

BARCLAYS PLC
Form 20-F
March 29, 2006
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SECURITIES AND EXCHANGE COMMISSION
FORM 20-F

- .. **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**
or
- b **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended December 31, 2005**
or
- .. **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____.

Commission file numbers:

Barclays PLC 0-13790
Barclays Bank PLC2-71497-01

BARCLAYS PLC

BARCLAYS BANK PLC

(Exact names of registrants as specified in their charters)

ENGLAND

(Jurisdictions of incorporation)

1 CHURCHILL PLACE, LONDON, E14 5HP, ENGLAND

(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

	Title of each class	Name of each exchange on which registered
Barclays PLC	25p ordinary shares American Depositary Shares, each representing four 25p ordinary shares	New York Stock Exchange* New York Stock Exchange
Barclays Bank PLC	7.4% Subordinated Notes 2009	New York Stock Exchange

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Callable Floating Rate Notes 2035

New York Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuers' classes of capital or common stock as of the close of the period covered by the annual report.

Barclays PLC	25p ordinary shares	6,489,514,368
	£1 staff shares	875,000
Barclays Bank PLC	£1 ordinary shares	2,318,360,515
	£1 preference shares	1,000
	£100 preference shares	75,000
	100 preference shares	240,000
	\$100 preference shares	100,000

Indicate by check mark if each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if each registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrants have elected to follow.

Item 17 Item 18

If this is an annual report, indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrants have filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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This document comprises the Annual report on Form 20-F for the year ended December 31, 2005 of Barclays PLC and Barclays Bank PLC (the 2005 Form 20-F). Reference is made to the Form 20-F cross reference table on page 268 hereof (the Form 20-F Cross Reference Table). Only (i) the information in this document that is referenced in the Form 20-F Cross Reference Table, and (ii) the Exhibits, shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statements on Form F-3 (File No. 333-126811, 333-85646, and 333-12384) which were filed by Barclays Bank PLC and the Registration Statements on Form S-8 (File No. 333-12818, 333-112796 and 333-112797) which were filed by Barclays Bank PLC, and any other documents, including any documents filed by Barclays PLC or Barclays Bank PLC pursuant to the Securities Act of 1933, as amended, which purport to incorporate by reference the 2005 Form 20-F. Any information herein which is not referenced in the Form 20-F Cross Reference Table, or contained in the Exhibits themselves, shall not be deemed to be so incorporated by reference.

Forward-looking statements

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. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as aim, anticipate, target, expect, estimate, intend, plan, goal, believe, or other words of similar meaning. Forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, impairment charges, business strategy, projected levels of growth in the banking and financial markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, as well as UK domestic and global economic and business conditions, market related risks such as changes in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, progress in the integration of Absa into the Group's business and the achievement of synergy targets related to Absa, the outcome of pending and future litigation, and the impact of competition a number of which factors are beyond the Group's control. As a result, the Group's actual future results may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. Any forward-looking statements made by or on behalf of Barclays speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in Barclays 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 additional disclosures that Barclays has made or may make in documents it has filed or may file with the SEC.

This document contains information, including statistical data, about certain of Barclays markets and its competitive position. Except as otherwise indicated, this information is taken or derived from Datastream and other external sources. Barclays cannot guarantee the accuracy of information taken from external sources, or that, in respect of internal estimates, a third party using different methods would obtain the same estimates as Barclays.

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Directors and Officers of Barclays PLC and Barclays Bank PLC

Matthew W Barrett

Chairman (age 61) was appointed as Chairman on 1st September 2004. He had been Group Chief Executive since October 1999, when he joined the Board. He joined Barclays from Bank of Montreal where he was Chairman and Chief Executive Officer. He joined the Bank of Montreal in 1962. In 1994, he became an Officer of the Order of Canada, the country's highest civilian honour, and in 1995, he was awarded the title of Canada's Outstanding CEO of the Year. He is a Member of the International Advisory Board of British American Business Inc., the Federal Reserve Bank of New York's International Advisory Committee, Institut International D'Etudes Bancaires, the Chartered Management Institute and the European Financial Services Round Table. He chairs the Board Corporate Governance and Nominations Committee.

Sir David Arculus^(a) (age 59) joined the Board in February 1997. He has recently joined the Board of Telefónica, following the takeover of O2 plc, where he was Chairman. He is also a non-executive Director of Pearson Plc. Until the end of 2005 Sir David was Chairman of the UK Government's Better Regulation Task Force. He is a member of the Finance Committee of Oxford University Press and is Deputy President of the CBI. Sir David's previous positions include Chairman of Severn Trent plc, Earls Court and Olympia Group Limited and IPC Group Limited and Group Managing Director of EMAP plc. He is a member of the Board HR and

Fulvio Conti^(a) (age 58) will join the Board as a non-executive Director on 1st April 2006. Fulvio is Chief Executive Officer and General Manager of Enel SpA, the Italian energy group, a position he has held since May 2005. He became Chief Financial Officer of Enel SpA in 1999. Fulvio was formerly General Manager and Chief Financial Officer of Telecom Italia and between 1996 and 1998 was General Manager and Chief Financial Officer of Ferrovie dello Stato, the Italian national railway. Fulvio began his career in 1969 with the Mobil Group, where he held a number of executive positions in Italy and abroad, including a period as Chief Financial Officer for Europe.

Dr Danie Cronjé^(a) (age 59) joined the Board on 1st September 2005 following the acquisition by Barclays of a majority stake in Absa, where he is Chairman. Danie joined Absa in 1987 and was formerly Deputy Chief Executive and Group Chief Executive until 1997. He joined Volkskas in 1975 and held various positions in Volkskas Merchant Bank and Volkskas Group. Danie is also a director of Idion Technology Holdings Limited. He is a member of the Board Risk Committee.

Professor Dame Sandra Dawson^(a) (age 59) joined the Board in March 2003. She is currently KPMG Professor of Management Studies at the

Remuneration Committee and the Board Corporate Governance and Nominations Committee.

Sir Richard Broadbent^(a)

Senior Independent Director (age 52) joined the Board in September 2003. He was appointed Senior Independent Director on 1st September 2004. He is Chairman of Arriva plc and was previously the Executive Chairman of HM Customs and Excise from 2000 to 2003.

He was formerly a member of the Group Executive Committee of Schroders plc and a non-executive Director of the Securities Institute. He is a member of the Board HR and Remuneration Committee and the Board Corporate Governance and Nominations Committee and, from 1st January 2006, Chairman of the Board Risk Committee.

Leigh Clifford^(a) (age 58) joined the Board on 1st October 2004. He is Chief Executive of Rio Tinto, having worked for the Rio Tinto Group since 1970. He has extensive experience of managing a business that operates in a number of global regions. He was previously Chairman of the Coal Industry Advisory Board of the International Energy Agency and until May 2004, a Director of Freeport-McMoran Copper & Gold Inc. He is a member of the Board HR and Remuneration Committee.

University of Cambridge and has been Director of Judge Business School at Cambridge since 1995 and Master of Sidney Sussex College, Cambridge since 1999. Professor Dawson is a member of the UK-Indian Round Table and has held a range of non-executive posts in other organisations including Rand Europe (UK), the Society for the Advancement of Management Studies, JP Morgan Fleming Claverhouse Investment Trust and Riverside Mental Health Trust. She is a member of the Board Audit Committee.

Sir Andrew Likierman^(a) (age 62) joined the Board on 1st September 2004. He was previously Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury. He is Professor of Management Practice in Accounting at the London Business School and a non-executive Director of the Bank of England. Sir Andrew was formerly a non-executive Director and Chairman of MORI Group Limited. He is a member of the Board Audit and Board Risk Committees.

Sir Nigel Rudd, DL^(a)

Deputy Chairman (age 59) joined the Board in February 1996 and was appointed Deputy Chairman on 1st September 2004. He is currently non-executive Chairman of Pilkington PLC, Pendragon PLC and Boots Group PLC. He is Chairman of the Board HR and Remuneration Committee and a member of the Board Corporate Governance and Nominations Committee. Sir Nigel is also Chairman of the Group's Brand and Reputation Committee.

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Stephen Russell^(a) (age 60) joined the Board in October 2000 on completion of the acquisition of Woolwich plc. He joined Woolwich plc's Board as a non-executive Director in 1998. He was Chief Executive of Boots Group PLC from 2000 until 2003, having worked for Boots since 1967. He is Chairman of the Board Audit Committee and is a member of the Board Risk and Board Corporate Governance and Nominations Committees. Stephen is also a trustee of St John's Ambulance and Tommy's the Baby Charity and is on the Council of Nottingham University.

Robert Steel^(a) (age 54) joined the Board on 1st June 2005. He retired from Goldman Sachs in January 2004 after more than 25 years with the firm. At the time of his retirement he was a Vice-Chairman of the firm. Bob is also a Senior Fellow at the Center for Business and Government, John F. Kennedy School of Government, Harvard University and Chairman of the Board of Trustees of Duke University. He is also a Member of the New York Stock Exchange (NYSE) Inc. and a former Director of the Securities Industry Association (USA). He is a member of the Board Audit Committee.

John Sunderland^(a) (age 60) joined the Board on 1st June 2005. He has been Chairman of Cadbury Schweppes PLC since May 2003. John joined Cadbury Schweppes in 1968 and was appointed Chief Executive in September 1996. He is also Senior Independent non-executive Director of The Rank Group Plc. John is President of the CBI and former President of both ISBA, the Incorporated Society of British Advertisers and the Food and Drink Federation. John is a Director of the Financial Reporting Council, an Advisory Board Member of CVC Capital Partners and of Ian Jones & Partners, a Leadership Council Member of Young Enterprise. He is a member of the Board HR and Remuneration Committee.

John Varley^{(b)(c)}

Group Chief Executive (age 49) was appointed as Group Chief Executive on 1st September 2004, prior to which he had been Group Deputy Chief Executive from 1st January 2004. He held the position of Group Finance Director from 2000 until the end of 2003. He joined the Group Executive Committee in September 1996 and was appointed to the Board in June 1998. He was Chief Executive of Retail Financial Services from 1998 to 2000 and Chairman of the Asset Management Division from 1995 to 1998.

Robert E Diamond Jr^{(b)(c)}

President, Barclays PLC and CEO, Investment Banking and Investment Management

(age 54) was appointed President of Barclays PLC and became an executive Director on 1st June 2005. He is responsible for the investment banking, investment management and wealth management businesses for the Group. He has been a member of the Group Executive Committee since September 1997. He joined Barclays in July 1996 from CSFB where he was Vice-Chairman and Head of Global Fixed Income and Foreign Exchange.

Gary Hoffman^{(b)(c)}

Chairman, UK Banking and Chairman,

Barclaycard (age 45) was appointed as Chief Executive of Barclaycard in September 2001 and joined the Board on 1st January 2004. He was appointed Chairman of UK Banking and Chairman of Barclaycard in December 2005. Gary joined the Group in 1982 and has held a variety of management positions, as well as sitting on the Executive Committee of Retail Financial Services and being a member of the Group Operating Committee. He joined the Group Executive Committee in 2001. Gary is also a non-executive Director of Trinity Mirror PLC.

Paul Idzik^(c)

Chief Operating Officer (age 45) joined the Executive Committee and became Chief Operating Officer in November 2004. He is also Chairman of the Group Operating Committee. Paul was formerly Chief Operating Officer of Barclays Capital. He joined Barclays Capital in August 1999 following a career with Booz Allen & Hamilton, where he was a partner and senior member of the Financial Institutions Practice.

Naguib Kheraj^{(b)(c)}

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Group Finance Director (age 41) was appointed as Group Finance Director and joined the Board on 1st January 2004. He had previously held the positions of Chief Executive of Barclays Private Clients, Deputy Chairman of Barclays Global Investors, Global Head of Investment Banking and Global Chief Operating Officer at Barclays Capital. He joined the Group Executive Committee in March 2003. Before joining Barclays, he was a Managing Director and held the post of Chief Financial Officer for Europe at Salomon Brothers. Naguib is also a non-executive Director of Absa Group Limited.

David Roberts^{(b)(c)}

Chief Executive, International Retail and Commercial Banking (age 43) was appointed as Chief Executive, International Retail and Commercial Banking on 1st January 2005. David was formerly Chief Executive of Private Clients & International from 1st January 2004 and joined the Board on the same date. He joined the Group in 1983 and has held various management positions, including Chief Executive of Personal Financial Services and Chief Executive of Business Banking. He joined the Group Executive Committee in 2001. David is also a non-executive Director of Absa Group Limited and, on 1st March 2006, became a non-executive Director of BAA plc.

(a) Independent non-executive Director

(b) Executive Director

(c) Group Executive Committee member

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		Appointed to Group
Current Group Executive Committee members		Executive Committee
John Varley	Group Chief Executive	1996
Robert E Diamond Jr	President, Barclays PLC, Chief Executive, Investment Banking and Investment Management	1997
Gary Hoffman	Chairman, UK Banking and Chairman, Barclaycard	2001
Paul Idzik	Chief Operating Officer	2004
Naguib Kheraj	Group Finance Director	2003
David Roberts	Chief Executive, International Retail and Commercial Banking	2001

		Appointed to position
Other officers		
Jonathan Britton	Financial Controller	2006
Lawrence Dickinson	Company Secretary	2002
Patrick Gonsalves	Joint Secretary, Barclays Bank PLC	2002
Mark Harding	General Counsel	2003
Robert Le Blanc	Risk Director	2004

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Directors Report

Directors Report

Profit Attributable

The profit attributable to equity shareholders of the parent for the year amounted to £3,447m, compared with £3,254m in 2004.

Dividends

The final dividends for the year ended 31st December 2005 of 17.4p per ordinary share of 25p each and 10p per staff share of £1 each have been recommended by the Directors. The final dividends will be paid on 28th April 2006 in respect of the ordinary shares registered at the close of business on 3rd March 2006 and in respect of the staff shares so registered on 31st December 2005. With the interim dividends of 9.2p per ordinary share and of 10p per staff share that were paid on 3rd October 2005, the total distribution for 2005 is 26.6p (2004: 24p) per ordinary share and 20p (2004: 20p) per staff share. The dividends for the year absorb a total of £1,687m (2004: £1,529m).

Dividend Reinvestment Plan

Ordinary shareholders may have their dividends reinvested in Barclays PLC ordinary shares by participating in the Dividend Reinvestment Plan. The plan is available to all ordinary shareholders provided that they do not live in, or are subject to the jurisdiction of, any country where their participation in the plan would require Barclays or The Plan Administrator to take action to comply with local government or regulatory procedures or any similar formalities. Any shareholder wishing to obtain details of the plan and a mandate form should contact The Plan Administrator to Barclays at The Causeway, Worthing, BN99 6DA. Those wishing to participate for the first time in the plan should send their completed mandate form to The Plan Administrator so as to be received by 7th April 2006 for it to be applicable to the payment of the final dividend on 28th April 2006. Existing participants should take no action unless they wish to alter their current mandate instructions, in which case they should contact The Plan Administrator.

Share Capital

The Company did not repurchase any shares during the year. As at 28th February 2006 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase shares up to a maximum of 968.6 million ordinary shares.

The issued ordinary share capital was increased by 35.9 million ordinary shares during the year as a result of the exercise of options under the Sharesave and Executive Share Option Schemes. At 31st December 2005 the issued ordinary share capital totalled 6,489.5 million shares.

Substantial Shareholdings

As at 28th February 2006, the Company had been notified under sections 198 to 208 of the Companies Act 1985 of the following notifiable interest in its shares:

Legal & General Group plc	3.59%.
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Board Membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical and biographical details of the members are set out on pages 2 and 3. Robert E Diamond Jr was appointed as an executive Director with effect from 1st June 2005. Robert Steel and John Sunderland were appointed as non-executive Directors with effect from 1st June 2005 and Dr Danie Cronjé was appointed as a non-executive Director with effect from 1st September 2005. Dr Jürgen Zech retired from the Board on 28th April 2005 and Roger Davis left the Board on 8th December 2005.

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Fulvio Conti will join the Board as a non-executive Director with effect from 1st April 2006.

Retirement and Re-election of Directors

In accordance with its Articles of Association, one-third (rounded down) of the Directors of Barclays PLC are required to retire by rotation at each Annual General Meeting (AGM), together with Directors appointed by the Board since the last AGM. The retiring Directors are eligible to stand for re-election. In addition, under the UK Combined Code on Corporate Governance, every Director should seek re-election by shareholders at least every three years.

The Directors retiring by rotation at the 2006 AGM and offering themselves for re-election are Professor Dame Sandra Dawson, Sir Richard Broadbent, Gary Hoffman and Naguib Kheraj. Sir Nigel Rudd retires annually in accordance with the Combined Code and is offering himself for re-election. In addition, Robert E Diamond Jr, Robert Steel, John Sunderland and Dr Danie Cronjé, who were appointed as Directors since the last AGM, will be offering themselves for re-election at the 2006 AGM. Fulvio Conti, who will join the Board on 1st April 2006, will also offer himself for re-election.

Sir David Arculus is retiring at the AGM and is not offering himself for re-election.

Directors' Interests

Directors' interests in the shares of the Group on 31st December 2005, according to the register maintained under the Companies Act 1985, are shown on page 28. The register is available for inspection during business hours at the Group's head office and will be available for inspection at the 2006 AGM.

Directors' Emoluments

Information on emoluments of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the Listing Rules of the United Kingdom Listing Authority, is given in the Barclays report on remuneration on pages 15 to 28 and in Note 48 to the accounts.

Directors' Indemnities

The Company's Articles of Association entitle every Director of the Company to be indemnified by the Company against any liability, loss or expenditure incurred in connection with their duties, powers or office, to the extent permitted by statute. The scope of the Directors' ability to be indemnified was widened, with effect from 6th April 2005, by the Companies (Audit, Investigations and Community Enterprise) Act 2004, which permits indemnities to extend, amongst other things, to the payment of a Director's defence costs, subject to the repayment of such costs in certain circumstances. The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the amended statutory provisions. The Company therefore wrote to each of the Directors to confirm, for the avoidance of doubt, that each of them has the benefit of and is able to rely upon the indemnity in the Company's Articles of Association and that the terms of the indemnity are expressly incorporated into their terms of employment or appointment, as appropriate. Qualifying third-party indemnity provisions (as defined by section 309B of the Companies Act 1985) were accordingly in force during the course of the financial year ended 31st December 2005 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

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Directors report

Activities

Barclays PLC Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The Group operates through branches, offices and subsidiaries in the UK and overseas. The activities of the Group are described on pages 84 to 86 and developments in the Group's business during the year and an indication of likely future developments are analysed in the Financial review on pages 87 and 88, with additional information on potential risk factors discussed on pages 31 to 33.

Community Involvement

The total commitment for 2005 was £39.1m (2004: £32m).

Barclays committed £35.3m in support of the community in the UK (2004: £29.5m) and £3.8m was committed in international support (2004: £2.5m). UK commitment includes £16.7m of charitable donations (2004: £11.2m).

