance sheet for repos and reverse repos and are reported on a net basis where permitted:

	2002 £m	2001 £m	2000 £m
<b>Reverse repos (assets)</b>			
Loans and advances to banks	41,001	32,042	25,595
Loans and advances to customers	42,505	29,731	20,758
	<b>83,506</b>	<b>61,773</b>	<b>46,353</b>
<b>Repos (liabilities)</b>			
Deposits by banks	37,857	25,048	16,275
Customer accounts	24,580	16,204	17,053
	<b>62,437</b>	<b>41,252</b>	<b>33,328</b>

The average and maximum amount of reverse repos for 2002 were £76,215m and £103,895m (2001: £95,849m and £119,942m, 2000: £48,952m and £60,356m) respectively. The average and maximum amount of repos for 2002 were £61,416 and £92,219m (2001: £88,311 and £116,458m, 2000: £40,462m and £52,163).

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

	2002			2001			2000		
	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %
<b>Assets</b>									
Treasury bills and other eligible bills:									
in offices in the UK	4,496	158	3.5	3,952	189	4.8	4,491	146	3.3
in offices outside the UK	960	66	6.9	1,114	89	8.0	844	88	10.4
Loans and advances to banks:									
in offices in the UK	12,560	561	4.5	7,615	346	4.5	6,579	355	5.4
in offices outside the UK	5,535	161	2.9	5,827	265	4.5	6,361	397	6.2
Loans and advances to customers:									
in offices in the UK	126,306	7,712	6.1	116,279	8,406	7.2	83,651	6,810	8.1
in offices outside the UK	25,896	1,132	4.4	23,573	1,498	6.4	20,693	1,298	6.3
Lease receivables:									
in offices in the UK	4,245	209	4.9	4,384	245	5.6	4,683	316	6.7
in offices outside the UK	222	15	6.8	226	18	8.0	366	39	10.6
Debt securities:									
in offices in the UK	40,115	1,790	4.5	36,858	2,069	5.6	26,973	1,630	6.0
in offices outside the UK	4,843	240	5.0	5,189	333	6.4	11,559	709	6.1
Average assets of banking business	225,178	12,044	5.3	205,017	13,458	6.6	166,200	11,788	7.1
Average assets of trading business	160,647	4,372	2.7	132,904	5,437	4.1	98,156	4,808	4.9
Total average interest earning assets	385,825	16,416	4.2	337,921	18,895	5.6	264,356	16,596	6.3
Provisions	(2,808)			(2,513)			(2,115)		
Non-interest earning assets	46,753			48,796			43,148		
Total average assets and interest income	429,770	16,416	3.8	384,204	18,895	4.9	305,389	16,596	5.4
Percentage of total average assets in offices outside the UK	27.2%			27.5%			31.4%		
Average interest earning assets and net interest income:									
Banking business	225,178	6,188	2.7	205,017	5,970	2.9	166,200	5,114	3.1
Trading business	160,647	75	0.0	132,904	(387)	(0.3)	98,156	(216)	(0.2)
Non margin interest		17	–		(4)	–		(6)	–
Total average interest earning assets and net interest income	385,825	6,280	1.6	337,921	5,579	1.7	264,356	4,892	1.9
Total average interest earning assets related to:									
Interest income		16,416	4.2		18,895	5.6		16,596	6.3
Interest expense		(10,153)	(2.6)		(13,312)	(3.9)		(11,698)	(4.4)
Adjustment for non margin interest		17	–		(4)	–		(6)	–
		6,280	1.6		5,579	1.7		4,892	1.9



