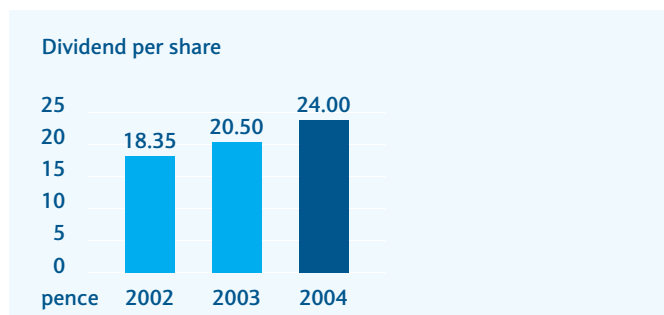


Chairman's statement



“A very successful year for Barclays. Record pre-tax profits, first in our peer group of international banks for total shareholder return, and a seamless transition to a new management team.”

Matthew W Barrett, Chairman



As the figures show, 2004 was a very successful year for Barclays.

2004 was also a year in which we managed successfully the transition to a new leadership team. John Varley took the reins as Group Chief Executive with effect from 1st September and I succeeded Sir Peter Middleton as Chairman. On behalf of shareholders, I would like to take this opportunity to thank Sir Peter – Barclays owes him an enormous debt of gratitude. The Group would not be where it is today – financially strong, with a distinct portfolio of businesses, a great brand, motivated people and millions of loyal customers and clients around the world – were it not for his leadership.

Looking forward, the Board is delighted that Barclays has such a strong management team in John Varley and his colleagues to take the Group forward. We have been particularly pleased with the way in which they have quickly adapted to their new roles.

Corporate Governance

Corporate governance continues to be a subject of intense interest to shareholders, regulators, companies and the press. Our goal is to ensure that Barclays is an exemplar in the area of corporate governance. 2004 was the first year in which Barclays had to comply with the provisions of the new Combined Code and you will read in the Corporate Governance Report elsewhere in this Annual Report that our compliance is of a high standard.

In recent months, we have taken a number of steps to enhance further our corporate governance practices. We have expanded the remit of the Remuneration Committee to cover strategic human resource issues. We have also expanded the remit of the Nominations Committee to cover a broad range of corporate governance issues in addition to matters relating to the composition of the Board. We have conducted a thorough, formal review of performance and effectiveness of the Board, Board Committees, and individual directors.

The review concluded that the Board is discharging its responsibilities in a highly effective manner.

Board Changes

Sir Brian Jenkins retired as Deputy Chairman on 1st September. He joined the Board in 2000 on completion of the acquisition of Woolwich Plc, where he had been Chairman. His experience and sound advice at Board and Board Committee meetings will be greatly missed. He was succeeded as Deputy Chairman by Sir Nigel Rudd.

Chris Lendrum retired as Vice-Chairman and a Director of the Bank at the end of 2004. Chris served the Group with great distinction for over

Over 11,500 Barclays staff volunteered their time and skills for Make A Difference Day in 2004 – 7,158 in the

35 years. We were delighted to see that his services to banking were recognised through the award of a CBE in the New Year's Honours List.

Dr Jürgen Zech, who joined the Board in 2002, will be retiring at this year's Annual General Meeting (AGM) and is not seeking re-election. On behalf of the Board, I would like to thank Dr Zech for his hard work as a Director and wish him well for the future.

I am sad to report that Dame Hilary Cropper, who had been a non-executive Director of the Bank since 1998, died on Boxing Day, aged 63. Hilary had enjoyed an extremely successful career, becoming Chief Executive and subsequently Chairman of Xansa Group, the IT services company. She was a valued colleague who had served Barclays with distinction on the Board Remuneration, Audit and Risk Committees. She will be greatly missed.

During the year, we appointed two new non-executive Directors. Sir Andrew Likierman joined the Board in September and Leigh Clifford in October. Sir Andrew had been Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury. He is Professor of Management Practice at the London Business School and a non-executive Director of the Bank of England. Sir Andrew brings considerable accounting and financial expertise to the Board and Board Audit Committee. Leigh Clifford is Chief Executive of Rio Tinto and brings a wealth of global operational management and business experience to the Board.

Sir Richard Broadbent was appointed Senior Independent Director with effect from 1st September 2004.

Corporate Responsibility

We believe that attention to corporate responsibility is essential to creating and sustaining value creation for shareholders. During 2004, we made significant progress in pursuit of the objective that Barclays should be a leading company in this field. Corporate responsibility is about business behaviours and earning the trust and loyalty of our stakeholders. It was encouraging that in 2004 Barclays won the National Business Award for Corporate Social Responsibility and was ranked in the top decile of 100 companies by Business in the Community in this area.

We continued to build on our well-established Equality & Diversity, Environmental and Community programmes and on our pioneering work in the field of financial inclusion. During the year, we continued to work closely with our trade union partner, Amicus UNIFI, developing a ground-breaking agreement on the issue of offshore outsourcing.

Regulatory Change

There was no abatement in the volume and frequency of regulatory change in 2004. The banking industry is facing Basel II, Sarbanes Oxley, International Financial Reporting Standards, the recent introduction of statutory regulation of mortgages and general insurance, and a number of EU Directives generated by the Financial Services Action Plan. All these initiatives cause considerable resource stretch for even the largest financial services institutions.

We welcome the fact that our lead regulator in the UK, the Financial Services Authority, is also concerned at the level of regulatory change and is seeking to minimise further initiatives. We believe that it is vital that all new regulation is subjected to rigorous cost/benefit analysis before its introduction into the national legislative framework.

Economic Outlook

2004 was a year of strong growth across the world with the global economy expanding by around 5%. The UK too did well, growing at more than 3%, the fastest rate since 2000 with unemployment and inflation remaining low and stable.

The coming year may see growth slower than the rate achieved in 2004. Internationally, growth in the American and Chinese economies may moderate, while in the UK, interest rate rises during 2004 may have an impact on household spending.

Summary

2004 was a year in which the Group continued to make very good progress. We have a strong management team in place and benefit from a committed and highly professional workforce, a distinctive portfolio of businesses and a strong capital base. We look forward to the future with confidence.

Matthew W Barrett
Chairman