Barclays is a member of the PerCent Club – a group of companies that have undertaken to ensure that donations to the community over time amount to at least 1% of their UK pre-tax profit.

Barclays has an extensive community programme covering many countries around the world. The Group provides funding and support to over 7,500 charities and voluntary organisations, ranging from small, local charities like the Whitechapel Mission in East London (UK), to international organisations like the Red Cross. We also have a very successful employee programme, which in 2005 saw more than 26,000 employees and pensioners worldwide taking part in Barclays supported volunteering and fundraising activities.

Political Donations

The Group did not give any money for political purposes in the United Kingdom nor did it make any donations to EU political organisations or incur any EU political expenditure during the year. Absa Group Limited, in which the Group acquired a majority stake in 2005, made donations totalling £224,400 in 2005 in accordance with its policy of making political donations to the major South African political parties to support the development of democracy in South Africa. The Group made no other political donations in 2005.

At the AGM in 2002, shareholders gave a four-year authority for

Barclays Bank PLC and a number of other subsidiaries to make political donations and incur political expenditure, within an agreed limit, as a precautionary measure in light of the wide definitions in The Political Parties, Elections and Referendums Act 2000. These authorities, which have not been used, expire on 26th April 2006. The risk of inadvertently breaching The Political Parties, Elections and Referendums Act 2000 remains and the Directors consider it prudent to seek a renewal of the authorities given by shareholders. Resolutions to authorise the Company and Barclays Bank PLC to make political donations and incur political expenditure up to a maximum aggregate sum of £250,000 are therefore being proposed at the Barclays PLC 2006 AGM.

Employee Involvement

Barclays is committed to ensuring that employees share in the success of the Company. Staff are encouraged to participate in share option and share purchase schemes and have a substantial sum invested in Barclays shares.

Employees are kept informed of matters of concern to them in a variety of ways, including the corporate news magazine, the intranet, briefings and mobile phone SMS messaging.

Barclays is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. An annual Employee Opinion Survey is undertaken with results being reported to the Board HR and Remuneration Committee and all employees. Roadshows and employee forums also take place. In addition, Barclays undertakes regular and formal Group, business unit and project specific consultations with Amicus, our recognised union.

Equality and Diversity

Barclays is committed to giving full and fair consideration to applications for employment from people with disabilities and to continuing the employment of staff who become disabled and arranging any appropriate training to achieve this.

Barclays respects and values people from all backgrounds and is committed to becoming a more inclusive organisation with a workforce that reflects the markets we serve.

The Equality and Diversity programme covers employee, customer, supplier and community activities, wherever appropriate.

Health and Safety

Barclays is committed to ensuring the health, safety and welfare of its employees and, as far as is reasonably practicable, to providing and maintaining safe working conditions. This commitment goes beyond just fulfilling its statutory legal obligations; the Group has a wish to be proactive in its management of health and safety in the workplace, and recognises that this will strengthen both its physical and human resources.

It is also recognised that, in addition to its employees, Barclays has responsibilities towards all persons on its premises, such as customers, contractors, visitors and members of the public, and will ensure, as far as is reasonably practicable, that they are not exposed to risks to their health and safety.

Barclays monitors its health and safety performance using a variety of metrics on a monthly basis and the Board HR and Remuneration Committee receives regular reports on health and safety from the Human Resources Director.

Creditors Payment Policy

Barclays policy follows the UK DTI's Better Payment Practice Code, copies of which can be obtained from the Better Payment Practice Group's website at www.payontime.co.uk. The Code states that a company should have a clear, consistent policy, adhered to by the finance and purchasing departments, that payment terms are agreed at the outset and payment procedures explained to suppliers, that bills are settled in accordance with payment terms agreed with suppliers, that complaints are dealt with quickly and that suppliers are advised of disputes. Barclays values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses, promptly. Normal policy is to pay all small business purchases within 30 days.

Paragraph 12(3) of Schedule 7 of the Companies Act 1985 requires disclosure of trade creditor payment days. Disclosure is required by the Company, rather than the Group. The Group's principal trading subsidiary in the UK is Barclays Bank PLC, the accounts for which are prepared in accordance with International Financial Reporting Standards.

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The components for the trade creditor calculation are not easily identified. However, by identifying as closely as possible the components that would be required if Schedule 4 of the Companies Act applied, the trade creditor payment days for Barclays Bank PLC for 2005 were 35 days (2004: 34 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

Financial Instruments

Barclays financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in pages 34 to 61 under the headings, Risk Management and Control Overview , Credit Risk Management , Market Risk Management , Capital and Liquidity Risk Management and Derivatives and in Note 15 and Notes 54 to 60 to the accounts.

Events after the Balance Sheet Date

On 1st January 2006, Barclays completed the sale to Absa Group Limited of the Barclays South African branch business. This business consists of the Barclays Capital South African operations and Corporate and Business Banking activities carried out by International Retail and Commercial Banking (South African branch), together with the associated assets and liabilities.

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. More details on this can be found on pages 11 and 12 and Note 8 to the accounts. Having reviewed the independence and effectiveness of the external auditors, the Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2006 AGM.

The Annual General Meeting

The Barclays PLC AGM will be held at The Queen Elizabeth II Conference Centre on Thursday 27th April 2006. The Notice of Meeting is included in a separate document sent to shareholders.

By order of the Board

/s/ Lawrence Dickinson
Lawrence Dickinson
Company Secretary
9th March 2006

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Corporate governance

Corporate governance report

Chairman's Introduction

We made further progress during 2005 in advancing our Corporate Governance agenda.

We published our Charter of Expectations on our website at the beginning of the year, setting out the role description for each position on the Board and the behaviours and competencies required to perform effectively in each role. It is against this Charter that the Board and its members are evaluated each year in the annual Board Effectiveness Review.

We also published in November, for Directors and Shareholders, a document entitled Corporate Governance in Barclays. This document outlines all policies and practices in place at Barclays in the area of Corporate Governance. A copy can be obtained from our website at www.investorrelations.barclays.co.uk.

This year also saw a number of new appointments to the Board, designed to broaden the range of skills and perspectives available to the Board and its Committees. The Board has been strengthened by the addition of Directors who have extensive experience in leading large, complex, multinational organisations and who have expert knowledge of marketplaces outside the UK which are important to our strategy.

By order of the Board

/s/ Matthew W Barrett
Matthew W Barrett
Chairman
9th March 2006

Statement from Barclays PLC Board of Directors

For the year ended 31st December 2005, we have complied with the provisions set out in section 1 of the Combined Code on Corporate Governance (the Code) and applied the principles of the Code as described below.

Board Structure and Composition

At the date of this report, the Board comprises 16 Directors, under the Chairmanship of Matthew W Barrett, who has no executive responsibilities. There are ten non-executive Directors, each of whom the Board considers to be independent. The team of five executive Directors is led by John Varley, Group Chief Executive. The Chairman and Group Chief Executive roles are separate and their respective responsibilities are set out in the Charter of Expectations and in Corporate Governance in Barclays . Sir Nigel Rudd and Sir Richard Broadbent have continued this year in the roles of Deputy Chairman and Senior Independent Director respectively. The names of all Directors are on pages 2 and 3, along with their biographical details.

The Board has a majority of independent non-executive Directors. The chart set out below reflects the current ratio of independent non-executive Directors to executive Directors on the Board.

We have made a number of new appointments during the year, driven by the annual Board Effectiveness Review. Robert E Diamond Jr, who heads our Investment Banking, Investment Management and Wealth Management businesses, joined the Board this year in recognition of the increasing importance of these businesses to the Group as a whole; John Sunderland, Chairman of Cadbury Schweppes PLC brings a wealth of experience in global products and brands; Robert Steel brings significant US market and global investment banking experience and was Vice-Chairman of Goldman Sachs prior to retirement; Dr Danie Cronjé, Chairman of Absa Group Limited, a leading South African bank, joined the Board as a non-executive Director in September 2005, following our successful acquisition of a majority stake in Absa.

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In terms of non-executive Directors, the Board currently comprises five Directors who have FTSE-100 chair and/or executive management experience, together with Directors who have held in their careers senior leadership positions in financial services, government or the public sector and business schools. The charts below give further details of tenure on the Barclays Board and the geographical mix of the current non-executive Directors on the Board.

We are pleased that Fulvio Conti will join the Board as a non-executive Director on 1st April 2006, bringing continental European experience to the Board.

Role of the Board

The Board is responsible to shareholders for creating and sustaining shareholder value through the management of the Group's businesses. It is also responsible for ensuring that management maintain a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. The Board is the decision-making body for all other matters deemed material to the Group in strategic, financial and reputational terms.

The Board has delegated the responsibility for the day-to-day management of the Group to the Group Chief Executive, who is supported by the Group Executive Committee, which he chairs. The Committee is comprised of the Group Finance Director, the leaders of the Group's major businesses and the Chief Operating Officer and usually meets weekly to develop strategies and policies for recommendation to the Board and to implement approved strategy.

All Directors invested the time required in 2005 to discharge their responsibilities to the Board. All Directors, including the Chairman, must report any material change in their circumstances to the Board for consideration. Significant non-Barclays commitments of Directors are reported in their biographies on pages 2 and 3. There has been no change to the Chairman's other commitments in the year.

The Board has reviewed carefully the commitments of the non-executive Directors and is satisfied that each of them is able to devote the time expected of them. The attendance record for the year for Board and Committee meetings was 97%.

Executive Directors are encouraged to be open to serve on one other board in addition to their duties at Barclays. A proposed appointment to another board position must be submitted to the Board for prior approval.

Appointment of Directors

The Board Corporate Governance and Nominations Committee oversees the process for appointing new Directors to the Board. The composition of the Board and its principal Committees is also regularly reviewed by the Committee. Criteria for the desired experience and competencies of new non-executive Directors are recommended by the Committee and reported to the Board. The balance and mix of appropriate skills and experience

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of non-executive Directors is taken into account when considering a new appointment, along with the Committee's determination on the optimum size of the Board. In reviewing Board composition, the Committee looks to ensure a geographical mix of Directors, together with representatives from different industry sectors. The Chairman, Group Chief Executive and at least two other members of the Committee will interview each potential new non-executive Director, who has typically been identified with the assistance of external search consultants, before any appointments are recommended to the Board.

Induction and Training

On appointment to the Board and to Board Committees, all Directors receive a comprehensive induction tailored to their individual requirements, which is arranged by the Company Secretary. On an ongoing basis, the Company Secretary will arrange additional training and updates for Directors on particular issues.

During 2005, Board meetings were held at our contact centre at Gadbrook Park, near Crewe, England and, following the completion of the Absa transaction, in South Africa. These meetings allowed Directors the opportunity to see our frontline staff and operations first hand. We also encourage our non-executive Directors to make site visits individually. During the year, for example, a number of non-executive Directors visited branches and/or contact centres. In the first half of 2006, we will hold the first of a number of detailed business presentations for our non-executive Directors as part of a two-year programme, during which each of our key businesses and key operational areas will be covered. These sessions are designed to give the Board, outside of the normal cycle of Board meetings, more detail on the businesses and the competitive issues they are facing.

Board Effectiveness Review

Following the Board Effectiveness Review undertaken at the end of 2004, the Board concluded that it was operating effectively. The action plan for 2005, which included the appointment of new Directors and ensuring that more time at Board meetings was devoted to discussing strategy, was completed.

Towards the end of 2005, we again enlisted the services of the management consultants, Egon Zehnder International, to independently facilitate the evaluation process. The evaluation process was similar to the previous year, with a detailed questionnaire sent to each Director and supplementary individual interviews, which included peer evaluation of Directors.

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A report on the performance of the Board as a whole and of Board Committees was presented to the Board at its meeting in December 2005. The Board concluded from the results of the review that it continues to operate effectively. Some areas for further improvement in 2006 were identified. Feedback on individual Directors was discussed with the Chairman. The Chairman then held private meetings with each Director to discuss the results and agree any developmental areas. Sir Richard Broadbent, the Senior Independent Director, led the performance review of the Chairman.

Re-election of Directors

Dr Danie Cronjé, Robert E Diamond Jr, Robert Steel and John Sunderland were each appointed to the Board during the year and will be seeking re-election at the 2006 Annual General Meeting (AGM). Fulvio Conti, who joins the Board on 1st April 2006, will also seek re-election at the 2006 AGM. Professor Dame Sandra Dawson, Sir Richard Broadbent, Gary Hoffman and Naguib Kheraj will each be retiring by rotation and seeking re-election at the AGM. Sir Nigel Rudd, having served as a Director for over nine years, retires annually in accordance with the Code and is seeking re-election.

Sir David Arculus, having served on the Board for nine years, will retire at the AGM and is not offering himself for re-election.

Independence of non-executive Directors

The Board evaluates annually whether each of the non-executive Directors is independent. The Code sets out circumstances which may appear relevant to the Board's determination of whether a non-executive Director is independent. The Board has carefully considered the issue of independence and has determined that the following behaviours, which are set out in the Board's Charter of Expectations, are essential for the Board to consider a Director to be independent:

- | Provides objective challenge to management.
 - | Is prepared to challenge others' assumptions, beliefs or viewpoints as necessary for the good of the organisation.
 - | Questions intelligently, debates constructively, challenges rigorously and decides dispassionately.
 - | Is willing to stand up to defend their own beliefs and viewpoints in order to support the ultimate good of the organisation.
 - | Has a good understanding of the organisation's businesses and affairs to enable them to properly evaluate the information and responses provided by management.
- Having considered the matter carefully, the Board has determined that each of the non-executive Directors is independent.

Sir Nigel Rudd has now served on the Board since February 1996. The Board has therefore given particular consideration to his independence. Having reviewed Sir Nigel's performance and contribution as part of the annual Board Effectiveness Review, the Board considers that Sir Nigel remains independent and makes an effective contribution in his role as Deputy Chairman. Sir Nigel continues to meet the time commitment

expected of him as Deputy Chairman.

Senior Independent Director

The Code states that the Board should appoint one of the independent non-executive Directors as Senior Independent Director. Sir Richard Broadbent was appointed to that position in September 2004 and he reports below on how he has fulfilled that role in 2005.

Senior Independent Director's Report

I am pleased to have the opportunity to report on my activities during the year as Senior Independent Director. The role of Senior Independent Director is a developing one and I have sought to reflect this by interpreting it broadly. I have set out to provide a point of contact, in case of need, for shareholders and, through meeting with shareholders and intermediaries, to ensure that I am aware of their views. I have led the Chairman's performance evaluation. I have also met, separately, from time to time with the Group Chief Executive to ensure that I am aware of any relevant issues that the executive team wish to raise.

During 2005, I met with several major shareholders and shareholder bodies to listen to their views on the Group and to discuss any issues they may have. I met privately with our investor relations advisers to discuss the detailed results of their audit of shareholder opinion. I was also available to answer questions from shareholders at the AGM in April 2005.

An important task for me during the year was to lead the non-executive Directors in evaluating the Chairman's performance. This included half-year and full-year reviews of the Chairman's performance against the objectives we set for him at the start of the year. Following the annual Board Effectiveness Review, which took place in the last quarter of 2005, I received feedback on the Chairman's performance and discussed this with the other non-executive Directors and the Group Chief Executive.

There are no issues arising from these discussions that I feel it is necessary to draw to the attention of shareholders.

Sir Richard Broadbent

Senior Independent Director

9th March 2006 Board Meetings

The Board meets regularly, usually between eight to ten times a year, including a full day each year, offsite, devoted to review and approval of Group strategy. Regular items for Board meetings include the Finance Director's Report, the Group Chief Executive's Report on the key issues affecting the Group and its businesses, strategy updates from our main businesses and reports from the Chairmen of each of the principal Board Committees.

The Board has a formal schedule of matters reserved to it, including the approval of interim and final financial statements, significant changes in accounting policy and practice, the appointment or removal of Directors or the Company Secretary, changes to our capital structure and major acquisitions, mergers, disposals and capital expenditure.

The Chairman meets privately with all the non-executive Directors prior to each Board meeting to brief them on the business to be considered and to address any concerns they may have. Ten such meetings were held in 2005.

Open discussion and frank debate is encouraged and expected at meetings. The findings of our Board Effectiveness Review have confirmed that Board meetings provide a forum for challenging and constructive debate.

All Directors have access to the services of the Company Secretary and his team. Independent professional advice is also available, on request, to all Directors at the Company's expense.

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Board Committees

Specific responsibilities have been delegated to Board Committees, which have access to independent expert advice at the Group's expense. The terms of reference for our principal Board Committees are available, on request, from the Company Secretary and are available on our website at www.investorrelations.barclays.co.uk. The principal Board Committees are described below.

Board HR and Remuneration Committee

Chairman: Sir Nigel Rudd, Deputy Chairman

Members: Sir David Arculus, Sir Richard Broadbent, Leigh Clifford, John Sunderland

Secretary: Jeremy Orbell, Compensation Director

The Committee is comprised solely of independent non-executive Directors and met four times in 2005. The Chairman of the Board, although not a voting member, has a standing invitation to attend the meeting. Sir Nigel Rudd will continue as Chairman of the Committee to the end of 2006. For 2007, a new Chair will be appointed.

The Committee considers matters relating to the overall reward framework across the Group, including policy for executive Directors and senior executives' remuneration and their individual remuneration awards. The Committee approves changes to incentive and benefits plans applicable to senior executives and governs employee share schemes. Details of the Committee's role in governing executive Directors' rewards are set out in our Report on Remuneration on pages 15 to 28.

The Committee also meets periodically to review strategic HR issues including, but not limited to, employee retention, motivation and commitment; equality and diversity; significant employee relations matters; succession planning and the availability of talent for senior roles below executive Director level.

Board Corporate Governance and Nominations Committee

Chairman: Matthew W Barrett, Chairman

Members: Sir David Arculus, Sir Richard Broadbent, Sir Nigel Rudd, Stephen Russell

Secretary: Secretary: Lawrence Dickinson, Company Secretary

The Committee includes the Chairman, Deputy Chairman, Senior Independent Director, the Chairman of the Board Audit Committee, Chairman of the Board Risk Committee and Chairman of the Board HR and Remuneration Committee. It met three times in 2005.

The Committee is responsible for considering matters relating to the composition of the Board, including the appointment of new Directors, making recommendations to the Board as appropriate. It also reviews annually the succession plans for the Chairman and Group Chief Executive positions. The Chairman of the Board chairs the Committee, except when the Committee is considering the Chairman's succession, in which case the Senior Independent Director or Deputy Chairman takes the chair. The Group Chief Executive, although not a voting member, has a standing invitation to attend meetings.

The Committee's responsibilities also cover corporate governance issues, including consideration of our responses to important developments in corporate governance, overseeing the annual performance evaluation of the Board, its principal Committees and the Chairman.