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

	2002			2001			2000		
	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %	Average balance £m	Interest £m	Average rate %
<b>Liabilities and shareholders' funds</b>									
Deposits by banks:									
in offices in the UK	31,880	987	3.1	27,547	1,144	4.2	21,465	932	4.3
in offices outside the UK	8,908	200	2.2	10,548	366	3.5	13,736	545	4.0
Customer accounts – demand deposits:									
in offices in the UK	16,260	164	1.0	14,646	209	1.4	13,302	220	1.7
in offices outside the UK	1,846	27	1.5	1,734	37	2.1	1,707	50	2.9
Customer accounts – savings deposits:									
in offices in the UK	41,722	982	2.4	37,341	1,153	3.1	27,349	1,005	3.7
in offices outside the UK	1,262	32	2.5	1,297	50	3.9	1,312	62	4.7
Customer accounts – other time deposits – retail:									
in offices in the UK	40,075	1,303	3.3	38,521	1,906	4.9	28,639	1,634	5.7
in offices outside the UK	5,479	139	2.5	5,611	251	4.5	5,785	316	5.5
Customer accounts – other time deposits – wholesale:									
in offices in the UK	35,607	1,175	3.3	31,474	1,316	4.2	22,596	1,165	5.2
in offices outside the UK	7,959	231	2.9	7,240	340	4.7	10,005	553	5.5
Debt securities in issue:									
in offices in the UK	28,596	1,061	3.7	30,378	1,546	5.1	19,904	1,057	5.3
in offices outside the UK	11,728	339	2.9	11,083	522	4.7	7,279	457	6.3
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	11,012	645	5.9	9,165	601	6.6	5,225	382	7.3
Internal funding of trading business	(42,626)	(1,429)	(3.4)	(42,480)	(1,953)	(4.6)	(30,355)	(1,704)	(5.6)
Average liabilities of banking business	199,708	5,856	2.9	184,105	7,488	4.1	147,949	6,674	4.5
Average liabilities of trading business	162,858	4,297	2.6	134,609	5,824	4.3	98,297	5,024	5.1
Total average interest bearing liabilities	362,566	10,153	2.8	318,714	13,312	4.2	246,246	11,698	4.8
Interest free customer deposits:									
in offices in the UK	11,614			10,282			9,468		
in offices outside the UK	2,132			2,151			1,858		
Other non-interest bearing liabilities	38,172			38,828			37,673		
Minority and other interests and shareholders' funds	15,286			14,229			10,144		
Total average liabilities, shareholders' funds and interest expense	429,770	10,153	2.4	384,204	13,312	3.5	305,389	11,698	3.8
Percentage of total average non-capital liabilities in offices outside the UK	25.5%			26.4%			30.4%		

Notes

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

(b) Average balances are based upon daily averages for most UK banking operations and monthly averages elsewhere.

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

 **Changes in net interest income – volume and rate analysis**

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

	2002/2001 Change due to increase/(decrease) in:			2001/2000 Change due to increase/(decrease) in:		
	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
<b>Interest receivable</b>						
Treasury bills and other eligible bills:						
in offices in the UK	(31)	24	(55)	43	(19)	62
in offices outside the UK	(23)	(11)	(12)	1	24	(23)
	(54)	13	(67)	44	5	39
Loans and advances to banks:						
in offices in the UK	215	221	(6)	(9)	52	(61)
in offices outside the UK	(104)	(13)	(91)	(132)	(31)	(101)
	111	208	(97)	(141)	21	(162)
Loans and advances to customers:						
in offices in the UK	(694)	685	(1,379)	1,596	2,425	(829)
in offices outside the UK	(366)	137	(503)	200	183	17
	(1,060)	822	(1,882)	1,796	2,608	(812)
Lease receivables:						
in offices in the UK	(36)	(8)	(28)	(71)	(19)	(52)
in offices outside the UK	(3)	–	(3)	(21)	(13)	(8)
	(39)	(8)	(31)	(92)	(32)	(60)
Debt securities:						
in offices in the UK	(279)	172	(451)	439	562	(123)
in offices outside the UK	(93)	(21)	(72)	(376)	(407)	31
	(372)	151	(523)	63	155	(92)
Total banking business interest receivable:						
in offices in the UK	(825)	1,094	(1,919)	1,998	3,001	(1,003)
in offices outside the UK	(589)	92	(681)	(328)	(244)	(84)
	(1,414)	1,186	(2,600)	1,670	2,757	(1,087)
Total trading business interest receivable	(1,065)	989	(2,054)	629	1,512	(883)
Total interest receivable	(2,479)	2,175	(4,654)	2,299	4,269	(1,970)



Changes in net interest income – volume and rate analysis

	2002/2001 Change due to increase/(decrease) in:			2001/2000 Change due to increase/(decrease) in:		
	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
<b>Interest payable</b>						
Deposits by banks:						
in offices in the UK	(157)	162	(319)	212	254	(42)
in offices outside the UK	(166)	(51)	(115)	(179)	(116)	(63)
	(323)	111	(434)	33	138	(105)
Customer accounts – demand deposits:						
in offices in the UK	(45)	21	(66)	(11)	21	(32)
in offices outside the UK	(10)	2	(12)	(13)	1	(14)
	(55)	23	(78)	(24)	22	(46)
Customer accounts – savings deposits:						
in offices in the UK	(171)	125	(296)	148	326	(178)
in offices outside the UK	(18)	(1)	(17)	(12)	(1)	(11)
	(189)	124	(313)	136	325	(189)
Customer accounts – other time deposits – retail:						
in offices in the UK	(603)	74	(677)	272	510	(238)
in offices outside the UK	(112)	(6)	(106)	(65)	(9)	(56)
	(715)	68	(783)	207	501	(294)
Customer accounts – other time deposits – wholesale:						
in offices in the UK	(141)	159	(300)	151	400	(249)
in offices outside the UK	(109)	31	(140)	(213)	(138)	(75)
	(250)	190	(440)	(62)	262	(324)
Debt securities in issue:						
in offices in the UK	(485)	(86)	(399)	489	535	(46)
in offices outside the UK	(183)	29	(212)	65	198	(133)
	(668)	(57)	(611)	554	733	(179)
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	44	113	(69)	219	261	(42)
Internal funding of trading businesses	524	(7)	531	(249)	(596)	347
Total banking business interest payable:						
in offices in the UK	(1,034)	561	(1,595)	1,231	1,711	(480)
in offices outside the UK	(598)	4	(602)	(417)	(65)	(352)
	(1,632)	565	(2,197)	814	1,646	(832)
Total trading business interest payable	(1,527)	1,055	(2,582)	800	1,655	(855)
Total interest payable	(3,159)	1,620	(4,779)	1,614	3,301	(1,687)
<b>Movement in net interest income</b>						
(Decrease)/increase in interest receivable	(2,479)	2,175	(4,654)	2,299	4,269	(1,970)
Decrease/(increase) in interest payable	3,159	(1,620)	4,779	(1,614)	(3,301)	1,687
	680	555	125	685	968	(283)
Movement in non margin interest	21			2		
	701			687		

## Capital resources

The Group continues to manage actively both its debt and equity capital. Total capital resources increased in the year by £2,292m.

	2002 £m	2001 £m	2000 £m
<b>Barclays PLC Group</b>			
Shareholders' funds	15,205	14,485	13,183
Minority & other interests	156	134	250
	<b>15,361</b>	<b>14,619</b>	<b>13,433</b>
Undated loan capital	6,678	5,054	4,022
Dated loan capital	4,859	4,933	3,698
<b>Total capital resources</b>	<b>26,898</b>	<b>24,606</b>	<b>21,153</b>

	2002 £m	2001 £m	2000 £m
<b>Barclays Bank PLC Group</b>			
Shareholders' funds	15,205	14,485	13,325
Minority interests	156	134	108
	<b>15,361</b>	<b>14,619</b>	<b>13,433</b>
Undated loan capital	6,678	5,054	4,022
Dated loan capital	4,859	4,933	3,698
<b>Total capital resources</b>	<b>26,898</b>	<b>24,606</b>	<b>21,153</b>

The Group manages both its debt and equity capital actively. The Group's authority to buy back equity was renewed at the 2002 AGM to provide additional flexibility in the management of the Group's capital resources.

Total capital resources increased in the period by £2,292m.

Equity shareholders' funds increased by £720m primarily reflecting profit retentions of £1,024m, net proceeds of share issues of £87m and the gain on the disposal of the Group's Caribbean business of £206m (see page 186) offset by share repurchases of £546m and exchange rate movements of £61m.

Loan capital rose by £1,550m, reflecting raisings of £2,173m. This was offset by redemptions of £376m, amortisation of issue expenses of £1m and exchange rate movements of £246m.

## Capital ratios

Capital adequacy and the use of regulatory capital are monitored by the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and European Community Directives, as implemented by the Financial Services Authority (FSA) for supervisory purposes.

These techniques include the risk asset ratio calculation, which the FSA regards as a key supervisory tool. The FSA sets ratio requirements for individual banks in the UK at or above the internationally agreed minimum of 8%. The ratio calculation involves the application of designated risk weightings to reflect an estimate of credit, market and other risks associated with broad categories of transactions and counterparties. Regulatory guidelines define three 'tiers' of capital resources. Tier 1 capital, comprising mainly shareholders' funds and including Reserve Capital Instruments and Tier One Notes, is the highest tier and can be used to meet trading and banking activity requirements. Tier 2 includes perpetual, medium-term and long-term subordinated debt, general provisions for bad and doubtful debts and fixed asset revaluation reserves. Tier 2 capital can be used to support both trading and banking activities. Tier 3 capital comprises short-term subordinated debt with a minimum original maturity of two years. The use of tier 3 capital is restricted to trading activities only and it is not eligible to support counterparty or settlement risk. The aggregate of tiers 2 and 3 capital included in the risk asset ratio calculation may not exceed tier 1 capital.