During 2005, the Committee recommended to the Board the appointments of Dr Danie Cronjé, Robert E Diamond Jr, John

Sunderland and Robert Steel. The Committee also oversaw the search for a non-executive Director with continental European experience. That search culminated in the appointment of Fulvio Conti with effect from 1st April 2006. The Committee also recommended in 2005 the appointments of Leigh Clifford and John Sunderland to the Board HR and Remuneration Committee, Robert Steel to the Board Audit Committee and Dr Danie Cronjé to the Board Risk Committee. In view of the increasing time commitment and responsibilities faced by Stephen Russell in his role as Chairman of the Board Audit Committee, the Committee also recommended that Sir Richard Broadbent should succeed Stephen Russell as Chairman of the Board Risk Committee. In addition, the Committee reviewed and monitored the action plan arising from the 2004 Board Effectiveness Review.

Board Audit Committee

Chairman: Stephen Russell

Members: Professor Dame Sandra Dawson, Sir Andrew Likierman, Robert Steel

Secretary: Lawrence Dickinson, Company Secretary

The Committee comprises four independent non-executive Directors. Dr Jürgen Zech left the Committee in April 2005 when he ceased to be a Director of the Company. Robert Steel was appointed to the Committee in September 2005. The Board has determined that Sir Andrew Likierman is a financial expert as defined by the US Sarbanes-Oxley Act of 2002 and has recent and relevant financial experience as recommended by the Code. The Board's assessment is based on Sir Andrew's accounting background and his career with HM Treasury.

Board Audit Committee Chairman's Statement

I am pleased to report to you on the Committee's activities in 2005. We met six times in 2005, including a meeting to review the 2004 results as restated under new International Financial Reporting Standards and a meeting dedicated to reviewing and approving the internal audit plans for 2006 and the external audit plan for the year ended 2005. We also met privately with the external and internal auditors after four of our meetings.

Our key responsibilities as your Board Audit Committee are set out in the Committee's terms of reference and I have reported below on how we have discharged those responsibilities this year.

External Auditors

Our responsibilities include approving and reviewing the appointment and retirement of the external auditors and overseeing their relationship with the Group. We annually appraise the effectiveness of the external auditors, using an evaluation questionnaire, which is completed by senior members of the Finance function. The results are then reported to us for review. The lead audit partner is also rotated on a five-year basis and a new lead audit partner was appointed in 2005.

We have a detailed policy on the provision of non-audit services by the external auditors. As part of that policy, we have agreed which services the external auditors are allowed to carry out on behalf of the Group and which ones they are prohibited from doing. This policy aims to safeguard the independence of the external auditor. Non-audit services require the pre-approval of the Committee or a member of the Committee before they can be undertaken. Details of all services carried out by the external auditor are recorded centrally and reported to the next meeting of the Committee and we spend time at each meeting considering the independence of the external auditor based on this information.

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During the year we approved a new policy governing the employment of former employees of the external auditor. Under this policy, no former employee of the external auditor may be appointed to a financial oversight role and certain other appointments are required to go through an internal review and approval process before proceeding.

For the year ended 31st December 2005, we have concluded that the external auditor remains independent and is effective. We have recommended to the Board that they propose the reappointment of the external auditors to shareholders at the 2006 AGM.

Relationship with internal audit and monitoring control issues

We are tasked with monitoring the effectiveness of the internal audit function. The Director of Internal Audit, who has a functional reporting line to the Committee, provides regular reports to us and attends each Committee meeting. The Director of Internal Audit has unrestricted access to me, as Chairman of the Committee, and I receive a monthly report from him, which includes key performance indicators and a trend analysis of internal audit findings.

At each Committee meeting, we review the progress of the internal audit plan and, each year, we consider and agree the internal audit plan for the following year. We also regularly review the level of resources allocated to the internal audit function to ensure that the internal audit plan for the year can be delivered. The effectiveness of the Internal Audit function is reviewed annually and we have concluded that it continues to operate effectively.

We receive and review regular reports on control issues of Group level significance, including details of any remediation action being taken. We also receive in-depth reports from the Group's main business areas on their control environment.

Financial Reporting

We review the Group's annual and interim financial statements, including reviewing the effectiveness of the Group's disclosure controls and procedures and systems of internal control.

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For the disclosures made in the 2005 Annual Report, we have reviewed the report of the Disclosure Committee and the Turnbull attestations made by all Business Heads, and have concluded and reported to the Board for its approval that the Group has maintained effective disclosure controls and procedures and that management has continued to operate an effective system of internal control.

Regulatory Compliance

We review arrangements established by management for compliance with the requirements of the Group's regulators. We receive a semi-annual report on compliance.

Whistleblowing

We receive reports on the effectiveness of the Group's whistleblowing arrangements, as well as reports on specific instances of whistleblowing.

Work of the Committee during 2005

In addition to the regular items discussed by the Committee, which I have described above, we also received regular reports on the progress of two major regulatory projects, namely the implementation of International Financial Reporting Standards, in respect of which we also received an in-depth briefing, and the implementation of s404 of the US Sarbanes-Oxley Act of 2002.

We also spent time this year reviewing the control environment at Absa Group Limited, in which Barclays has acquired a majority stake. We considered and agreed on behalf of the Board the governance arrangements for the Group's interaction with Absa and will monitor the effectiveness of this framework going forward. Our internal audit function carried out a review of Barclays readiness to complete the transaction, including governance and oversight of the acquisition, as well as a review of the control environment at Absa after completion. In my capacity as Chairman of the Committee, I attended a meeting of the Absa Audit and Compliance Committee in October and the Chairman of Absa's Committee will attend this Committee's meeting in April 2006. Going forward, we will continue to receive reports on the effectiveness of the Absa control environment.

Signed on behalf of the Board Audit Committee

/s/ Stephen Russell

Stephen Russell
Chairman, Board Audit Committee

9th March 2006

Board Risk Committee

Chairman: Sir Richard Broadbent
Members: Dr Danie Cronjé, Sir Andrew Likierman, Stephen Russell
Secretary: Lawrence Dickinson, Company Secretary

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The Committee met five times in 2005, under the Chairmanship of Stephen Russell. Sir Richard Broadbent succeeded Stephen Russell as Chairman of the Committee from 1st January 2006. Dr Danie Cronjé was appointed to the Committee on 1st December 2005.

The purpose of the Committee is to approve the Group's overall risk appetite, setting limits for individual types of risk, including credit, market and operational risk. The Committee also approves material changes to the overall risk appetite and monitors the Group's risk profile, including risk trends and concentrations, loan impairment experience against budget and key performance indicators for risk. A key role of the Committee is also to obtain assurance that the principal risks facing the Group have been properly identified and are being appropriately managed. The Committee also monitors the risks associated with the Group's principal pension schemes.

In order to assess the effectiveness of the Group's risk control framework, the Committee regularly reviews the Group's risk measurement systems and receives reports from management confirming that they have reviewed the Group's risk control standards. The Committee is also responsible for approving certain policy statements required by the Financial Services Authority. An overview of the Group's risk management and control framework can be found on pages 34-40.

Attendance at Board and Board Committee Meetings

All Directors are expected to attend each Board meeting and each meeting of Committees of which they are members, unless there are exceptional circumstances that prevent them from doing so. The Chairman and executive Directors attend Committee meetings as requested or as required by each Committee's terms of reference.

The attendance of Directors at meetings of the Board and of Board Committees of which they were members during 2005 is shown on page 13. Where a Director was appointed to the Board or to a Committee during the year, their attendance shown is only for those

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Table of Contents**Attendance at Board and Board Committee Meetings**

Director	Board	Board Audit Committee	Board HR and Remuneration Committee	Board Corporate Governance and Nominations Committee	Board Risk Committee	Annual General Meeting
Matthew W Barrett	10/10			3/3		1/1
John Varley	10/10					1/1
Roger Davis	10/10					1/1
Robert E Diamond Jr	6/6					
Gary Hoffman	9/10					1/1
Naguib Kheraj	10/10					1/1
David Roberts	10/10					1/1
Sir David Arculus	8/10		4/4	3/3		1/1
Sir Richard Broadbent	10/10		4/4	3/3	5/5	1/1
Leigh Clifford	8/10		2/3			0/1
Dr Danie Cronjé	4/4					
Professor Dame Sandra Dawson	10/10	6/6				1/1
Sir Andrew Likierman	10/10	6/6			5/5	1/1
Sir Nigel Rudd	10/10		4/4	3/3		1/1
Stephen Russell	10/10	6/6		3/3	5/5	1/1
Robert Steel	6/6	2/2				
John Sunderland	6/6		3/3			
Dr Jürgen Zech	3/3	1/1				

meetings that took place after their appointment, for example, 9/10 signifies that nine meetings were attended out of a possible ten. Dr Jürgen Zech's attendance is for meetings that took place prior to 28th April 2005, when he ceased to be a Director.

Statement on US Corporate Governance standards

As a non-US company listed on the New York Stock Exchange (NYSE), we are exempt from most of the NYSE's Corporate Governance rules (the NYSE Rules), which domestic US companies must follow. However, we are subject to the NYSE rules requiring us to have a Board Audit Committee that meets the requirements of Rule 10A-3 of the US Securities Exchange Act of 1934 and we must provide an Annual Written Affirmation to the NYSE of our compliance with the applicable NYSE Rules. Furthermore, under NYSE Rule 303.A.11, we are required to disclose any significant ways in which our corporate governance practices differ from those followed by domestic US companies listed on the NYSE. As our main listing is on the London Stock Exchange, we follow the UK's Combined Code on Corporate Governance (the Code) adopted by the Financial Reporting Council. Key differences between the NYSE Rules and the Code are set out below:

Director independence

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Under the NYSE Rules the majority of the Board should be independent. Under the Code, at least half of the Board (excluding the Chairman) is required to be independent. The NYSE Rules contain detailed tests for determining Director independence, whereas the Code requires the Board to determine whether each Director is independent in character and judgement and sets out criteria that may be relevant to the Board's determination. We follow the Code's recommendations and also developing best practices among other UK

public companies. Our Board annually reviews the independence of our non-executive Directors, taking into account the guidance in the Code and the criteria we have established for determining independence, which are described on page 10. For 2005, the Board determined that all the non-executive Directors are independent.

Board Committees

We have a Board Corporate Governance and Nominations Committee and a Board HR and Remuneration (rather than Compensation) Committee, both of which are broadly comparable in purpose and constitution to those required by the NYSE Rules and whose terms of reference comply with the Code's requirements. Beyond the fact that the Board Corporate Governance and Nominations Committee is chaired by the Chairman of the Board, as permitted by the Code, both Committees are composed solely of non-executive Directors whom the Board has determined to be independent. We follow the Code recommendation that a majority of the Nominations Committee should be independent non-executive Directors, whereas the NYSE Rules state that the Committee must be composed entirely of independent Directors.

We comply with the NYSE Rules regarding the obligation to have a Board Audit Committee that meets the requirements of Rule 10A-3 of the US Securities Exchange Act, including the requirements relating to the independence of Committee members. In August 2005, we made an Annual Written Affirmation of our compliance with these requirements to the NYSE. The Code also requires us to have a Board Audit Committee comprised solely of independent non-executive Directors. We follow the Code recommendations, rather than the NYSE Rules, however, regarding the responsibilities of the Board Audit

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Committee, although both are broadly comparable. We also have a Board Risk Committee, comprised solely of independent non-executive Directors, which considers and discusses policies with respect to risk assessment and risk management.

Corporate Governance Guidelines

The NYSE Rules require domestic US companies to adopt and disclose corporate governance guidelines. There is no equivalent recommendation in the Code. The Board Corporate Governance and Nominations Committee has, however, developed corporate governance guidelines, entitled *Corporate Governance in Barclays*, which have been approved and adopted by the Board. The guidelines are available on our website at www.investorrelations.barclays.co.uk.

Code of Ethics

The NYSE Rules require that domestic US companies adopt and disclose a code of business conduct and ethics for Directors, officers and employees. Rather than a single consolidated code as envisaged in the NYSE Rules, we have a number of values based business conduct and ethics policies, which apply to all employees. In addition, we have adopted a Code of Ethics for the Group Chief Executive and senior financial officers as required by the US Securities and Exchange Commission.

Shareholder approval of equity-compensation plans

The NYSE listing standards require that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions to those plans. We comply with UK requirements, which are similar to the NYSE standards. The Board, however, does not explicitly take into consideration the NYSE's detailed definition of what are considered material revisions.

Corporate Responsibility

Our approach to managing the interests of our stakeholders is fully described in our Corporate Responsibility Report, copies of which are available from the Company Secretary or online at www.investorrelations.barclays.co.uk.

Relations with Shareholders

We have a proactive approach to our institutional and private shareholders, totalling around 808,000.

Senior executives hold meetings with our key institutional shareholders to discuss strategy, financial performance and investment activities in the UK, throughout Europe and in the US.

The Chairman meets regularly with investor bodies and investors to discuss our approach to corporate governance issues. In December 2005, the Chairman hosted a corporate governance event for key institutional investors. The purpose of that event was to update our major shareholders on our corporate governance practices and to discuss any issues or concerns that they may have had.

In addition, investor bodies and major investors are given the opportunity to meet with new non-executive Directors on their appointment. Sir Richard Broadbent, the Senior Independent Director, is available to meet with investors if they are unable to resolve issues through the normal channels of the Chairman and Group Chief Executive.

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We aim to provide a first-class service to private shareholders to help them in the effective and efficient management of their shareholding in our Company. This year we have encouraged shareholders to hold their shares in Barclays Sharestore, where their shares are held electronically in a cost effective environment. This eliminates the risk of losing shares

held in paper form. During 2005, over 20,000 shareholders holding over 36 million shares chose to transfer their shares into Sharestore and to have future dividends paid direct to their bank account or to reinvest them in Barclays shares. In addition, this year we have proactively traced and returned a further £10m to shareholders who had lost touch with the Group, reuniting these shareholders with their assets. For the first time we offered an exclusive deal on Barclays insurance products to our shareholders, offering special deals on general, motor and travel insurance. Further offers are being considered for 2006.

The main methods of communicating with private shareholders are the Annual Report, the Annual Review, the dividend mailings and the AGM.

Our e-view service enables shareholders to receive their documents electronically. It also gives shareholders immediate access to information relating to their personal shareholding and dividend history. Participants can also change their details and dividend mandates online and receive dividend tax vouchers electronically.

Annual General Meeting

All Directors are encouraged to attend the AGM and be available to answer shareholders' questions. It has been our practice for a number of years that all resolutions are voted on a poll to ensure that the views of all shareholders are reflected proportionately. Each of the resolutions considered at the 2005 AGM was decided on a poll and a copy of the poll results is available from the Company Secretary or on the Company's website, www.investorrelations.barclays.co.uk. The resolutions to be considered at our 2006 AGM will also be decided on a poll and the results will be made available on our website on 27th April 2006.

Signed on behalf of the Board

/s/ Matthew W Barrett
Matthew W Barrett
Chairman
9th March 2006

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Barclays report on remuneration

Statement from the Chairman of the Board HR and Remuneration Committee (the Committee)

The Committee provides governance and strategic oversight of Barclays Human Resource activities with particular emphasis on talent, remuneration and employee engagement.

Leigh Clifford and John Sunderland joined the Committee during 2005. All Committee members are independent non-executive Directors. The Committee meets a minimum of four times a year.

The focus of the Committee in 2005 was:

- | the introduction of a revised long-term incentive plan, the Performance Share Plan (PSP), which was approved by shareholders at the Barclays Annual General Meeting on 28th April 2005;
- | a formal review of compensation strategy for Barclays Global Investors;
- | the development of policies to manage the impact of the changes to the tax treatment of pensions (known as A day in the UK); and
- | talent management.

The Committee takes very seriously its commitment to good disclosure. The majority of this report details the remuneration of the individual Directors who served Barclays in 2005.

The following comments will provide context to the disclosures, and demonstrate the strong pay for performance link inherent in the design and operation of the Barclays remuneration plans:

- | Barclays performed strongly in 2005 with profit before tax and economic profit(a) up 15% and 12% respectively.
- | Barclays Total Shareholder Return (TSR) for the five years to the end of 2005 was 43%, compared with 6% for the FTSE 100 Index.
- | Annual bonus levels vary by executive Director to reflect a combination of performance of the Group, the businesses and the individual.

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I The main performance condition for executive Directors in the Incentive Share Option Plan (the ISOP) is TSR relative to a peer group of 11 other major international banks. This performance condition is very stretching. The maximum number of shares under option vests only if Barclays is ranked first in the peer group. For the 2002 grant under the ISOP, which vested in 2005, Barclays was ranked fourth in the peer group(b). This was sufficient for only 25% of the maximum number of shares under the TSR condition to vest. The remaining 75% lapsed. The Committee unanimously recommends that you vote to approve the report at the AGM.

Signed on behalf of the Board

/s/ Sir Nigel Rudd

Sir Nigel Rudd

Board HR and Remuneration Committee Chairman

9th March 2006

Notes

- (a) Economic profit comprises profit after tax and minority interests, less a charge representing the Group's cost of capital. Please refer to the economic profit reconciliation on page 286.

- (b) The peer group for the 2002 ISOP was: Abbey National, ABN Amro, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HBOS, HSBC, Lloyds TSB, Royal Bank of Scotland and Standard Chartered.

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Board HR and Remuneration Committee Members

The Committee comprises the following independent non-executive Directors:

Sir Nigel Rudd, Chairman
Sir David Arculus

Sir Richard Broadbent

Leigh Clifford (appointed 1st July 2005)

John Sunderland (appointed 1st July 2005)

The Committee members are considered by the Board to be independent of management and free from any business or other relationship that could materially affect the exercise of their independent judgement. The constitution and operation of the Committee comply with the Provisions on the Design of Performance Related Remuneration in the Combined Code adopted by the Financial Reporting Council.

The Chairman of the Committee presents a report of each meeting to the full Board.

Advisers to the Committee

The Committee has access to independent consultants to ensure that it receives independent advice. Advisers are appointed by the Committee for specific pieces of work, as necessary, and are required to disclose to the Committee any potential conflict of interest.

In 2005, Kepler Associates^(a) were appointed to provide independent advice to Committee members on remuneration matters.

The Chairman of the Board, the Group Chief Executive, the Human Resources Director and, as necessary, members of the Group Executive Committee, also advise the Committee, supported by their teams. They are not permitted to participate in discussions or decisions relating to their own remuneration. The Human Resources Director is responsible for providing professional support to line management in HR policy and administration and for monitoring compliance with prescribed policy and programmes across Barclays. The Human Resources Director is not a Board Director and is not appointed by the Committee.

Remuneration Policy

We are committed to using reward to drive a high-performance culture. Executive Directors can expect outstanding reward if performance is outstanding and below median reward for below median performance. This philosophy applies to reward policies and practices for all employees in the Group. The Committee considers reward levels across the Group when determining remuneration for executive Directors.

Barclays remuneration policy is to:

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I incentivise excellence and balance in both short term (one year) and longer term (three years plus) performance such that the goal of achieving top quartile TSR is met and sustained;

I enable the Group to attract and retain people of proven ability, experience and skills in the pools in which we compete for talent;

Note

(a) Kepler Associates have given their written consent to the inclusion of references to their name in the form and context in which it appears.

(b) Barclays Guiding Principles were introduced during 2005 and provide all parts of the Group with a unifying set of priorities. They are: Winning Together, Best People, Client/Customer Focused, Pioneering and Trusted.

(c) The PSP has replaced the Incentive Share Option Plan (ISOP) as the principal long-term incentive plan. Awards made in 2004 were made under the ISOP; awards made in 2005 were made under the PSP.

I encourage behaviour consistent with Barclays Guiding Principles(b) which leads to excellence and the appropriate balance in: financial performance, governance and controls, customer service, human resource management, brand and reputation management, and risk management;

I promote attention to maximising personal contribution, contribution to the business in which the individual works, and contribution to the Group overall; and

I ensure, both internally and externally, that remuneration policies and programmes are transparent, well communicated, easily understood and serve well the interests of shareholders.

The graph below shows the TSR for the FTSE 100 Index and Barclays since 31st December 2000. The FTSE 100 Index is the index of the 100 largest UK quoted companies by market capitalisation. It is a widely recognised performance comparison for large UK companies. It shows that, at the end of 2005, a hypothetical £100 invested in Barclays on 31st December 2000 would have generated a total return of £43, compared with a gain of £6 if invested in the FTSE 100 Index. Barclays therefore outperformed the FTSE 100 Index for this period.

Source: Thomson Financial

This graph shows the value, at 31st December 2005, of £100 invested in Barclays on 31st December 2000 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year ends. The Directors Remuneration Report Regulations 2002 require that the graph shows TSR for the five years ending with the relevant financial year.

Reward for executive Directors

Reward for the executive Directors and other senior executives comprises:

I base salary;

I annual bonus including mandatory deferral into Barclays shares (the Executive Share Award Scheme (ESAS));

I the Performance Share Plan (PSP)^(c); and

I pension and other benefits.

The Committee reviews the elements of reward relative to the practice of other comparable organisations. Reward is benchmarked against the markets in which we compete for talent. This includes benchmarking against other leading international banks and financial services organisations, and other companies of similar size to Barclays in the FTSE 100 Index.

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Each element of reward is important and has a specific role in achieving the aims of the remuneration policy. The combined potential remuneration from bonus and PSP outweigh the other elements, and are subject to performance conditions, thereby placing the majority of total reward at risk. The relative weighting of each of the key elements of executive Director remuneration (excluding pension and benefits) is shown below. The composition of Robert E Diamond Jr's compensation is shown separately. His arrangements reflect general practice in the investment banking industry.

	FIXED		AT RISK	
	Base salary	Annual performance bonus (Maximum)		Performance Share Plan (Maximum) Fair value
Chief Executive and typical executive Director	20%	Cash 37.5%	Shares 12.5%	30%
Robert E Diamond Jr	2%	49%	16%	33%

The purpose of each element of remuneration for executive Directors is summarised in the table below and discussed in greater detail in the sections that follow.

Compensation element	Purpose	Delivery	Policy
Base salary	To reflect the market value of the individual and their role	<ul style="list-style-type: none"> Cash Monthly Pensionable 	<ul style="list-style-type: none"> Reviewed annually, with changes typically effective on 1st April
Annual performance bonus	To incentivise the delivery of annual goals, at the Group, business division and individual levels	<ul style="list-style-type: none"> 75% cash 25% deferred Barclays shares under ESAS Annual Non-pensionable 	<ul style="list-style-type: none"> Based on annual performance: Group financial results (EP and PBT): 30-40% weighting Business unit financial results (EP and PBT): 30-40% weighting Leadership: 30-40% weighting
Performance Share Plan	To reward the creation of above median, sustained growth in shareholder value	<ul style="list-style-type: none"> Free shares subject to a performance condition Annual awards that vest after three years Non-pensionable 	<ul style="list-style-type: none"> Discretionary awards Reviewed annually Barclays performance over three years determines the number of performance shares released to each individual

Pension

To provide market competitive post-retirement benefit

- | Deferred cash
- | Monthly

| For awards made in 2005, EP threshold, thereafter TSR performance scale

| No vesting if TSR ranking is at median or below relative to the peer group

| For awards to be made in 2006, 50% under a TSR metric and 50% using an EP metric

| Normal retirement age 60

| Closed non-contributory, defined benefit scheme

or

Defined contribution scheme

or

Cash allowance in lieu of pension contributions

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The component parts for each executive Director are detailed in tables accompanying this report.

All the executive Directors meet the Committee's guideline that, as a minimum, they should hold the equivalent of 1x their base salary in Barclays shares, including shares held on their behalf in ESAS.

Base Salary

The annual base salaries for the current executive Directors are shown in the table below:

	As at 31st Dec 2005	As at 1st April 2006	Date of previous increase
John Varley	£ 850,000	£ 900,000	1st Sep 2004
Robert E Diamond Jr	£ 250,000	£ 250,000	1st Mar 1999
Gary Hoffman	£ 500,000	£ 625,000	1st Jan 2004
Naguib Kheraj	£ 500,000	£ 700,000	1st Jan 2004
David Roberts	£ 500,000	£ 600,000	1st Jan 2004

With effect from 1st January 2005, the start of his first financial year as Chairman, Matthew W Barrett's salary reduced from £1.1m to £650,000. Also, with effect from 1st January 2005, he is not eligible for a performance bonus, pension contributions or further long-term incentive awards. His salary will not increase on 1st April 2006.

Annual Bonus Including Executive Share Award Scheme (ESAS)

75% of annual bonus is delivered as cash. The remaining 25% is delivered as a provisional allocation of shares under ESAS, which will normally not be released for at least three years and are subject to potential forfeiture if the individual resigns and commences employment with a competitor business. See page 24 for details of the Scheme. The maximum bonus opportunity is tailored to the relevant market; this is typically 250% of base salary.

Performance Share Plan (PSP)

The Performance Share Plan (PSP) was approved by shareholders at the 2005 AGM. Performance shares are free Barclays shares for which no exercise price is payable and which qualify for dividends. Performance share awards are communicated to participants as an initial allocation. This initial allocation is the expected value of the award and is up to the higher of 150% of base salary or 75% of base salary and target annual bonus. Barclays performance over a three-year period determines the final number of shares that may be released to participants. After three years the trustee considers the release of performance shares based on the outcome of two performance conditions:

- Before any shares are released, Barclays cumulative EP over the performance period must normally be greater than the total for the previous three-year period.

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For 2005 awards, a multiplier applies to the initial allocation based on Barclays total shareholder return compared to a peer group of major international banks, measured over the three-year performance period (2005 to 2007). For 2006 awards, 50% of each award will be subject to a relative TSR metric and 50% subject to an EP metric. Relative TSR and EP are both considered to be good measures of value creation to shareholders.

The comparator banks for the 2005 and 2006 awards are:^(a)

UK HBOS HSBC Lloyds TSB Royal Bank of Scotland	Mainland Europe ABN Amro BBVA BNP Paribas Deutsche Bank UBS	US Citigroup JP Morgan Chase
--	--	------------------------------------

The performance scale for the 2005 allocation is:^(b)

Barclays TSR ranking in the peer group of 12	Multiplier applying to the initial allocation	Number of shares that vest (as a % of maximum)	Example based on initial allocation of 75,000 shares
1st	3 x	100%	225,000
2nd	2.5 x	83%	187,500
3rd	2 x	67%	150,000
4th	1.5 x	50%	112,500
5th	1.25 x	42%	93,750
6th	1 x	33%	75,000
7th or below	0	0	0

Notes

(a) The reserve companies for the 2005 and 2006 awards are Banco Santander, Morgan Stanley, Bank of America and Wachovia.

(b) The estimated expected value is 33% of the maximum vesting level.

There is no vesting unless Barclays is ranked above median on relative TSR. This is also the scale for the TSR element of the 2006 awards.

The vesting scale is illustrated in the chart below.

Retained Incentive Opportunity

Mr Diamond retains an opportunity to be considered for an award in February 2008 up to a maximum value of £14.85m, subject to performance criteria based on the delivery of EP at Barclays Capital over the period 2005 to 2007. Details of the award are provided on page 25.

Incentive Share Option Plan (ISOP)

The plan was not used for awards to executive Directors in 2005. Details of the plan can be found on page 27. Awards in 2003 and 2004 under the ISOP include financial metrics or thresholds. These have been adjusted where necessary to neutralise the effect of the introduction of the International Financial Reporting Standards.

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Sharesave

All eligible employees including executive Directors have the opportunity to participate in Barclays Sharesave Scheme. Sharesave is an HMRC (Her Majesty's Revenue and Customs) approved all-employee share plan. HMRC does not permit performance conditions to be attached to the exercise of Sharesave options. Under the plan, participants are granted options over Barclays PLC ordinary shares. Each participant may save up to £250 per month to purchase Barclays shares at a discount. For the 2005 grant, the discount was 20% of the market value at the time the option was granted. Following the 2005 invitation, a total of 41,000 employees were participants in Sharesave with 86 million shares under option.

Sharepurchase Plan

The Sharepurchase Plan was introduced in January 2002. It is an HMRC approved all-employee share plan. The plan is open to all eligible UK employees including executive Directors. Under the plan, participants are able to purchase up to £1,500 worth of Barclays PLC ordinary shares each year, which, if kept in trust for five years, can be withdrawn from the plan tax-free. Any shares in the plan will earn dividends in the form of additional shares, which must normally be held by the trustee for three years before being eligible for release.

To encourage employee ownership of Barclays shares, with effect from 5th April 2005, Barclays matches, share for share, the first £600 each employee invests in Sharepurchase in each tax year.

At 31st December 2005, 15,500 employees were participants in the plan, with a total of 6.5 million shares held on their behalf by the Plan Trustee.

Dilution

The outstanding awards under the ISOP and Sharesave schemes are intended to be satisfied by the issue of new Barclays shares or through treasury shares in aggregate within the limits agreed by shareholders when these plans were approved. These limits comply with the Association of British Insurers' guidelines relating to dilution from employee share plans. The overall limits under the guidelines are that no more than 10% of a company's issued share capital may be used in any ten-year period, of which up to 5% may be used for management plans. As at 31st December 2005, Barclays headroom under these limits was 3.8% and 2.2% respectively.

Employees' Benefit Trusts (EBT)

The shares provided to employees in the ESAS and the PSP are held in an EBT. The trustees of the Barclays EBT have informed the Bank that their normal policy is to abstain in any shareholder voting, in respect of the Barclays shares held in trust.

Pensions

A pension is normally payable on retirement at contractual retirement date (normally 60) and is calculated either by reference to an executive Director's length of service and pensionable salary, normally on the basis of 1/60th per year of service, or to a money purchase arrangement, depending upon date of hire. Annual performance related bonuses are not included in pensionable pay.

John Varley is a member of a closed non-contributory pension scheme and his contract provides for a pension of 60% of pensionable salary, without reduction for early retirement, if he retires from age 55 with 28 years' service, and two-thirds of pensionable salary at age 60 with 33 years' service.

Robert E Diamond Jr is a member of the US defined benefit pension plan and 401K defined contribution plan on similar terms to other Barclays senior executives in the US.

From 6th April 2006, when the simplification of pensions taxation takes effect, executive Directors with pension funds close to, or above, the Lifetime Allowance will be eligible to opt for a cash allowance instead of continued pension accrual. The allowance will be no more than the approximate cost of funding the existing pension benefit.

Service Contracts

The Group has service contracts with its Chairman and executive Directors. The effective dates of the contracts for the Chairman and executive Directors who served during 2005 are shown in the table below. The service contracts do not have a fixed term but provide for a notice period from the Group of one year and normally for retirement at age 60. The Committee's policy is that executive Directors' contracts should allow for

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termination with contractual notice from the Company, except in circumstances of gross misconduct when notice is not given.

The Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations and share scheme rules.

Directors^(a)	Effective date of contract	Notice period	Normal retirement date	Potential compensation for loss of office 1 year's contractual remuneration
Matthew W Barrett ^(b)	1st Sept 2004	1 year	n/a	
John Varley	1st Sept 2004	1 year	31st Mar 2016	
Robert E				
Diamond Jr	1st Jun 2005	1 year	26th July 2016	
Gary Hoffman	1st Jan 2004	1 year	20th Oct 2020	
Naguib Kheraj	1st Jan 2004	1 year	14th Jul 2024	
David Roberts	1st Jan 2004	1 year	11th Sep 2022	
Former Director				
Roger Davis	1st Jan 2004	1 year	n/a	

Notes

(a) Details of executive Directors standing for re-election at the 2006 AGM are set out on page 5.

(b) There is no formal retirement date under Matthew W Barrett's contract. However, his pension may not commence later than 20th September 2019 (age 75).

Barclays Capital and Barclays Global Investors (BGI)

The Committee has established frameworks for the governance of remuneration in these businesses. Ranges have been set for key financial and compensation ratios such as operating costs to net revenue, compensation to pre-compensation profit before tax and bonus expenditure as a percentage of pre-bonus profits. The Committee approves aggregate bonus and long-term incentive expenditure, and strategic investment for new hires. The Committee also approves individual compensation for the members of the management teams.

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The Board determines the fees of non-executive Directors and the fees are reviewed annually. The fee structure is shown below.

Base fee	£ 55,000
Chairman of Board Audit Committee	£ 40,000
Chairman of Board Risk Committee	£ 25,000
Members of the Board Audit Committee	£ 20,000
Members of the following Board Committees:	
Risk, HR and Remuneration and	
Corporate Governance and Nominations	£ 15,000

As Deputy Chairman, Sir Nigel Rudd receives £200,000, without any additional fee for chairing the Board HR and Remuneration Committee. Similarly, as Chairman, Matthew W Barrett receives a salary of £650,000, without any additional fee for chairing the Board Corporate Governance and Nominations Committee. Sir Richard Broadbent receives an additional £25,000 in respect of his role as Senior Independent Director.

The Board's policy is that fees should reflect individual responsibilities and membership of Board Committees. Barclays encourages its non-executive Directors to build up a holding in the Company's shares. £20,000 of each Director's basic fee of £55,000 is used to buy shares in the Company. These shares, together with reinvested dividends, are retained on behalf of the non-executive Directors until they retire from the Board. They are included in the table of Directors' interests in ordinary shares of Barclays PLC on page 28. Non-executive Directors do not receive awards in share schemes for employees, nor do they accrue pension benefits from Barclays for their non-executive services.

Non-executive Directors do not have service contracts but each has a letter of appointment. For each non-executive Director, the effective date of their appointment, notice period and the Group's liability in the event of early termination are shown in the following table.

Non-executive	Effective	Group
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Directors	date of letter of appointment	Notice period	liability in the event of early termination
Sir David Arculus	1st Feb 1997	6 months	6 months fees
Sir Richard Broadbent	1st Sep 2003		
Leigh Clifford	1st Oct 2004		
Dr Danie Cronjé	1st Sep 2005		
Professor Dame			
Sandra Dawson	1st Mar 2003		
Sir Andrew Likierman	1st Sep 2004		
Sir Nigel Rudd	1st Feb 1996		
Stephen Russell	25th Oct 2000		
Robert Steel	1st Jun 2005		
John Sunderland	1st Jun 2005		
Former Director			
Dr Jürgen Zech	30th Jul 2002		

Each appointment is for an initial six-year term, renewable for a single term of three years thereafter, with the exception of Sir Nigel Rudd, whose appointment as Deputy Chairman is reviewed annually.

Details of non-executive Directors standing for re-election at the 2006 AGM are set out on page 5.

Future Policy

The Committee will keep the existing remuneration arrangements, as detailed in this Report, under review during 2006 and ensure that Barclays programmes remain competitive and provide appropriate incentive for performance. As usual, there will be individual reviews of base salary, annual bonus (including ESAS) and awards under the long-term incentive plans.

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	Salary and fees £000	Benefits ^(b) £000	Annual cash bonus £000	2005 Total £000	2004 Total £000	Executive Share Award Scheme ESAS ^(c) 2005 £ 000	2004 £000
Chairman							
Matthew W Barrett	650	54		704	2,827		715
Executive Directors							
John Varley(d)	850	11	1,388	2,249	2,074	601	569
Robert E Diamond Jr(e)	146	7	4,375	4,528		1,896	
Gary Hoffman(d)	500	11	563	1,074	1,335	244	358
Naguib Kheraj(d)(f)	500	126	825	1,451	1,563	358	406
David Roberts(d)	500	11	825	1,336	1,279	358	333
Non-executive Directors^(g)							
Sir David Arculus	83			83	68		
Sir Richard Broadbent	123			123	83		
Leigh Clifford	60			60	13		
Dr Danie Cronjé(h)	129	3		132			
Professor Dame Sandra Dawson	71			71	62		
Sir Andrew Likierman	86			86	26		
Sir Nigel Rudd	179			179	98		
Stephen Russell	127			127	93		
Robert Steel(i)	39			39			
John Sunderland(j)	40			40			
Former Directors							
Roger Davis(k)	468	13	1,031	1,512	1,337		358
Dr Jürgen Zech(l)	49			49	62		

Notes

- (a) Emoluments include amounts, if any, payable by subsidiary undertakings. Amounts payable to Dr Danie Cronjé include an amount of R1,193,275 (£109,734) in respect of his Chairmanship of Absa Group Limited. Dr Cronjé also received R37,913 (£3,486) of benefits in respect of his Chairmanship of Absa Group Limited.
- (b) The Chairman and executive Directors receive benefits in kind, which may include life and disability cover, the use of a Company owned vehicle or cash equivalent, medical insurance and tax advice on similar terms to other senior executives.
- (c) The amounts shown for ESAS represent payments which are expected to be made to the trustee to fund the provisional allocation of shares in 2006, including a maximum potential 30% bonus share element.