## Capital adequacy data

	2002 £m	2001 £m
<b>Weighted risk assets</b>		
Banking book		
on-balance sheet	128,691	120,113
off-balance sheet	21,999	20,368
Associated undertakings and joint ventures	3,065	499
<b>Total banking book</b>	<b>153,755</b>	<b>140,980</b>
Trading book		
market risks	7,988	7,801
counterparty and settlement risks	11,005	10,092
<b>Total trading book</b>	<b>18,993</b>	<b>17,893</b>
<b>Total weighted risk assets</b>	<b>172,748</b>	<b>158,873</b>

The following table analyses capital resources at 31st December 2002, as defined for regulatory purposes:



	2002		2001	
	Barclays PLC Group £m	Barclays Bank PLC Group £m	Barclays PLC Group £m	Barclays Bank PLC Group £m
<b>Capital resources</b>				
Tier 1				
Called up share capital	1,641	2,293	1,668	2,286
Eligible reserves	13,409	12,757	12,775	12,157
Minority interests – equity	522	522	203	203
Reserve Capital Instruments (a)	1,771	1,771	1,867	1,867
Tier One Notes (a)	1,019	1,019	–	–
Less: goodwill	(4,158)	(4,158)	(4,108)	(4,108)
<b>Total qualifying tier 1 capital</b>	<b>14,204</b>	<b>14,204</b>	<b>12,405</b>	<b>12,405</b>
		2002 £m		2001 £m
Tier 2				
Revaluation reserves		25		31
General provisions		737		745
Qualifying subordinated liabilities (b)				
Undated loan capital		3,854		3,147
Dated loan capital		4,573		4,466
Other (c)		2		8
<b>Total qualifying tier 2 capital</b>		<b>9,191</b>		<b>8,397</b>
Tier 3: short-term subordinated liabilities (b)		203		392
Less: Supervisory deductions				
Investments not consolidated for supervisory purposes (d)		(1,288)		(1,233)
Other deductions		(119)		(62)
<b>Total deductions</b>		<b>(1,407)</b>		<b>(1,295)</b>
<b>Total net capital resources</b>		<b>22,191</b>		<b>19,899</b>

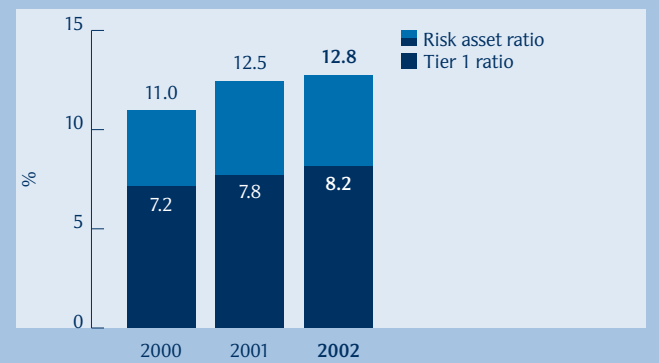


	2002		2001	
	Barclays PLC Group %	Barclays Bank PLC Group %	Barclays PLC Group %	Barclays Bank PLC Group %
<b>Capital ratios</b>				
Tier 1 ratio	8.2	8.2	7.8	7.8
Risk asset ratio	12.8	12.8	12.5	12.5

#### Notes

- (a) Reserve Capital Instruments and Tier One Notes are included in undated loan capital in the consolidated balance sheet.
- (b) Subordinated liabilities are included in tiers 2 or 3, subject to limits laid down in the supervisory requirements. Barclays retains significant capacity to raise additional capital within these limits.
- (c) Comprises reserve capital instruments £nil (2001: £5m) and revaluation reserves attributable to minorities £2m (2001: £3m).
- (d) Includes £867m (2001: £884m) of shareholders' interest in the life-fund.

## Capital ratios



Capital ratios have increased as a result of a £2.3bn (11%) growth in net capital resources which more than offset the impact of a £13.9bn (9%) growth in weighted risk assets. The net impact on the risk asset ratio was an increase of 0.3% to 12.8% and on the tier 1 ratio an increase of 0.4% to 8.2%.

Within tier 1 capital, equity shareholders' funds increased by £0.6bn (see 'Capital resources' above) and the issues of Tier One Notes (TONs) added a further £1bn. In addition, equity minority interests increased by £0.3bn, mainly reflecting the inclusion of capital attributable to other shareholdings in FirstCaribbean which is fully consolidated for supervisory purposes. These gains are partly offset by exchange losses on reserve capital instruments and additional goodwill in FirstCaribbean.