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- (d) John Varley is a Director of Ascot Authority (Holdings) Limited and British Grolux Investments Limited, for which he received fees of £24,648 and £6,000 respectively in 2005. Gary Hoffman is a Director of Visa (Europe) Limited, for which he receives no fee and Trinity Mirror plc, for which he received fees of £39,521 in 2005. Naguib Kheraj is a member of the Board of Governors of the Institute of Ismaili Studies, for which he receives no fee. Naguib Kheraj and David Roberts are non-executive Directors of Absa Group Limited and Absa Bank Limited. They have each waived their fees, which were paid to Barclays. The respective fees for 2005 were R161,033 (£14,809) and R140,366 (£12,908).
- (e) Robert E Diamond Jr joined the Board on 1st June 2005. The amount shown is for the period from that date.
- (f) Naguib Kheraj received an allowance of 23% of base salary (£115,000) in lieu of pension contributions.
- (g) Fees to non-executive Directors include an amount of £20,000 per annum which, after tax, is used to buy Barclays PLC ordinary shares for each non-executive Director. Further details are provided on page 20.
- (h) Dr Danie Cronjé was appointed as a non-executive Director on 1st September 2005.
- (i) Robert Steel was appointed as a non-executive Director on 1st June 2005.
- (j) John Sunderland was appointed as a non-executive Director on 1st June 2005.
- (k) Roger Davis ceased to be a Director on 8th December 2005; his 2005 salary and bonus are pro-rated up to this date. His contract provides for a notice period of 12 months or contractual pay in lieu of notice for 12 months, subject to mitigation if alternative employment is found during the period of pay in lieu of notice. Contractual pay on termination includes base salary (£500,000), pension contribution (£115,000) and a bonus capped at 100% of current base salary (£500,000), totalling £1,115,000. The notice period will commence on 1st April 2006. The contract provides for a discretionary bonus in respect of part-year service up to the date the notice period starts. The bonus for the period 1st January 2006 to 31st March 2006 will be £250,000.
- (l) Dr Jürgen Zech resigned from the Board on 28th April 2005.

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	Age	Completed years of service	Accrued pension at 31st December 2004 ^(d) £000	Pension accrued during 2005 (including increase for inflation) ^(e) £000	Pension accrued during 2005 (excluding inflation) £000	Accrued pension at 31st December 2005 £000	Transfer value of pension accrued at 31st December 2004 ^(d) £000	Transfer value of pension accrued at 31st December 2005 £000	Increase in transfer value during the year ^(e) £000	Other contributions made in 2005 £000
Chairman										
Matthew W Barrett(f)	61	6								
Executive Directors										
John Varley(g)(h)	49	23	307	67	59	374	4,705	6,338	1,633	
Robert E Diamond Jr(h)(i)(j)	54	9	33	4	4	37	186	207	21	7
Gary Hoffman(g)(h)	45	23	185	13	8	198	1,488	1,723	235	
Naguib Kheraj(k)	41	8								
David Roberts(g)(h)	43	22	177	13	8	190	1,295	1,503	208	
Former Director										
Roger Davis(l)	49	8								108

(a) Pension accrued during the year represents the increase in accrued pension (including inflation at the prescribed rate of 2.7%), which occurred during the entire year with the exception of Robert E Diamond Jr (see Note (e)). These pensions paid from the final salary section of the pension fund are reviewed annually. Pensions increase by a minimum of the increase in the retail price index (up to a maximum of 5%), subject to the scheme rules.

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- (b) The transfer values have been calculated in a manner consistent with Retirement Benefit Schemes Transfer Values (GNII) published by the Institute of Actuaries and the Faculty of Actuaries.
- (c) The tax simplification in the Finance Act 2004 will introduce new maximum limits on tax-approved pension benefits. The Committee's policy is not to increase executive Directors' benefits to mitigate changes in tax treatment. Individuals with pension benefits affected by the new Lifetime Allowance and who opt out of the scheme for future accrual will be permitted to receive a taxable cash allowance in lieu of pension accrual after 6th April 2006. The allowance will be no more than the approximate cost of funding the existing pension benefit.
- (d) Accrued pension and transfer value of accrued pension shown as at 31st December 2004 for all individuals with the exception of Robert E Diamond Jr. His accrued pension and transfer value of accrued pension are shown as at 1st June 2005 when he was appointed to the Board.
- (e) This relates to the full financial year for all individuals with the exception of Robert E Diamond Jr for whom growth is calculated from 1st June 2005 when he was appointed to the Board.
- (f) Matthew W Barrett is not a member of the Group's main pension schemes. A notional fund has been accrued on his behalf outside the pension scheme; no contributions were made to this in 2005. Pension benefits for the other Directors shown above are provided on a funded basis. In the event of Mr Barrett's death before leaving employment, a capital sum of up to four times salary would be payable.
- (g) The Group has a closed non-contributory pension scheme, which provides that, in the case of death before retirement, a capital sum of up to four times salary is payable together with a spouse's pension of approximately 50% of the member's prospective pension at retirement. For death in retirement, a spouse's pension of approximately 50% of the member's pre-commutation pension is payable. If a member, granted a deferred pension, dies before their pension becomes payable, their widow/widower will immediately be paid a pension of 50% of their deferred pension. In all circumstances, children's allowances are payable, usually up to the age of 18. Enhanced benefits are payable if a member is unable to continue to work as a result of serious ill health. Gary Hoffman and David Roberts are members of the closed non-contributory pension scheme with benefits of 1/60th of final pensionable salary per year of service. Their Normal Retirement Age is 60. John Varley is also a member of the closed non-contributory pension scheme and he is entitled to a pension of 60% of pensionable salary without reduction for early retirement if he retires from age 55 and two-thirds of pensionable salary at age 60.
- (h) The accrued pension amounts at the end of the year for Gary Hoffman, Robert E Diamond Jr, David Roberts and John Varley are the values if the Director left service on that date.
- (i) Robert E Diamond Jr is a member of the Group's non-contributory qualified pension plan and the restoration defined benefit pension plan in the USA. The qualified plan provides benefits of 1/60th of final average pensionable pay plus 0.3% of final average pensionable pay in excess of covered compensation formula for each year of service (to a maximum of 30 years). The normal retirement age is 65. On death before retirement, a spouse's pension is payable of approximately 50% of the benefit the member would have received if he had retired under early retirement on his date of death. On death after retirement a spouse's pension of 50% of the member's pension is payable. Enhanced benefits are payable if the member qualifies for disability benefits. The exchange rates on 1st June 2005 and 31st December 2005 were \$1.82 to £1 and \$1.72 to £1 respectively.
- The restoration plan restores reductions in benefits under the qualified plan resulting from the relevant compensation and benefit limitations under the Internal Revenue Code.
- (j) Robert E Diamond Jr is also a member of the 401K defined contribution plan. This is a standard pension arrangement for US employees. Contributions made under this plan have been pro-rated for his time on the Board. Exchange rate \$1.77 to £1.
- (k) Naguib Kheraj receives a cash allowance of 23% of salary, in lieu of pension contributions.
- (l) Roger Davis received a money purchase pension contribution of 23% of his salary. He ceased to be a Director on 8th December 2005 and the number shown above is pro-rated on this basis.

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Executive Directors: illustration of change in value of Barclays PLC shares owned beneficially, or held under option or awarded under employee share plans during the year ^(a)

Number at 31st December 2005

	Shares owned beneficially ^(b)	Executive Share Award Scheme ^(c)	Performance Share Plan ^(d)	Executive Share Option Scheme	Incentive Share Option Plan ^(e)	Sharesave	Total	Notional value based on share price of £5.86 ^(f)	Notional value based on share price of £6.11 ^(g)	Change in notional value £
Chairman										
Matthew W Barrett	302,264	350,534		766,628	2,832,000	2,479	4,253,905	7,416,875	8,480,351	1,063,476
Executive Directors										
John Varley	360,049	206,074	142,045		880,000	4,096	1,592,264	5,388,668	5,786,735	398,067
Robert E Diamond Jr	1,512,575	6,261,163	52,083	100,000	520,000		8,445,821	46,633,767	48,743,151	2,109,384
Gary Hoffman(h)	172,702	482,148	75,758		700,000	6,091	1,436,699	5,311,750	5,668,124	356,374
Naguib Kheraj	8,550	937,361	87,121	60,000	480,000	4,007	1,577,039	6,795,300	7,189,560	394,260
David Roberts	78,191	334,844	75,758		480,000	5,227	974,020	3,481,500	3,724,712	243,212
Former Director										
Roger Davis	99,970	511,688	75,758		440,000	2,714	1,130,130	4,621,463	4,903,995	282,532

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

(b) The number shown includes shares held under the Sharepurchase Plan.

(c) Executive Share Award Scheme (ESAS) includes the maximum potential 30% bonus share element.

(d) The number of shares shown represent initial allocation shares.

(e) The number of shares shown represent the target award shares under option, or the actual number of shares under option if the award has vested.

(f) The value is based on the share price as at 31st December 2004. The notional value of shares under option under the Incentive Share Option Plan (ISOP), Executive Share Option Scheme (ESOS) and Sharesave have been set at zero where the market price at 31st December 2004 is

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lower than the exercise price per share.

- (g) The value is based on the share price as at 31st December 2005. The notional value of shares under option under ISOP, ESOS and Sharesave has been set at zero where the market price at 31st December 2005 is lower than the exercise price per share.
- (h) On 10th January 2006 Gary Hoffman acquired a further 1,008 shares as a result of an option exercise on 23rd December 2005 under the Sharesave Plan.
- (i) Market price per share at 31st December 2005 was 611p. The highest and lowest market prices per share during the year were 614.5p and 519.5p respectively.
- (j) Under PSP, ESAS, ISOP and ESOS, nothing was paid by these participants on the grant of options or awards.

Table of Contents**Corporate governance****Barclays report on remuneration****Executive Directors: shares provisionally allocated and shares under option under Executive Share Award Scheme (ESAS)^(a)**

	During 2005							Number at 31st December 2005
	Number at 1st January 2005	Awarded in respect of the results for 2004	Released ^(b)	Market price at release date £	Exercised ^(c)	Market price at exercise date £	Bonus shares lapsed	
Chairman								
Matthew W Barrett	293,460	120,982			58,992	5.51	4,916	350,534
Executive Directors								
John Varley	139,695	96,235	29,856	5.65				206,074
Robert E Diamond Jr(d)	6,463,174		202,011	6.02				6,261,163
Gary Hoffman	300,002	60,490	14,928	5.65				345,564
Naguib Kheraj	868,622	68,739						937,361
David Roberts	288,717	56,367	10,240	5.65				334,844
Former Director								
Roger Davis	587,682	60,490	136,484	5.65				511,688

Shares under option under ESAS and voluntary ESAS at 31st December 2005 (with the exception of voluntary ESAS, shares under option are included in aggregate figures above)

	Nil cost option granted	Nil cost option held under voluntary ESAS ^(f)	Date from which exercisable	Latest expiry date
	at 3rd anniversary ^(e)			

Chairman
Matthew W Barrett

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Executive Directors

John Varley	45,352		23/02/04	25/02/07
Robert E Diamond Jr	428,380		23/02/04	23/02/06
Gary Hoffman	29,008	136,584	26/02/99	04/03/14
Naguib Kheraj	212,824		25/02/05	25/02/07
David Roberts	24,536		23/02/04	25/02/07

Former Director

Roger Davis	99,068		23/02/04	25/02/07
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Notes

- (a) ESAS is a deferred share award plan in which awards are initially granted in the form of a provisional allocation that does not give rise to any entitlement to the shares. These awards were granted in the years 2001 to 2005, and include mandatory bonus deferrals. For mandatory bonus deferrals under ESAS, the size of any award under ESAS is subject to the same Group and individual performance criteria as the annual cash bonus. Normally, the trustees will permit the executive to call for the shares from the end of the third year from grant of an award by granting a right to acquire shares (a nil cost option) exercisable for two years. As this nil cost option is part of the structure of an ESAS award described above, which is a deferred share award plan, it would not be appropriate to attach a performance condition to the exercise of options. If the right is not exercised, the trustees, will normally at the end of the fifth year, release all of the shares, including bonus shares equal to 30% of the basic award. If the right is exercised, an executive may lose the opportunity of receiving one-third of the bonus shares. The number of shares shown in the table includes the bonus shares where applicable.
- (b) The trustees may release additional shares to participants which represent accumulated net dividends in respect of shares under award. During 2005, the trustees released the following accumulated dividend shares 6,074 to John Varley, 17,515 to Robert E Diamond Jr, 3,038 to Gary Hoffman, 2,081 to David Roberts and 27,780 to Roger Davis. These are not awarded as part of the original award and consequently are not included in the Released column.
- (c) The trustees may release additional shares to participants which represent accumulated net dividends in respect of the shares under award. During 2005, the trustees released 8,167 accumulated dividend shares to Matthew W Barrett. These are not included as part of the original award and consequently are not included in the Exercised column.
- (d) The number shown in the column headed Number at 1st January 2005 includes shares held by Robert E Diamond Jr which reflect interests built up over the course of successive years service with Barclays. The awards were related to Mr Diamond's contribution to the performance of Barclays Capital, BGI and the Barclays Group. The number shown is at 1st June 2005, when he was appointed to the Board.
- (e) The shares under option shown in this column are already included in the numbers shown at 1st January 2005 and relate to provisional allocations made in 2001 and 2002 except that the figures do not include accumulated dividend shares under option as follows: 5,459 shares for John Varley, 40,501 for Robert E Diamond Jr, 3,428 for Gary Hoffman, 29,466 for Naguib Kheraj, 3,005 for David Roberts and 9,367 for Roger Davis. Under ESAS, a participant pays £1 to exercise an option, irrespective of the number of shares involved.
- (f) The shares under option in this column are not included in the numbers shown at 1st January 2005. Voluntary ESAS is an additional award under ESAS following a Director requesting that part of the cash bonus to which he would otherwise become entitled to be waived and is granted as a right to acquire shares which will be fully exercisable after five years.
- (g) Awards in respect of 2005 will be made in April 2006. Including a maximum potential 30% bonus shares, the awards will total £601,250 to John Varley, £3,250,000 to Robert E Diamond Jr, £243,750 to Gary Hoffman, £357,500 to Naguib Kheraj and £357,500 to David Roberts.

Table of Contents**Executive Directors: awards under the Performance Share Plan (PSP)^(a)**

	Number at 1st January 2005	Initial allocation shares granted during 2005 ^(b)	Maximum number of shares under award	Market price on award date £ ^(c)	Performance period ^(d)	Vesting date	Number at 31st December 2005
Executive Directors							
John Varley		142,045	426,135	5.32	01/01/05-31/12/07	16/06/08	142,045
Robert E Diamond Jr		52,083	156,249	5.32	01/01/05-31/12/07	16/06/08	52,083
Gary Hoffman		75,758	227,274	5.32	01/01/05-31/12/07	16/06/08	75,758
Naguib Kheraj		87,121	261,363	5.32	01/01/05-31/12/07	16/06/08	87,121
David Roberts		75,758	227,274	5.32	01/01/05-31/12/07	16/06/08	75,758
Former Director							
Roger Davis		75,758	227,274	5.32	01/01/05-31/12/07	16/06/08	75,758

(a) PSP is a long-term share incentive plan under which share awards are granted in the form of a provisional allocation of shares for which no exercise price is payable. The shares are scheduled for release in June 2008, to the extent that the relative TSR performance condition is achieved. Dividend shares will also be provided on the vested shares only.

(b) The price used to convert the present fair value of the award to a number of shares was £5.28. This was an average over the period 8th June 2005 to 15th June 2005.

(c) The price shown is the mid-market closing price on the date of the award.

(d) The details of the performance conditions for PSP are included earlier in the Remuneration Report.

Executive Directors: Retained Incentive Opportunity^{(a)(b)}

	Date of award	Maximum potential value £000s	Performance period	Vesting date
Robert E Diamond Jr	25/05/05	14,850	01/01/05-31/12/07	No later than 15/03/08

Notes

- (a) This Retained Incentive Opportunity is specific to Robert E Diamond Jr, under which he retains an opportunity broadly equivalent to a prior opportunity to participate in a Barclays Capital long-term incentive arrangement. It is intended to maintain close alignment of reward with Mr Diamond's continued contribution to the performance of Barclays Capital. The performance measure is the cumulative Economic Profit (EP) performance of Barclays Capital during the period 1st January 2005 to 31st December 2007. To achieve the maximum potential value shown above, Barclays Capital would need to generate cumulative EP of £2bn over the performance period. If EP for the performance period is less than £500m, Mr Diamond will not be eligible for any award. If the minimum performance requirement of £500m EP is met, the potential value of the award would be in a range of £0.65m to £1.08m. The potential value of the Retained Incentive Opportunity between £500m cumulative EP and £2bn cumulative EP is subject to a performance curve graduated to deliver higher proportionate value at higher levels of cumulative EP. Mr Diamond must normally be in the employment of the Barclays Group on the vesting date, to remain eligible. In determining the potential value of the Retained Incentive Opportunity, the HR and Remuneration Committee will take into account Mr Diamond's individual contribution during the performance period, and the underlying financial health of the Barclays Group. The amount and basis for determining any entitlement under the Retained Incentive Opportunity will not be altered to the advantage of Mr Diamond without prior approval of shareholders in general meeting.
- (b) Under the Retained Incentive Opportunity, 50% of any potential award would be payable in cash on the vesting date. A recommendation would be made to the trustee of the ESAS for an award of Barclays shares, deferred for 12 months in the form of a provisional allocation, in respect of the remaining 50%. The value under the Retained Incentive Opportunity is not pensionable.

Table of Contents**Corporate governance****Barclays report on remuneration****Executive Directors: shares under option under Sharesave^(a)**

	During 2005			Information as at 31st December 2005						
	Number held at 1st January 2005	Granted	Exercised	Number at 31st December 2005	Exercise price per share	Weighted average exercise price	Market price on date of exercise	Date from which exercisable	Latest expiry date	
					£	£	£			
Chairman										
Matthew W Barrett	2,479			2,479		3.73		01/11/06	30/04/07	
Executive Directors										
John Varley	4,096			4,096		4.11		01/11/06	30/04/07	
Robert E Diamond Jr										
Gary Hoffman	6,874	225	1,008	6,091	3.08	3.90	6.12	01/11/06	30/04/13	
Naguib Kheraj	10,319		6,312	4,007	3.08	4.08	5.63	01/11/05	30/04/10	
David Roberts	4,483	744		5,227		3.79		01/11/05	30/04/11	
Former Director										
Roger Davis	2,714			2,714		3.50		01/11/05	30/04/06	
Note										

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

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Table of Contents**Executive Directors: plans used in previous years (Executive Share Option Scheme (ESOS), Incentive Share Option Plan (ISOP) and BGI Equity Ownership Plan (BGI EOP))**

Executive Directors continue to have interests under the ESOS^(a), ISOP^(b) and BGI EOP^(c) (as indicated in the table below). No awards were made to Directors under these plans during 2005.

Executive Directors: awards under plans used in previous years^(d)

	Maximum number of shares under option at 1st January 2005	During the year ^(e)		Maximum number of shares under option at 31st December 2005	Market price on exercise date £	Weighted average exercise price £	Date from which exercisable	Latest expiry date	Target/vested number of shares at 31st December 2005 ^(g)
		Exercised	Lapsed						
Chairman									
Matthew W Barrett									
ESOS(f)	766,628			766,628	4.43		04/10/02	03/10/09	766,628
ISOP	8,752,000		5,920,000	2,832,000	4.98		18/05/03	19/03/12	2,832,000
Executive Directors									
John Varley									
ISOP	2,340,000		280,000	2,060,000	4.45		18/05/03	22/03/14	880,000
Robert E Diamond Jr									
ESOS	100,000			100,000	3.97		14/08/01	13/08/08	100,000
ISOP	1,620,000		280,000	1,340,000	4.42		12/03/04	22/03/14	520,000
BGI EOP	200,000			200,000	20.11		26/03/05 to 26/03/07	26/03/14	200,000
Gary Hoffman									
ISOP	1,800,000		280,000	1,520,000	4.34		18/05/03	22/03/14	700,000
Naguib Kheraj									
ESOS	60,000			60,000	3.97		14/08/01	13/08/08	60,000
ISOP	1,580,000		220,000	1,360,000	4.40		12/03/04	22/03/14	480,000
David Roberts									
ISOP	1,580,000		280,000	1,300,000	4.39		12/03/04	22/03/14	480,000
Former Director									
Roger Davis									
ISOP	1,420,000		160,000	1,260,000	4.36		12/03/04	22/03/14	440,000

(a) Under the ESOS, options granted (at market value) to executives were exercisable only if the growth in earnings per share of the Company over the three-year period was, at least, equal to the percentage increase in the UK Retail Price Index plus 6% over the same period. The performance target for the 1999 ESOS grant was met.

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- (b) Under the ISOP, executives were awarded options (at market value) over Barclays PLC ordinary shares which are normally exercisable after three years. The number of shares over which options can be exercised depends upon performance against specific targets. For ISOP awards granted in 2000 to 2003, the first 40,000 target shares under option for each award was subject to an Economic Profit metric. Any amount above 40,000 target shares was subject to a relative TSR metric. Awards in 2004 were subject to a relative TSR metric.
- (c) Robert E Diamond Jr received a grant under the BGI EOP in March 2004. He was not a Director of Barclays PLC at that time. The EOP is an option plan, approved by shareholders in 2000. Under the plan, participants receive an option to purchase shares in Barclays Global Investors UK Holdings Limited. The exercise price is based on the fair value at the time of grant. The option normally vests in three equal tranches on the first, second, and third anniversary of the date of grant. Participants are required to retain their shares for 355 days after the date of exercise, before they may be offered for sale.
- (d) The register of Directors' interests, which shows full details of Directors' current share awards and options, is available for public inspection at the Group's head office in London.
- (e) No options were granted under these plans during 2005.
- (f) The independent trustee of the Barclays Group (ESOS) employees' benefit trust granted Matthew W Barrett a share award in 1999 comprising of an option on similar terms to options granted under ESOS. For convenience these are described as granted under ESOS in the above table.
- (g) The number of shares shown represent the target award shares under option, or the actual number of shares under option if the award has vested. The target number of shares takes account of the stretch in the performance condition and the probability of vesting. A maximum number is shown for the BGI EOP.

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Table of Contents**Corporate governance****Barclays report on remuneration****Directors: interests in ordinary shares of Barclays PLC^(a)**

	At 1st January 2005 ^(b)		At 31st December 2005	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Chairman				
Matthew W Barrett	289,242		302,264	
Executive Directors				
John Varley(c)	338,451		360,049	
Robert E Diamond Jr(c)(d)(h)	1,357,318		1,512,575	
Gary Hoffman(c)	161,253		172,702	
Naguib Kheraj(g)	2,238		8,550	
David Roberts(c)(g)	67,405		78,191	
Non-executive Directors(c)				
Sir David Arculus	17,428		19,770	
Sir Richard Broadbent	3,992		6,068	
Leigh Clifford	2,000		3,460	
Dr Danie Cronjé(e)(g)			2,000	
Professor Dame Sandra Dawson	5,460		7,822	
Sir Andrew Likierman	2,000		3,628	
Sir Nigel Rudd	14,367		16,788	
Stephen Russell	13,774		16,221	
Robert Steel(f)			100,321	
John Sunderland(f)	8,000		8,308	

Notes

(a) Beneficial interests in the table above represent shares held by Directors who were on the Board as at 31st December 2005, either directly or through a nominee, their spouse and children under 18. They include any interests held through Sharepurchase, but do not include any awards under ESAS, ISOP, PSP, ESOS and Sharesave schemes. At 31st December 2005, Matthew W Barrett and the executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 147,145,847 Barclays PLC ordinary shares (1st January 2005: 115,031,594) held by the trustees of the Barclays Group Employees Benefit Trusts. At 28th February 2006, a total of 156,556,203 shares were held by the trustees.

(b) Or date appointed to the Board if later.

- (c) Between 31st December 2005 and 28th February 2006, John Varley, Gary Hoffman and David Roberts each purchased 40 ordinary shares through Sharepurchase. On 10th January 2006 Gary Hoffman acquired a further 1,008 ordinary shares as a result of an option exercise on 23rd December 2005 under the Sharesave Plan. On 21st February 2006, the non-executive Directors acquired ordinary shares pursuant to arrangements under which part of each Director's fee is used to buy shares in Barclays. Ordinary shares were acquired by each non-executive Director as follows: Sir David Arculus 1,084; Sir Richard Broadbent 946; Leigh Clifford 864; Dr Danie Cronjé 669; Professor Dame Sandra Dawson 983; Sir Andrew Likierman 926; Sir Nigel Rudd 1,083; Stephen Russell 1,060; Robert Steel 811; John Sunderland 882. On 28th February 2006, Robert E Diamond Jr acquired 187,957 ordinary shares following the release of a provisional allocation made under ESAS. Except as described in this note, there were no changes to the beneficial or non-beneficial interests of Directors in the period 31st December 2005 to 28th February 2006.
- (d) Appointed to the Board 1st June 2005.
- (e) Appointed a non-executive Director 1st September 2005.
- (f) Appointed a non-executive Director 1st June 2005.
- (g) As at 1st September 2005, Dr Danie Cronjé also held 101,577 shares in Absa Group Limited. As at their date of appointment to the Board of Absa Group Limited (27th July 2005), Naguib Kheraj and David Roberts held no shares in Absa Group Limited. As at 31st December 2005, Naguib Kheraj, David Roberts and Dr Danie Cronjé held 1,200, 1,200 and 101,577 shares in Absa Group Limited, respectively.
- (h) As at 1st June 2005, Robert E Diamond Jr also held 100,000 A ordinary shares in Barclays Global Investors UK Holdings Limited, which shares were also held as at 31st December 2005.

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Corporate governance

Accountability and audit

Accountability and Audit

Going Concern

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

Internal Control

The Directors have responsibility for ensuring that management maintain an effective system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Throughout the year ended 31st December 2005, and to date, the Group has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance 'Internal Control: Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants in England and Wales. The Board regularly reviews these processes through the Board Committees.

The Directors review the effectiveness of the system of internal control semi-annually. An internal control compliance certification process is conducted throughout the Group in support of this review. The effectiveness of controls is periodically reviewed within the business areas. Quarterly risk reports are made to the Board covering risks of Group significance including credit risk, market risk and operational risk, including legal and compliance risk. Regular reports are made to the Board Audit Committee by management, Internal Audit and the Compliance and Legal functions covering particularly financial controls, compliance and operational controls. Reports covering risk measurement standards and risk appetite are made to the Board Risk Committee.

The key document for the Group's internal control processes is the Group Internal Control and Assurance Framework ('GICAF'), which describes the Group's approach to internal control and details Group policies and processes. The GICAF is reviewed and approved on behalf of the Group Chief Executive by the Group Governance and Control Committee. Further details of risk management procedures are given in the Risk management section on pages 34 to 78.

The system of internal financial and operational controls is also subject to regulatory oversight in the United Kingdom and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation on page 85 and 86.

Statement of Directors' Responsibilities for Accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 116, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

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

The Directors consider that, in preparing the accounts on pages 118 to 267, and the additional information contained on pages 268 to 297, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

Disclosure Controls and Procedures

The Group Chief Executive, John Varley, and the Group Finance Director, Naguib Kheraj, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31st December 2005, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within specified time periods. As of the date of the evaluation, the Group Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective. The Group Chief Executive and Group Finance Director also concluded that no significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to their evaluation.

Signed on behalf of the Board

/s/ Matthew W Barrett
Matthew W Barrett
9th March 2006

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Presentation of information

Presentation of Information

Barclays PLC is a public limited company registered in England and Wales under company number 48839. The Company, originally named Barclay & Company Limited, was incorporated in England and Wales on 20th July 1896 under the Companies Acts 1862 to 1890 as a company limited by shares. The company name was changed to Barclays Bank Limited on 17th February 1917 and it was reregistered in 1982 as a public limited company under the Companies Acts 1948 to 1980. On 1st January 1985, the company changed its name to Barclays PLC.

Barclays Bank PLC is a public limited company registered in England and Wales under company number 1026167. The Bank was incorporated on 7th August 1925 under the Colonial Bank Act 1925 and on 4th October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1st January 1985 the Bank was re-registered as a public limited company and its name was changed from Barclays Bank International Limited to Barclays Bank PLC.

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. The Annual Report for Barclays PLC also contains the consolidated accounts of, and other information relating to, Barclays Bank PLC. Except where otherwise indicated, the information given is identical with respect to both Barclays PLC and Barclays Bank PLC.

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

The term **Barclays PLC Group** means Barclays PLC together with its subsidiaries and the term **Barclays Bank PLC Group** means Barclays Bank PLC together with its subsidiaries. **Barclays** and **Group** are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term **Company** or **parent Company** refers to Barclays PLC and the term **Bank** refers to Barclays Bank PLC. **Woolwich plc** is used, as the context requires, to refer to Woolwich plc and its subsidiaries. The term **Absa Group Limited** is used to refer to Absa Group Limited and its subsidiaries and the term **Absa** is used to refer to the component of the International Retail and Commercial Banking segment represented by this business. In this report, the abbreviations **£m** and **£bn** represent millions and thousands of millions of pounds sterling respectively; the abbreviations **m** and **bn** represent millions and thousands of millions of US Dollars respectively and **m** and **bn** represent millions and thousands of millions of euros respectively.

Statutory Accounts

The consolidated accounts of Barclays PLC and its subsidiary are set out on pages 118 to 283 along with the accounts of Barclays PLC itself on pages 118 to 267. The consolidated accounts of Barclays Bank PLC and its subsidiaries are set out on pages 271 to 283. The accounting policies on pages 118 to 129 and the Notes commencing on page 138 apply equally to both sets of accounts unless otherwise stated.

Adoption of IFRS

The Group has adopted the requirements of International Financial Reporting Standards and International Accounting Standards (collectively IFRS) as adopted by the European Union for the first time for the purpose of preparing financial statements for the year ended 31st December 2005. The IFRS accounting policies, including the choices made under IFRS 1 for the transition are set out, on pages 118 to 129.

First-time application of IFRS relating to Financial Instruments and Insurance Contracts

In addition to the options described above, IFRS 1 also includes specific transitional provisions for International Accounting Standard 32, Financial Instruments, Disclosure and Presentation, International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Financial Reporting Standard 4, Insurance Contracts. The Group has decided to adopt these provisions and therefore has not applied these standards to the 2004 comparatives. The impact of these standards is reflected through further adjustments to shareholders' equity as at 1st January 2005. In the 2004 comparatives, financial instruments and insurance contracts are included using the measurement bases and the disclosure requirements of UK GAAP relating to financial instruments and insurance contracts.

Whilst the change in accounting standards has no impact on the underlying economics or risk of the business, the 2004 results under IFRS are different from the Group's previously provided 2004 results under UK GAAP. In addition, since, as permitted by IFRS 1, the accounting standards relating to financial instruments and insurance contracts have not been applied to 2004, the comparatives are significantly different from the numbers reported in 2005. The effect of the transition and a description of the differences between UK GAAP and IFRS accounting policies are set out in Note 62 on pages 222 to 245.

N/a has been included in the tables where, as a result of the application of IAS 32, IAS 39 and IFRS 4 in 2005 and UK GAAP in 2004, the disclosure is not applicable.

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Risk factors

Risk Factors

The following discussion sets forth certain risk factors that the Group believes could cause its actual future results to differ materially from expected results. However, other factors could also adversely affect the Group results and so the factors discussed in this report should not be considered to be a complete set of all potential risks and uncertainties.

Business Conditions and General Economy

The profitability of Barclays businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom or globally. Factors such as the liquidity of the global financial markets, the level and volatility of equity prices, interest rates, inflation, investor sentiment, and the availability and cost of credit could significantly affect the activity level of customers. A market downturn would be likely to lead to a decline in the volume of transactions that Barclays executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions. A market downturn or worsening of the economy could cause the Group to incur mark to market losses in its trading portfolios. A market downturn also could potentially result in a decline in the fees Barclays earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management. An economic downturn or significantly higher interest rates could adversely affect the credit quality of Barclays on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Barclays customers would be unable to meet their obligations.

Credit Risk

Credit Risk is the risk that Barclays customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities.

Market Risks

The most significant market risks the Group faces are interest rate, credit spread, foreign exchange, commodity price and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending income and borrowing costs. Changes in currency rates, particularly in the Sterling-Dollar, Sterling-euro and Sterling-Rand exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by the Group's non-UK subsidiaries and may affect revenues from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios and in the amount of revenues generated from assets under management. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance, business operations and the value of assets held in the Group's pension and long-term assurance funds.

Capital Risk

The Group's authority to operate as a bank is dependent upon the maintenance of an adequate capital base. Capital risk is the risk that it is unable to meet capitalisation requirements in the UK and in other markets where banking activities are undertaken. As the level of capitalisation may affect the Group's debt rating, the Group also manages its capital to secure the maintenance of its strong rating.

Moreover, a sufficiently strong capital base may assist the Group's growth and strategic options. Unforeseen circumstances may arise under which the Group is unable to maintain its desired capitalisation.

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Operational Risks

The Group's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee errors, failure to properly document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and Conduct of Business rules, equipment failures, natural disasters or the failure of external systems (see page 58 for a fuller list). Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by the Group.

Regulatory Compliance Risk

The Group is subject to extensive supervisory and regulatory regimes in all countries in which it operates. Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Legal Risk

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- | the Group's business may not be conducted in accordance with applicable laws around the world;
 - | contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
 - | the intellectual property of the Group (such as its trade names) may not be adequately protected; and
 - | the Group may be liable for damages to third parties harmed by the conduct of its business.
- The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if successful.

Although the Group has processes and controls to manage legal risks, failure to manage these risks can impact the Group adversely, both financially and reputationally.

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Risk factors

Tax Risk

The Group is subject to the tax laws in all countries in which it operates. A number of bilateral double taxation agreements entered between two countries also impact on the taxation of the Group.

Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities.

Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a number of steps to manage its tax risk. Primarily:

- | tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Risk Oversight Committee and the Board Risk Committee;
- | the tax risks of proposed transactions or new areas of business are considered before proceeding;
- | the Group employs high-quality tax professionals and provides ongoing technical training;
- | the tax professionals understand and work closely with the different areas of the business;
- | the use of effective, well documented and controlled processes to ensure compliance with tax filing and reporting obligations.

Effect of Governmental Policy and Regulation

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the UK, the European Union, the US and elsewhere. The nature and impact of future changes in such policies and regulatory action are not predictable and are beyond the Group's control.

There is continuing political and regulatory scrutiny of, and major changes in, legislation and regulation of the retail banking and consumer credit industries in the UK and elsewhere.

In the EU as a whole, this includes an inquiry into retail banking in all 25 member states by the European Commission's Directorate General for Competition. The inquiry is looking at retail banking in Europe generally and the Group is co-operating with the inquiry. The outcome of the inquiry is unclear, but it may have an impact on retail banking in one or more of the EU countries in which the Group operates and therefore on the Group's business in that sector. In the UK, in September 2005 the Office of Fair Trading (OFT) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (PPI). As a result of its inquiries, the OFT then announced in December 2005 that it will commence a market study on PPI in March 2006. The scope and impact of the study is not known at present.

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In relation to UK consumer credit:

- | The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case is being appealed to the Competition Appeals Tribunal and the appeal is expected to be heard towards the end of 2006. The OFT's investigation in the Visa interchange case is at an earlier stage.
- | The OFT also has a continuing investigation into the level of late and over-limit fees on credit cards. The OFT issued a press release

in July 2005 stating that their provisional conclusion was that these fees were excessive and need to be reduced to be fair. The OFT gave Barclaycard, and seven other credit card companies, three months to provide suitable undertakings regarding the basis of these charges or otherwise to address the concerns of the OFT. Barclaycard responded to the OFT in October 2005 further explaining the position Barclaycard takes in respect of late and over-limit fees and has continued to work with the OFT to address its concerns. Barclays continues to consider the impact of the provisional finding on the credit card industry and Barclaycard, including steps to mitigate any financial impact on shareholders.

These investigations are looking at several aspects of the UK consumer credit industry and the Group is co-operating with them. Their outcome is not known but they may have an impact on the consumer credit industry in general and therefore on the Group's business in this sector.

The OFT announced in January 2006 that it would be reviewing the undertakings given following the conclusion of the Competition Commission Inquiry in 2002 into the supply of banking services to SMEs. The OFT will commence that review in April 2006 and anticipate that it will take them nine months. The Group will co-operate fully with that review.

Other areas where changes could have an impact include:

- | the monetary, interest rate and other policies of central banks and regulatory authorities;
- | general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- | general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework (page 40);
- | changes in competition and pricing environments;
- | further developments in the financial reporting environment;
- | expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- | other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

Impact of Strategic Decisions taken by the Group

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not deliver as anticipated, the Group's earnings could grow more slowly or decline.

Competition

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The global financial services markets in which the Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group's profitability if the Group fails to retain and attract clients and customers.

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Impact of External Factors on the Group and Peer Group

The Group's primary performance goal is to achieve top quartile TSR performance for 2004 to 2007 (inclusive) against a group of peer financial institutions. This goal assumes that external factors will impact all peer group entities similarly. The Group's ability to achieve the goal will be significantly impacted if the Group is disproportionately impacted by negative external factors. Even if the Group performs well, if others perform better or the market believes others have performed better, we may not achieve our goal.

Barclays devotes considerable resources and expertise to managing the risks to which it is exposed. Our risk management is described in the following pages (pages 34 to 61). Please also refer to the cautionary statement concerning forward-looking statements on the inside of the front cover in conjunction with this section.

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Risk management

Risk management and control overview

Introduction

Barclays business model is about building earnings growth, and one of the main responsibilities of Risk Management is to help manage this growth effectively. To support this, the identification and management of risk remains a high priority and underpins all our business activity. Our approach is built on formal governance processes, relies on individual responsibility and collective oversight, uses advanced analyses, and is informed by comprehensive reporting. Responsibility for risk resides at all levels of management, from the Board down through the organisation to individuals in offices around the world. Each business manager is accountable for managing risk in his or her business area, assisted, where appropriate, by risk specialists. We measure the key risks and understand the viability of transactions while taking risk into account.