Loan capital increased by £0.6bn (see 'Capital resources' above). Within this, capital eligible for inclusion in tier 2 increased by £0.8bn, and £0.2bn of tier 3 capital was repaid.

The increase in supervisory deductions relates mainly to equity in other banks that is held by FirstCaribbean.

## Deposits

Average: year ended 31st December

	2002 £m	2001 £m	2000 £m
<b>Deposits by banks</b>			
Offices in the UK	31,880	27,547	21,465
Offices outside the UK:			
Other European Union	1,889	3,313	3,996
United States	2,201	2,667	4,618
Rest of the World	4,818	4,568	5,122
	<b>40,788</b>	<b>38,095</b>	<b>35,201</b>
<b>Customer accounts</b>			
Offices in the UK	145,278	132,264	101,354
Offices outside the UK:			
Other European Union	5,423	5,231	5,050
United States	3,976	3,550	5,201
Rest of the World	9,279	9,252	10,416
	<b>163,956</b>	<b>150,297</b>	<b>122,021</b>

Average deposits (excluding trading balances) are analysed by type in the average balance sheet on page 113 and are based on the location of the office in which the deposits are recorded.

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

'Savings deposits' in offices in the UK are also obtained through, and administered by, the UK 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 UK are interest bearing and also are not drawn against by cheque or similar instrument. They are generally distinguished from savings deposits by having fixed maturity requirements and from wholesale deposits by being collected, in the main, through the UK branch network.

'Other time deposits – wholesale' in offices in the UK 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 UK are broadly similar to those described above, they are tailored to meet the specific requirements of local markets.

A further analysis of Deposits by banks and customers is given in note 27 and note 28 to the accounts on pages 159 and 160.

## Short-term borrowings

Short-term borrowings include Deposits by banks as reported in 'Deposits', Commercial paper and negotiable certificates of Deposit.

### Deposits by banks (excluding trading business)

Deposits by banks are taken from a wide range of counterparties and generally have maturities of less than one year.

	2002 £m	2001 £m	2000 £m
Year-end balance	48,751	45,837	32,445
Average balance	40,788	38,095	35,201
Maximum balance	56,414	53,621	45,923
Average interest rate during year	2.9%	4.0%	4.2%
Year-end interest rate	2.6%	3.3%	4.5%

### Commercial paper

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

	2002 £m	2001 £m	2000 £m
Year-end balance	5,192	3,268	2,209
Average balance	4,818	2,669	2,001
Maximum balance	5,234	4,419	3,668
Average interest rate during year	2.0%	3.0%	6.6%
Year-end interest rate	1.6%	2.0%	6.4%

### Negotiable certificates of deposit

Negotiable certificates of deposits are issued mainly in the UK and US, generally in denominations of not less than \$100,000.

	2002 £m	2001 £m	2000 £m
Year-end balance	30,045	28,258	22,413
Average balance	27,111	30,209	20,918
Maximum balance	36,780	37,686	29,125
Average interest rate during year	3.3%	4.7%	5.2%
Year-end interest rate	2.8%	3.0%	6.3%

## Securities



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

	2002		2001		2000	
	Book value £m	Valuation £m	Book value £m	Valuation £m	Book value £m	Valuation £m
<b>Investment securities</b>						
Debt securities:						
UK government	1,465	1,496	1,500	1,499	1,496	1,571
Other government	18,963	19,564	15,152	15,330	12,117	12,378
Other public bodies	3,699	3,710	1,144	1,150	1,194	1,193
Other issuers	16,141	16,207	13,248	13,265	14,913	14,929
Equity shares	505	509	194	215	244	295
	<b>40,773</b>	<b>41,486</b>	<b>31,238</b>	<b>31,459</b>	<b>29,964</b>	<b>30,366</b>
<b>Other securities</b>						
Debt securities:						
UK government	1,025	1,025	1,284	1,284	845	845
Other government	25,385	25,385	15,659	15,659	15,555	15,555
Other public bodies	2,438	2,438	1,091	1,091	1,280	1,280
Bank and building society certificates of deposit	12,027	12,027	15,376	15,376	13,837	13,837
Other issuers	13,086	13,086	14,470	14,470	9,533	9,533
Equity shares	2,628	2,628	2,924	2,924	3,818	3,818
	<b>97,362</b>	<b>98,075</b>	<b>82,042</b>	<b>82,263</b>	<b>74,832</b>	<b>75,234</b>

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 which are valued at market value.