How we position and implement risk management is critical to our plans. We do that in two main ways; by developing a clear plan for our Risk Appetite and by ensuring that we develop the functional capability to risk manage the new and expanding businesses. For Risk Appetite, we look at our business plans three years forward and project the possible financial earnings volatility and capital requirements for those plans. We compare this with our targets for capital ratios, dividend cover, and downside stress loss capacity, and we translate the results into risk capacity for each of our main cluster business plans. We believe that this helps us to optimise risk and return characteristics across our business after considering diversification benefits. As a second factor we set business-level mandate and scale limits to ensure that our individual risk components are appropriately balanced. In broad terms, our Risk Appetite increased by about 25% through 2005. To provide strong functional capabilities we have built specialised risk teams in each of our businesses, ensuring a responsive but independent risk management capability. We have made a substantial investment in the infrastructure we need to measure, model, track, and report our risk positions. Finally, as in all businesses, good people make the difference. We have worked hard to recruit and train strong risk professionals and to develop the right culture and attitude toward incorporating good risk management as part of our everyday approach to managing our business.

Risk diversification is an explicit part of our business model. A significant benefit from the acquisition of a majority stake in Absa was risk diversification, provided by earnings that are less correlated with our UK business. The same is true for Barclaycard US (previously Juniper) and the other areas of international growth we have achieved within existing businesses like Barclays Capital and BGI. The development across the Group of new products with new clients and in new geographies has provided good diversification. This synergy is strengthened when we can use the risk skills and systems we have already developed in our core businesses to improve the performance of these new and growing business areas.

The risk environment in 2005 had conflicting characteristics, with stable conditions in wholesale and corporate credit risk, market risk and operational risk but a deterioration in the UK retail credit sector. The UK consumer portfolios were affected by the high level of household indebtedness in the UK and by non-discretionary household expenditure growing faster than income, as higher interest rates, energy costs, local taxes and other outgoings increased the strain on

household budgets. This has resulted in a deterioration in consumer credit quality that has been particularly evident in credit card portfolios. We have experienced higher average delinquency balances and faster movement from delinquency through the collection process and charge-off to recovery. Combined with declining recovery rates, these trends have led to a higher impairment charge in the retail sector for the year. Throughout the year Barclaycard has reviewed its risk management processes and implemented a number of measures designed to manage risk more effectively in this environment. These include revised underwriting rules and tighter guidelines for limit assignment and management. The unsecured personal loan business has also been under some strain; however our mortgage book has had negligible impairment, being secured on residential property at generally conservative loan to value ratios. For all of these businesses the outlook for the UK economy is still key, and we expect a reasonable growth environment in 2006.

The credit environment in the larger wholesale and corporate sector was more favourable than retail in 2005, without major corporate defaults and with relatively stable conditions. Credit conditions benefited from widespread positive growth internationally and low inflation which also supported rising stock markets. The favourable impairment performance, the positive market tone and a well capitalised banking industry resulted in very competitive market conditions. While broadly positive, this stability was not uniform across all sectors. The sustained high energy prices seen in 2005 have not resulted in any material increase in portfolio impairment in the short term but the global effect on GDP – a reduction in economic

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growth, affecting both the corporate and retail businesses will be felt in the more cyclical sectors and may lead to increased impairment in the medium term. We believe that our lending portfolio is well structured and well diversified to mitigate these risks as we look ahead.

The Market Risk environment was also fairly stable in 2005. Barclays Capital increased trading revenue while running steady levels of risk as measured by DVaR and stress test estimates. This was achieved by diversified business growth from a number of new areas in 2005. Pension risk remains an important focus for us and more generally for UK corporates, where there has been high sensitivity to both the market and the actuarial factors that drive fund valuations. We have a strong risk framework for managing our pension fund obligations and we have recently updated our actuarial assumptions.

Our business plans forecast significant increases in business volumes, and this implies greater challenges in operational risk management. We continue to work to improve our key end-to-end processes and to increase their resilience and capacity to sustain the increasing demands of higher business volumes.

Financial crime risk management received increasing focus in 2005. Although our loss experience was comparable to 2004, a change in the loss mix was evident. Plastic fraud losses decreased as a result of preventative measures introduced, including Chip and Pin technology. We have initiated additional measures to counteract an increase in advances fraud in the credit card business, whilst the same category in personal loans and overdrafts is reducing slowly. We have maintained a good record in preventing cheque fraud. In 2005 we continued to strengthen our anti money laundering activities in an international regulatory environment that is becoming more complex. We are concerned by the general rise in identity theft and we are taking extra precautions to protect our brand.

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The principal area of regulatory change ahead of us is the new Basel II Accord. The successful implementation of the provisions of the Accord, scheduled for 2008, involves data, model and system changes in many of our businesses and we have made a significant investment in this area. The main purpose of the Accord is to provide a more sophisticated risk framework for the industry. We have worked to position Barclays at the leading edge of risk management and we believe that our goal of achieving advanced status is appropriate and realistic. We expect our Basel II capital measures to be more closely aligned to our internal economic capital measures, and this should allow us to manage our capital ratios more effectively over time.

We remain committed to our objective of increasing shareholder value by developing and growing business that is consistent with our risk appetite, and through building more effective and sophisticated risk/return management capabilities. We are confident that we are achieving an appropriate balance in our business, and that we are continuing to build the risk management capabilities that will help us to deliver our growth plans.

Robert Le Blanc

Risk Director

Risk Management

The pages that follow describe our approach to risk management. This first section deals with the overall approach applicable to all risks. It is followed by material covering individual types of risk.

The narrative contains quantitative information mainly in graphical format. In most cases the same data appear in tables in a statistical section beginning on page 62.

Risk Management Process

Barclays applies a five-step approach to risk management.

Responsibilities	
Direct	<ul style="list-style-type: none"> Understand the principal risks to achieving Group strategy. Establish risk appetite. Establish and communicate the risk management framework including responsibilities, authorities and key controls.

Assess		Establish the process for identifying and analysing business-level risks.
		Agree and implement measurement and reporting standards and methodologies.
Control		Establish key control processes and practices, including limit structures, provisioning criteria and reporting requirements.
		Monitor the operation of the controls and adherence to risk direction and limits.
		Provide early warning of control or appetite breaches.
		Ensure that risk management practices and conditions are appropriate for the business environment.
Report		Interpret and report on risk exposures, concentrations and risk-taking outcomes.
		Interpret and report on sensitivities and Key Risk Indicators.
		Communicate with external parties.
Manage and Challenge		Review and challenge all aspects of the Group's risk profile.
		Assess new risk-return opportunities.
		Advise on optimising the Group's risk profile.

| Review and challenge risk management practices.

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Risk management

Risk management and control overview

Risk Responsibilities

The principal responsibilities extend throughout the organisation.

- | The Board requires that management maintains an appropriate system of internal control and reviews its effectiveness. The Board approves risk appetite and monitors the Group's risk profile against this appetite.

- | Business leaders are responsible for the identification and management of risk in their businesses.

- | The Risk Director, under delegated authority from the Group Chief Executive and Group Finance Director, has responsibility for ensuring effective risk management and control.

- | Risk-Type Heads and their teams in Central Support are responsible for establishing a risk control framework and risk oversight.

- | Business risk teams, each under the management of a Business Risk Director, are responsible for assisting business leaders in the identification and management of their business risk profiles and for implementing appropriate controls.

- | Internal Audit is responsible for the independent review of risk management and the control environment.

The internal control framework at Barclays is aligned with the internationally accepted standard Internal Control – Integrated Framework published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The Group's principal risk categories (set out below) are the subject of Board approved risk control requirements.

Brand Management	Liquidity
Capital	Market
Change	Operations
Corporate Responsibility	People
Credit	Regulatory Compliance
Financial Crime	Strategic
Financial Reporting, Taxation and Budgeting	Technology
Legal	

Detailed discussion of our risk management of certain risks follows, starting with credit risk on page 41.

The management of risk at Barclays is guided and monitored by a number of committees. Each has specific functions as shown in the chart on the Governance Structure at Group Level on the next page.

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Governance Structure at Group Level

In addition to the Committees shown in the chart, there is a Brand and Reputation Committee reviewing emerging issues with potentially significant reputational impact.

These Committees are informed by regular and comprehensive reports. The Board Risk Committee receives a quarterly report covering all significant risk types. The Board Audit Committee receives quarterly reports on control issues of significance and half-yearly impairment allowances and regulatory reports. Both Committees also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both Committees are reported to the full Board, which also receives a concise quarterly risk report. Internal Audit supports both Committees by attendance and/or the provision of quarterly reports resulting from its work on governance, risk and control issues of significance. The Board Audit Committee reviews and approves Internal Audit's plans and resources, and evaluates the effectiveness of Internal Audit. An assessment by external advisers is also carried out periodically.

When the new Basel II Accord is introduced, Barclays aims to achieve advanced status under all risk categories. Barclays considers that the investment required to attain this status is warranted by the internal risk management improvements that will follow, the reputational benefits and the potential for greater capital efficiency.

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Risk management and control overview

Work has been undertaken to align Absa's internal control framework with Barclays. Absa has adopted the Barclays, COSO aligned, internal control framework or has in place suitable COSO aligned alternatives, which are acceptable to Barclays.

The Barclays principal risk categories and control requirements (see previous reference) have been adopted by Absa and work is ongoing to achieve full compliance in 2006.

Risk Appetite

Risk Appetite is the Group's chosen method of balancing return and risk, recognising a range of possible outcomes, as business plans are implemented. Barclays framework, approved by the Board Risk Committee, uses a formal, quantitative method based on advanced risk analysis, building on the capability developed and used in Barclays since the mid 1990s.

The objectives of the Risk Appetite framework are to:

- | help protect the Group's performance;

 - | enable unused risk capacity to be identified and thus profitable opportunities to be highlighted;

 - | improve management confidence and debate regarding our risk profile; and

 - | help executive management improve control and co-ordination of risk-taking across businesses.
- The Risk Appetite framework considers credit, market and operational risk and is applied using two perspectives: earnings volatility and mandate and scale.

Earnings volatility: This takes account of the potential volatility around our forecast financial performance each year, with appetite being set in the context of strategic objectives, including dividend sustainability and preservation of Barclays rating in stress environments. The portfolio is analysed in this way at four representative levels:

- | expected performance (including the average credit losses based on measurements over many years);

- | a moderate stress level of loss that is likely to occur only infrequently and is meant to correspond to a macroeconomic cycle;

- | a severe stress which is much less likely;
- | an extreme but highly improbable level of stressed loss which is used to determine the Group's Economic capital.

These ascending but increasingly less likely levels of loss are illustrated in the following chart.

At 31st December 2005, the Group's expected credit loss in one year was £1,845m (see page 42). The economic capital (i.e. the loss in one year under extreme stress) for all risk types was £14.1bn, estimated with a probability of 1 in 5,000 years.

Mandate and Scale: This second perspective enables the setting of limits to control unacceptable levels of loss that may arise as a result of portfolio concentration. It is our objective that unexpected losses remain within the scope of our communicated strategy and are of a scale that is appropriate for our Group. This perspective uses simple, descriptive measures and limits for relevant exposure types.

Overall, the Risk Appetite framework provides a basis for the allocation of risk capacity to each business. Since the level of loss at each level of probability is dependent on the portfolio of exposures in each business, the statistical measurement for each key risk category gives the Group clearer sight and better control of risk-taking throughout the enterprise.

The Risk Appetite framework is designed to be:

- | simple and practical to apply by measurement and monitoring of exposures;

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- | geared to risk/return where capacity is directly related to opportunity;
- | based on a top-down capacity for earnings volatility;
- | based on bottom-up identification of risk factors in each business;
- | relevant, recognising the impact and likelihood of losses;
- | aggregated across businesses where appropriate.

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Stress Testing

The Risk Appetite numbers are validated by estimating the Group sensitivity to macroeconomic events using stress testing and scenario analysis. Changes in certain macroeconomic variables represent environmental stresses which may reveal systemic credit and market risk sensitivities in our retail and wholesale portfolios. The stresses considered include, for example, the following sensitivities:

| Gross Domestic Product weaker;

| employment weaker;

| interest rates higher or lower;

| interest rate curve shifts;

| equity prices lower;

| property prices weaker;

| credit spreads wider;

| country exposure stressed;

| industry exposure stressed;

| sterling stronger.

More complex scenarios, such as recessions, can be represented by combinations of variables. These scenarios allow senior management to gain a better understanding of how the Group is likely to react to changing economic and geopolitical conditions. The stress test simulates the balance sheet and profit and loss effects of stresses across the Group, investigating the impact on profits and the ability to maintain appropriate capital ratios. Insights gained are fully integrated into the management process and the Risk Appetite framework. These analyses and insights, and the close involvement of management, also provide the basis for fulfilling the stress testing requirements of the new Basel II Accord.

We estimate the capital needed to survive an extreme but highly improbable level of stressed loss. The calculation is based on the historical volatility of losses. Capitalisation occurs to a level sufficient to provide a high level of confidence in the Group, with the level of confidence consistent with the Group's AA rating.

The Application of Economic Capital

Barclays manages both its economic capital supply and demand for economic capital in order to optimise capital efficiency.

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The management of the supply of capital occurs via the Group's shareholders' capital and regulatory capital ratios as discussed on page 40. See also the management of capital risk on page 56.

The Group assesses the internal demand for capital using its own proprietary economic capital methodology developed and refined over more than a decade.

Economic capital is estimated primarily for the risks listed under principal risks on page 36 as well as insurance risk, risk associated with fixed assets, and risk in private equity investments. The Group computes and assigns economic capital by the risk categories to all operating units. This enables the Group to apply a common, consistent and additive metric to ensure that returns throughout the Group are commensurate with the associated risks. An asset attracts the same cost of capital wherever it is acquired across the Group, although management may target differential hurdle rates which are appropriate to the use of capital.

Barclays estimates the correlation between risk types and calculates a diversification benefit which results in a reduction in allocated economic capital for the Group and each of the businesses.

Economic capital is fully embedded in the management culture of the Group via risk adjusted performance management (e.g. economic profit), effective targeting of resources to value creating areas, pricing tools, compensation and remuneration schemes and is integral to the Risk Appetite framework. The economic capital framework will be an important part to the Group's implementation of the Basel II Accord.

Movements within the business clusters are summarised as follows:

Within UK banking, UK Retail Banking economic capital allocation increased £100m to £2.3bn. The impact of growth was offset by a risk transfer transaction within UK mortgages. UK Business Banking economic capital allocation increased £500m to £2.95bn as a consequence of asset growth and the acquisition of the Iveco Finance business.

Barclays Capital economic capital increased £450m to £2.55bn reflecting underlying growth in loan and derivative portfolios, additional equity investments and the recalibration of business and operational risk economic capital.

Wealth Management ongoing business economic capital allocation increased £100m to £400m as a consequence of general growth across all businesses and the recalibration of business and operational risk economic capital.

Wealth Management closed life assurance activities economic capital allocation reduced £50m to £50m reflecting the impact of IFRS removing the volatility associated with embedded value accounting.

Barclaycard economic capital allocation increased £350m to £2.8bn, due to growth in outstandings and the inclusion of Barclaycard US for the full year.

International Retail and Commercial Banking excluding Absa economic capital allocation increased £150m to £1.15bn due to the recalibration of business and operational risk economic capital together with growth exposure in Africa and Spain. Absa added £400m to the average economic capital demand reflecting five months of the annual change after excluding the risk borne by the minority interest.

Economic capital held at Group centre fell £350m to £1.05bn. The economic capital required to support Absa, is only partially offset by an increase in available funds to support economic capital.

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Management of Regulatory Capital

In addition to the Group's internal assessment of economic capital demand, Barclays manages consumption of regulatory capital. The Financial Services Authority (FSA) requires the Group to hold sufficient capital to meet minimum regulatory capital requirements, expressed as the ratio of capital to risk weighted assets (Risk Asset Ratio). The risk weights applied to the Group's assets use calculations developed by the Basel Committee on Banking Supervision.

The Group's policy of disciplined capital management continued. The tier 1 ratio was 7% for the year ended 31st December 2005, reflecting strong cash flow generation and the efficient use of capital markets. The mix of the Group's tier 1 capital altered during the year, with an increased use of preference share capital than previously.

The graph opposite shows the Group's regulatory capital base for Barclays PLC Group broken down by tier. As at December 2005, the Barclays PLC Group Risk Asset Ratio was 11.3%, which is in excess of the minimum requirements of our regulators. Further information on the Group's capital base is provided in the Financial Overview on pages 87 and 88.

Notes

- (a) Includes Transition Businesses and capital for central functional risks.
- (b) The Group's practice is to maintain an appropriate level of excess capital held at the Group's centre, which is not allocated to business units. This variance arises as a result of capital management timing and includes capital held to cover pension contribution risk.
- (c) Includes excess capital held of the Group centre; investments in associates; private equity risk; and insurance risk.

(d) Less supervisory deductions.

(e) The regulatory capital reported to the FSA at 31st December 2004 was based on UK GAAP and has not been restated under IFRS.

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Credit risk management

Credit Risk Management

Credit risk is the risk that the Group's customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk also arises through the downgrading of counterparties whose credit instruments the Group may be holding, causing the value of those assets to fall. Furthermore, credit risk is manifested as country risk where difficulties experienced by the country in which the exposure is domiciled may impede payment or reduce the value of the asset or where the counterparty may be the country itself. Settlement risk is another special form of credit risk which is the possibility that the Group may pay a counterparty – for example, a bank in a foreign exchange transaction – and fail to receive the corresponding settlement in return.

Credit risk is the Group's largest risk and considerable resources, expertise and controls are devoted to managing it. The importance of credit risk is illustrated by noting that nearly two-thirds of risk-based economic capital is allocated to businesses for credit risks. Credit exposures arise principally in loans and advances.

Credit Risk Management Responsibility

In managing credit risk, the Group applies the five-step risk management process and internal control framework described previously (page 35). The credit risk management teams in each business are accountable to the Business Risk Directors in those businesses who, in turn, report to the heads of their businesses and also to the Risk Director.

The Credit Risk function, led by the Credit Risk Director, provides Group-wide direction of credit risk-taking. This functional team manages the resolution of all significant credit policy issues and administers the Credit Committee which approves major credit decisions.

The principal Committees that review credit risk management are the Risk Oversight Committee and the Board Risk Committee. The Board Audit Committee reviews and approves impairment allowance decisions.

Credit Risk Measurement

Barclays uses statistical modelling techniques throughout its business in its credit rating systems. These systems assist the Bank in frontline credit decisions on new commitments and in managing the portfolio of existing exposures. They enable the application of consistent risk measurement across all credit exposures, retail and wholesale. The key building blocks in the measurement system, which are described below, are the **probability of customer default** (expressed through an internal risk rating), **exposure in the event of default**, and **severity of loss-given-default**. Using these, Barclays builds the analyses that lead to its decision support systems in the Risk Appetite context described previously. However, it should be noted that credit risk measurement, particularly Risk Tendency, can be contrasted with impairment allowances required under accounting standards, which are based on losses known to have been incurred at the balance sheet date and not expected loss.