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

A further analysis of the book value and valuation of securities is given in notes 18 and 19 to the accounts.

In addition to UK government securities shown above, at 31st December 2002 and 2001 the Group held the following government securities which exceeded 10% of shareholders' funds:



	2002		2001	
	Book value £m	Valuation £m	Book value £m	Valuation £m
US government securities	12,728	12,811	4,849	4,846
Italian government securities	7,944	8,090	6,068	6,122
Japanese government securities	7,060	7,080	6,012	6,014
German government securities	3,026	3,048	5,880	5,889
Spanish government securities	2,890	2,988	630	645



### Maturities and weighted average yield of investment debt securities

	Maturing within one year:		Maturing after one but within five years:		Maturing after five but within ten years:		Maturing after ten years:		Total Amount £m	Total Yield %
	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %		
Government	4,753	4.3	7,541	5.0	6,676	3.2	1,458	5.0	20,428	4.3
Other public bodies	24	4.2	3,625	1.5	50	2.0	—	—	3,699	1.6
Other issuers	4,581	3.6	10,433	3.7	1,003	3.7	124	7.3	16,141	3.8
<b>Total book value</b>	<b>9,358</b>	<b>4.0</b>	<b>21,599</b>	<b>3.8</b>	<b>7,729</b>	<b>3.3</b>	<b>1,582</b>	<b>5.2</b>	<b>40,268</b>	<b>4.2</b>
<b>Total valuation</b>	<b>9,434</b>		<b>21,893</b>		<b>8,026</b>		<b>1,624</b>		<b>40,977</b>	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2002 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.

## Critical accounting estimates

UK accounting standards require that the Group adopt the accounting policies and estimation techniques that the Directors believe are most appropriate in the circumstances for the purpose of giving a true and fair view of the Group's state of affairs, profit and cashflows. However, different policies, estimation techniques and assumptions in critical areas could lead to materially different results.

The following are estimates which are considered to be the most complex and involve significant amounts of management valuation judgements, often in areas which are inherently uncertain.

### Bad and doubtful debts

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, migration, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements. For example, the continued difficult economic conditions in the telecommunications and energy sector in the US has resulted in an increase to the required credit risk provision level.

Specific provisions are raised when the Group considers that the creditworthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. For larger accounts this is usually done on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process that may vary from person to person and team to team. Furthermore judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the specific provisions as individual decisions are taken on a case-by-case basis.

Within the retail businesses, where the portfolio comprises large numbers of homogeneous assets, statistical techniques are used to raise specific provisions on a portfolio basis, based on historical recovery rates.

General provisions are raised to cover losses which are known from previous historical experience to be present in loans and advances at the balance sheet date, but which have not yet been specifically identified. These provisions are adjusted at least half yearly by an appropriate charge or release of general provision based on a statistical analysis. The accuracy of this analysis is periodically assessed against actual losses. Gradings are used to rate the credit quality of borrowers. Each grade corresponds to an Expected Default Frequency and is calculated by using manual score-sheets or computer driven models validated by an analysis of the Group's own historic data. The grade can be derived from different sources depending upon the borrower (e.g. internal model, credit rating agency). The general provision also takes into account the economic climate in the market in which the Group operates, the expected severity at default (which depends, for example, on the level of security held in relation to each category or counterparty), and the expected exposure at default (the last two of which are statistically derived values). The general provision includes a specifically identified element to cover country transfer risk calculated on a basis consistent with the overall general provision calculation.

General provisions are created with respect to the recoverability of assets arising from off-balance sheet exposures in a manner consistent with the general provisioning methodology.

Further information on credit risk provisioning is set out on page 68.

### Fair value of financial instruments

Some of the Bank's financial instruments are carried at fair value, including derivatives and debt securities held for trading purposes.

Financial instruments entered into as trading transactions, together with any associated hedging thereof, are measured at fair value and the resultant profits and losses are included in dealing profits, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains or losses on derivative and foreign exchange contracts are reported gross in other assets or liabilities, reduced by the effects of qualifying netting agreements with counterparties.

Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial-markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, where no observable price is available then instrument fair value will include a provision for the uncertainty in the market parameter based on sale price or subsequent traded levels. The calculation of fair value for any financial instrument may require adjustment of quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used), hedging costs not captured in pricing models and adjustments to reflect the cost of exiting illiquid or other significant positions. This would also include an estimation of the likely occurrence of future events which could affect the cashflows of the financial instrument. The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model and market data are all subject to internal review and approval procedures and consistent application between accounting periods. Under US GAAP the unrealised gain or loss at the inception of a derivative contract should not be recognised in the profit and loss account unless obtained using observable market data.

Certain financial instruments which are held on an accruals basis under UK GAAP are required to be measured at fair value under US GAAP. The Group does not manage its business with regard to reported trends on a US GAAP basis. Fair value adjustments to net income or other comprehensive income under US GAAP in current or past periods are not necessarily indicative of the magnitude or direction of such adjustments in subsequent periods.

The fair value of financial instruments is provided in note 47 on pages 183 and 184.

### Goodwill

Determining the period over which to amortise goodwill, where amortisation is applicable under GAAP, requires the assessment of its useful economic life. This assessment involves making judgements over the nature of the acquired business, the economic environment in which it operates and the period of time over which the value of the business is expected to exceed the values of net assets. As a starting point, businesses acquired which operate in more volatile economic environments, such as emerging markets, are considered to have a useful economic life of five years, in other cases 20 years is generally used.

Management also have to consider at least annually whether the current carrying value of goodwill is impaired. This is particularly important under US GAAP where goodwill is not being amortised. For the purposes of such impairment reviews, the goodwill is allocated to business segments that represent independent operating units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the operating unit, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates (e.g. competition activity, regulatory change) into consideration. In the absence of readily available market price data this calculation is usually based upon discounting expected cashflows at a relevant discount factor, the determination of both of which require the exercise of judgement.

### Pensions

The Group operates defined benefit pension schemes, details of which are given in note 5 on page 144 and note 62 on page 194. The pension cost for these schemes is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Variations from the regular cost are allocated over the expected average service lives of current employees. Provisions for pensions arise when the profit and loss account charge exceeds the contribution to the scheme as a result of actuarial valuations. These provisions will be eliminated over the estimated service lives of the employees.

In determining this cost the actuarial value of the assets and liabilities of the scheme are calculated. This involves modelling their future growth and requires the management to make assumptions as to, inter alia, price inflation, dividend growth, pension increases, earnings growth and return on new investment and employee lives. There is an acceptable range in which these estimates can validly fall. If different estimates within that range had been chosen, the cost recognised in the accounts could be significantly altered. The estimates used in the calculation of the 2002 pension credit are described on page 144.

### Shareholders' interest in the retail long-term assurance fund

Changes in the net present value of the profits inherent in the in-force policies of the retail long-term assurance fund are included in the profit and loss account. In estimating the net present value of the profits inherent in the in-force policies, the calculations use assumed economic parameters (future investment returns, expense inflation and risk discount rate), taxation, mortality, persistency, expenses and the required levels of regulatory and solvency capital. The returns on fixed interest investments are set to market yields at the period end. The returns on UK and overseas equities and property are set relative to fixed interest returns. The expense inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The risk discount rate is set to market yields on Government securities plus a margin to allow for the risks borne. The mortality, persistency and expense assumptions are chosen to represent best estimates of future experience and are based on current business experience. As with the pension calculation, there is an acceptable range in which these estimates can validly fall, and the income recognised in the accounts could be significantly altered if different estimates had been chosen.

All of the Group's significant accounting policies, including those mentioned above, and information about the estimation techniques used to enable the accounting policies to be applied, are set out on pages 128 to 134.

### Special purpose entities

Special purpose entities (SPEs) are entities that are typically set up for a specific purpose and generally would not enter into an operating activity nor have any employees. The most common form of SPE involves the acquisition of financial assets that are funded by the issuance of securities to external investors, which have cash flows different from those of the underlying instruments. The repayment of these securities is determined by the performance of the assets acquired by the SPE. These entities form an integral part of many financial markets, and are important to the development of the European securitisation market and functioning of the US commercial paper market.

An important feature of financial accounts prepared under UK GAAP is that they are required to present a true and fair view, which includes reflecting the substance of the transactions and arrangements and not just the legal form.

Accordingly, the substance of any transaction with an SPE forms the basis for the treatment in the Group's financial statements. When a Group company has transferred assets into an SPE, these assets should only be derecognised when the criteria within Financial Reporting Standard (FRS) 5 (Reporting the substance of transactions) are fully met.

An SPE is consolidated by the Group either if it meets the criteria of FRS 2 (Accounting for subsidiaries), or if the risk and rewards associated with the SPE reside with the Group, such that the substance of the relationship is that of a subsidiary. Financial data relating to entities consolidated on this latter basis is given in note 60 on page 190.

Under US GAAP, entities are consolidated if they are under control of the reporting entity as described in ARB 51. In addition, unless an SPE meets the qualifying criteria under FAS 140, the sponsor of the SPE shall consider it for consolidation. Consolidation can be avoided if the requirements of EITF Topic D-14 are met.

The Group, in the ordinary course of business, and primarily to facilitate client transactions, has helped establish SPEs in various areas which are described below, along with their UK and US GAAP treatment:

#### Commercial paper conduits

The Group provides its clients with access to liquidity through the use of asset backed commercial paper programmes. These programmes involve the sale of financial assets by clients to entities which are, in effect, commercial paper conduits that then issue commercial paper to fund the purchases. The financial assets acquired by the conduits, which totalled £16,090m (2001: £17,624m) at 31st December 2002, normally take the form of consumer or trade receivables. Of the above amount, assets held by the conduits which have been originated by the Group amounted to £319m (2001: £608m) and have been reported on the Group's balance sheet. The remainder represents client assets in which the Group has no interest and which are not reported on the Group's balance sheet at 31st December 2002. Certain administrative activities and the provision of liquidity and credit facilities to the programmes are performed by the Group under arm's length contracts that it, or the conduit's independent board of directors, can terminate. Net fees received by the Group for performing these services amounted to £40m (2001: £34m). Under US GAAP, certain of these entities are consolidated by the Group. This has minimal impact on net income, although assets increase by £2,767m (2001: £2,792m). The commitments to provide liquidity to these vehicles are a maximum of £12,271m, which would be required to be provided in the event of the conduits' access to funding markets being restricted.

#### Credit structuring business

The Group structures investments with specific risk profiles which are attractive to investors. This business involves the sale by the Group of credit exposures based on an underlying portfolio of assets into SPEs, often using credit derivative contracts. The assets are funded by issuing securities with varying terms. In accordance with FRS 5, the Group does not recognise the assets and liabilities of these entities in its balance sheet once the securities that represent substantially all the risks and rewards associated with the SPE have been sold to third parties. Otherwise these are recognised in full. As at 31st December 2002, the Group had recognised assets of £3,663m (2001: £2,973m) in respect of these transactions. Assets within these structures not recognised amounted to £638m (2001: £1,212m) at that date. The Group's net income for 2002 included £3m loss (2001: £2m) generated by the relationship with these entities. Under US GAAP, all of the assets are recognised, but due to different measurement bases total assets are lower by £29m (2001: £45m). There is no impact on net income of consolidating these entities. The summarised combined results of these entities are given in note 60 on page 190.

#### Financing transactions

The Group has relationships with numerous SPEs to provide financing to clients or to enable the placing of clients' surplus funds with the Group. These surplus funds are in all cases included as liabilities in the balance sheet. These relationships include arrangements to fund the purchase or construction of specific assets (most common in the property industry). The use of an SPE to isolate cash flows and assets is common in the banking industry to enable the client to minimise its funding cost or maximise its investment returns and for the bank to have access to specific collateral. Any financing relationships are entered into under normal lending criteria, and subject to the Group's credit sanctioning process. The exposures arising from the lendings are included in either loans and advances to customers and banks or debt securities and equity shares. Exposures in the form of guarantees or undrawn credit lines are included within commitments.

The Group has used SPEs to securitise some of its retail lending portfolio. Securitisation primarily involves the sale of receivables originated by the lending business. The SPEs concerned have been consolidated for UK and US GAAP and details are included in notes 16 and 60 on pages 151 and 190.

#### Fund management

As one of the world's largest institutional asset managers, the Group provides asset management services to a large number of investment entities on an arm's length basis and at market terms and prices. The majority of these entities are investment funds that are owned by a large and diversified number of investors.

In addition there are various partnerships, funds and open ended investment companies that are used by a limited number of independent third parties to facilitate their tailored private equity, debt securities or hedge fund investment strategies. These entities have assets under management of £653m (2001: £1,078m). The Group has acquired interests in these entities, which are included within debt securities or equity shares, but the entities are not consolidated because the Group does not own either a significant portion of the equity, or the risks and rewards inherent in the assets. Some £9m (2001: £4m) of net income relates to transactions with these entities.

Under the new US GAAP requirement FIN 46, further disclosure of the Group's involvement with entities of this and similar nature are given in note 63 on pages 213 and 214.