Probability of Default: Internal Risk Ratings

Barclays assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties, including retail customers. Each internal rating corresponds to the statistical probability of a customer in that rating class defaulting within the next 12-month period. Multiple rating methodologies may be used to inform the rating decision on individual large credits. For smaller credits, a single source may suffice such as a rating model result.

During 2005 Barclays increased the available accuracy of its 12-grade internal rating scale for the wholesale parts of the bank. This was achieved by increasing the number of ratings across the same range to 21. The 12-grade rating scale has historically been mapped to long-term agency ratings. The new 21 default grades represent the best estimate of the level of credit risk for each counterparty based on current economic conditions, so a static link to long-term rating agency ratings is no longer used.

Exposure in the event of Default

Exposure in the event of default represents the expected level of usage of the credit facility when default occurs. At default the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit. When the Group evaluates loans, it takes exposure at default into consideration, using its extensive historical experience. It recognises that customers may make heavier than average usage of their facilities as they approach default.

For derivative instruments, exposure in the event of default is the estimated cost of replacing contracts with a positive value if counterparties should fail to perform their obligations.

Severity of Loss-given-default

When a customer defaults, much of the amount outstanding on its loan or loans is usually recovered. The part that is not recovered, the actual loss, is called the loss-given-default (LGD). The severity of the loss is measured as a percentage of the amount outstanding when the default occurs.

From historical information, the Group can estimate how much is likely to be lost, on average, for various types of loans. To illustrate, LGD is low for residential mortgages because of the property pledged as collateral. In contrast, average LGD is about 70% for unsecured personal lending and 30% for corporate loans.

The level of LGD depends on the type of collateral (if any); the seniority or subordination of the exposure; the industry in which the customer operates (if a business); the jurisdiction applicable and work-out expenses. The outcome is also dependent on economic conditions that may determine, for example, the prices that can be realised for assets or whether businesses can readily be refinanced. Individual defaults show a wide range of outcomes, varying from full to nil recovery and all points in between.

Expected Loss: Risk Tendency

The three components described above – the probability of default, exposure at default and LGD – are building blocks used in a variety of applications that measure credit risk across the entire portfolio. One of these applications is a measurement of expected loss called Risk Tendency (RT).

RT is a statistical estimate of the average loss for the loan portfolio for the forthcoming 12 months, taking into account the portfolios size and risk characteristics under current credit conditions. RT provides insight into the credit quality of the portfolio and assists management in tracking risk changes as the Group's stock of credit exposures evolves in the course of business.

RT is calculated for both corporate and retail loans as follows:

$RT = \text{probability of default} \times \text{expected exposure at default} \times \text{loss given default.}$

Table of Contents**Risk management****Credit risk management**

The RT of each individual loan is aggregated to produce the RT of the various sub-portfolios in the Group and ultimately for the whole Group. At this aggregate level, RT is a statistical estimate of the loss inherent in the Group's credit exposures over the next 12 months.

Many models are used in the estimation of the components of RT in each of the Group's businesses. The majority of the models are internally developed using Barclays own historical data and other external information. We also use externally developed models and rating tools. These are validated for use within Barclays before they are introduced. It is a Barclays policy that all models are validated annually to ensure their applicability to the current portfolios and credit conditions.

To interpret RT, the following should be considered:

| RT is calculated using probabilities of default that are relevant to the current credit conditions for each customer. The RT figures are therefore a point-in-time estimate based on current economic and credit conditions.

| RT is calculated for different purposes and on different methods to impairment allowances, so RT cannot be used as a forecast of the total allowances for impairment. It is rather a statistical estimate that reflects changes in the size and quality of the loan portfolio. RT does not equate to the Group's budget or internal forecast of impairment allowance in the coming year.

| The principal reasons for the difference between impairment and RT are:

RT is a statistical estimate of losses arising over the next 12 months and therefore it is not calculated for non-performing loans in the wholesale portfolio or for retail loans in recovery.

Impairment can include significant additional charges, write-backs and recoveries arising during the year from impaired loans. These items can materially affect the impairment allowance charge, but are not included in RT.

The actual credit impairment charge arising from new defaults in any one year, from loans that are performing at the start of the year, vary significantly around the RT value. This can be due to changes during the year in the economic environment or in the business conditions in specific sectors or countries and from unpredictable or unexpected external events. This applies especially in wholesale portfolios where the default of a small number of large exposures will significantly increase the period's impairment allowance but will not have been included in the RT figure. For retail portfolios, consisting of a very large number of small exposures, the variation in the rate of change in new impairment compared to the RT figure is usually much smaller.

RT increased 32% (£450m) to £1,845m, (2004: £1,395m). The largest increase occurred in Barclaycard, which rose £240m to £1,100m. The increase reflects the deteriorating credit conditions in the UK credit card market. RT increased in UK Business Banking due to the growth in the loan book and the acquisition of the Iveco business.

International Retail and Commercial Banking RT increased 200% to £195m, reflecting the inclusion of Absa in the second half of 2005 and growth in the loan portfolio.

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RT is a forecast estimate of the average loss associated with the current performing portfolio, impairment is the accounting value of incurred loss realised on the whole portfolio.

RT covers only the loans at the date of estimation and does not make allowance for subsequent growth or change in the composition of the loan book which can affect impairment.

Note

(a) Head office functions and other operations comprises discontinued businesses in transition principally relating to Middle Eastern corporate banking businesses and airline leasing activities.

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Credit Risk Mitigation

Barclays employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced which is common practice. See the discussion of loan-to-value ratios for mortgages on page 45.

Barclays manages the diversification of its portfolio to avoid unwanted credit risk concentrations. This takes several dimensions. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to highly rated borrowers than to lower rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly, and are reported to the Risk Oversight Committee and the Board Risk Committee. Similarly the Country Risk policy specifies risk appetite by country and avoids excessive concentrations of credits in individual countries. Finally, there are policies that limit lending to certain industries, for example, commercial real estate.

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Barclays actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures – action is taken to mitigate the risks. These include steps to reduce the amounts outstanding (in discussion with the customers, if appropriate), the use of credit derivatives and, sometimes, the sale of the loan assets. Credit derivatives are traded for profit and used for managing non-trading credit exposures. Details of these activities may be found in the statistical section (page 69) and Note 15 to the Accounts.

The value of assets held as loans and advances to customers that have been securitised or subject to similar risk transfer increased £17.3bn to £21.6bn (2004: £4.3bn).

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Risk management

Loans and advances to customers

Geographical Analysis and Country Risk

Loans and advances to customers amounted to £272bn (2004: £207bn, 2003: £171bn).

In 2004 and 2005 the geographical analysis presented is based on the location of customers. In 2003 the geographical analysis was based on the location of the banking office.

(See also Table 5 on page 63.)

The loans and advances to customers booked through the Group's Absa operations in Africa were £29.6bn at 31st December 2005, 10.9% of the Group total. They were comprised of £11.6bn of residential mortgages (39.2%) and £18bn (60.8%) in other loans.

Barclays exposure limits to sub-investment grade countries are shown in the chart below (largest 15 exposure limits).

Notes

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.

(b) Excludes non-performing and potential problem loans.

The country exposures shown are the sum of customer limits and unused but available product limits. Both domestic and cross-border exposures are included.

Loans and advances to borrowers in currencies other than the currencies of the borrowers are shown in table 13 on page 68.

Risk Profile of Customer Loans and Advances

The chart below shows Barclays wholesale loan profile by existing risk grade (See page 57 for a description of the rating system). The grade classifications shown in the table is the Barclays Business Grade (BBG) rather than the more recently introduced Default Grade (DG). BBG has been used because the DG classification is not available, at this time, across all parts of the wholesale portfolio. It is important to note that Barclays prices loans for risk. Thus higher risk loans will usually have higher interest rates or fees or both. A portfolio of higher risk loans may therefore be as profitable as, or more profitable than, a portfolio of lower risk loans.

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Industry Analysis

An industry analysis of customer loans is shown in the chart below. These classifications have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent's predominant business may be in a different industry.

(See also Table 6 on page 64.)

Excluding financial services, the chart shows that Barclays largest sectoral exposures are to home loans, other personal and business & other services. These categories are generally comprised of small loans, have low volatility of credit risk outcomes, and are intrinsically highly diversified.

The loan-to-value ratios (LTV) on the Group's UK home loan portfolio are indicated in the next chart.

Notes

- (a) 2004 has been restated to reflect location of the customer rather than location of the office. As a result, overseas customers have been reclassified into their correct industry allocation.
- (b) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.

The valuations in the chart are those which applied at the last credit decision on each loan, i.e. when the customer last requested an increase in the limit or, if there has been no increase, at inception of the loan and shows that the business flows (new business versus loans redeemed) has not materially changed the risk profile of the portfolio.

The impact of house price inflation, despite having slowed over recent months, will result in a reduction in LTV ratios within the mortgage book on a current valuation basis. On this basis, LTV on the mortgage book averaged 35% at the end of 2005 (2004: 35%). This ratio is a point in time analysis of the stock with LTV updated to current house prices by reference to an external price index and as a result may be influenced by external market conditions as well as changes in the stock of loans.

Maturity Analysis

The analysis by contractual maturity, shown in the chart below, indicates that a third of loans to customers have a maturity of more than five years, the majority of which are mortgages.

(See also Table 12 on page 67.)

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Risk management

Other credit risks

In addition to drawn loans and advances, Barclays is exposed to other credit risks at the beginning of the discussion on credit risk. These exposures comprise loan commitments, contingent liabilities, debt securities and other exposures arising in the course of trading activities. The risks are managed in a similar way as those in Loans and Advances, and are subject to the same or similar approval and governance processes.

The nature of the credit risks among these exposures differ considerably.

- | Loan commitments may become loans and the risks are thus similar to loans.

- | Contingent liabilities (guarantees, assets pledged as security, acceptances and endorsements, etc) historically experience low loss rates.

- | Losses arising from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than credit charges, even though the fall in value causing the loss may be attributable to credit deterioration.
Further details of these exposures are shown in Note 42 to the accounts.

Barclays is also exposed to settlement risk in its dealings with other financial institutions. These risks arise, for example, in foreign exchange transactions when Barclays pays away its side of the transaction to another bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. While these exposures are of short duration, they can be large. In recent years settlement risk has been reduced by several industry initiatives that have enabled simultaneous and final settlement of transactions to be made (such as payment-versus-payment through Continuous Linked Settlement and delivery-versus-payment in central bank money). Barclays has worked with its peers in the development of these arrangements. Increasingly the majority of high value transactions are settled by such mechanisms. Where these mechanisms are not available, the risk is further reduced by dealing predominantly with highly rated counterparties, holding collateral and limiting the size of the exposures according to the rating of the counterparty, with smaller exposures to those of higher risk.

Table A: Other commercial commitments

Amount of commitment expiration per period

	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total amounts committed £m
Acceptances and endorsements	283				283
Guarantees and assets pledged as collateral security	28,871	2,761	4,046	2,357	38,035
Other contingent liabilities	5,935	1,070	359	1,461	8,825
Documentary credits and other short-term trade related transactions	301	25		54	380
Forward asset purchases and forward deposits placed	43				43
Undrawn formal standby facilities, credit lines and other commitments to lend	151,929	16,696	25,303	9,434	203,362

Table B: Contractual obligations

Payments due by period

	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total £m
Long-term debt	77,792	8,795	3,156	21,651	111,394
Operating lease obligations	305	546	448	1,672	2,971
Purchase obligations	277	361	198	40	876
Total	78,374	9,702	3,802	23,363	115,241

Further information on the contractual maturity of the Group's assets and liabilities is given in Note 59.

Table of Contents**Risk management****Loan impairment: potential credit risk loans****Non-performing loans and potential problem loans**

The value of potential credit risk loans (PCRLs) at 31st December 2004 was restated for the adoption of IFRS on 1st January 2005. This restatement has not been applied to the numbers for 2004 and, as a consequence, these numbers are not directly comparable with the current values. In addition, due to enhanced modelling, PCRLs in the mortgage business have been restated causing an increase of £172m at 31st December 2004. This restatement, which has not been applied to periods prior to 2004, does not reflect changes in credit quality but arises from the application of revised methodology. In addition, this restatement does not reflect changes as a result of the application of IAS 39 and as a result the 2004 and 2005 data, included in the graphs below, is not directly comparable.

PCRLs comprise non-performing loans (NPLs) and potential problem loans (PPLs). NPLs are loans where the customers have failed to meet their commitments, either in part or in whole. PPLs are loans where payment of principal and interest is up-to-date and the loans are therefore fully performing, but where serious doubt exists as to the ability of the borrowers to continue to comply with repayment terms in the near future.

The US Securities and Exchange Commission (SEC) requires loans to be classified, where applicable, as non-accrual, accruing past due 90 days or more, troubled debt restructurings and potential problem loans. Whilst the Group's risk procedures do not include the classification of loans along these lines, historically balances have been reported based on the SEC categories but with additional categories reported to reflect the particular circumstances pertaining to the UK market.

With effect from 1st January 2005, the application of IAS 39 requires interest to be recognised on the remaining balance of an impaired financial asset (or a group of financial assets) at the effective interest rate for that asset. As a result, interest is credited to the income statement in relation to impaired loans, therefore these loans technically do not fall to be classed as non-accrual but are, nonetheless, non-performing. In order to reflect this treatment under IAS 39, the Group has, in 2005, replaced the non-accrual category with one termed Impaired loans. Impaired loans are non-performing loans where, in general, an impairment allowance has been raised. This category may also include non-performing loans which are fully collateralised or where the indebtedness has already been written down to the expected realisable value.

The amounts are shown before deduction of the value of security held, impairment allowances (for 2005) and provisions or interest suspense (2004 and earlier), all of which might reduce the impact of an eventual loss, should it occur.

Since 31st December 2004, NPL balances, excluding Absa, increased by 10% (including Absa, the increase was 27%). This resulted mainly from a rise in balances in the UK retail portfolios with NPL balances in the wholesale and corporate portfolios decreasing modestly.

PPLs, excluding Absa, decreased 5% (including Absa, the increase was 16%). Retail portfolios PPL balances increased 38%, but this was more than offset by a 24% decline in PPL balances in wholesale and corporate portfolios.

PCRL balances increased 25% to £6,139m (31st December 2004):

£4,913m). Excluding Absa balances of £901m this represented an increase of 7% which occurred mainly in the UK unsecured retail portfolios.

Note

- (a) In 2001-2003 non-performing loans and potential problem loans were disclosed based on the location of the booking office. In 2004-2005 they were disclosed by location of customers.

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- (b) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

Non-performing loans and potential problem loans

(See also Table 17 on page 70 and Table 18 on page 71).

Non-performing loans and potential problem loans as a percentage of Loans and Advances

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Risk management

Allowances for Impairment

Impairment Allowances

It is Barclays policy to establish, through charges against profit, an impairment allowance in respect of the incurred loss inherent in the lending book.

Under IFRS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition, and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the carrying amount is less than the discounted cash flows, then no allowance is necessary.

Impairment is measured individually, for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available.

In terms of individual assessment, the trigger point for the impairment calculation is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure. Two key inputs to the cash flow calculation are the valuation of all security and collateral and the timing of all asset realisations, after allowing for all attendant costs. This method applies in the Corporate portfolios Business Banking, Barclays Capital and certain areas within International Retail and Commercial Banking.

For collective assessment, the trigger point for impairment is the missing of a contractual payment. The impairment calculation is based on a roll-rate approach, where the percentage of assets that move from the trigger point to default are derived from statistical probabilities based on experience. Recovery amounts and contractual interest rates are calculated using a weighted average for the portfolio. This method applies to parts of International Retail and Commercial Banking, Barclaycard and UK Banking and is consistent with Barclays policy of raising an allowance as soon as impairment is identified.

Impairment allowances, albeit significantly lower in amount than those reported above, are also raised to cover losses which are judged to be incurred but not yet reported in customer exposures at the balance sheet date, and which, therefore, have not been specifically identified.

These impairment allowances are reviewed and adjusted, at least quarterly by an appropriate charge or release of the stock of impairment allowances based on a statistical analysis and management judgement.

The incurred but not yet reported calculation is based on the assets probability of moving from the performing portfolio to being specifically identified as impaired within the given emergence period and then on to default within a specified period. This is calculated on the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The emergence periods vary across businesses and are based on actual experience and are reviewed on an annual basis.

This methodology ensures that the Group only captures the loss incurred at the balance sheet date.

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Head office functions and other operations comprises discontinued businesses in transition.

Where appropriate, the accuracy of this analysis is periodically assessed against actual losses.

Writing off of Assets

When an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of recovery. Write-off will occur, therefore, when, and to the extent that, the whole or part of a debt is considered irrecoverable.

The timing and extent of write-offs may involve a large element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery. In any event, the position of impaired loans are reviewed at least quarterly with a view to irrecoverable advances being written off in a prompt and orderly manner and in compliance with any local regulations.

Treatment of Interest on Impaired Loans

IFRS requires that interest on impaired loans be recognised on the net asset value (gross asset value less impairment allowance) at the rate used to discount the expected cash flows (i.e. the original effective interest rate).

As a result of an increase in impairment charges to the retail portfolios, and to a lesser extent in the wholesale and corporate portfolios, the impairment charges for the Group (including Absa) for the full-year were £1,571m (2004: £1,093m).

The chart below shows impairment allowance charges over the last five years.

(See also Table 20 on page 72.)

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Risk management

Allowances for Impairment

Total impairment allowances at the end of 2005 increased by 27% (£739m) to £3,450m over the provisions balances for the prior year (£2,711m). Of this increase, £545m is in regard to the acquisition of Absa. Furthermore, due to the adoption of IAS 32 and IAS 39 on 1st January and the consequent restatement of the impairment allowance, the period end value at 31st December 2004 does not correspond to the opening value at the beginning of 2005 which was restated as £2,637m. Excluding Absa, the increase from the opening to closing balances in 2005 was 10%. (See Table 22 on page 73).

An analysis of all the movements in the impairment balances is shown in the following chart.

(See also Table 24 on page 73.)

Notes

- (a) Represents the increase in the allowance for the period following the Group's assessment of the recoverability of its loans and receivables, in accordance with IAS 39.
- (b) Represents allowances brought in from new subsidiaries acquired in the year including £545m from Absa.
- (c) Represents recoveries of amounts previously written off.
- (d) Includes unwind of discount and other adjustments.
- (e) Includes the effects of IAS 32, IAS 39 and IFRS 4 restatement of 1st January 2005 opening impairment balance.
- (f) Balances are written off when it is considered that there is no possibility of making further recoveries.

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Risk management

Allowances for Impairment

Impairment allowances/provisions stock coverage of non-performing loans and potential credit risk loans (NPLs and PPLs)

(See also Table 31 on page 78.)

(See also Table 32 on page 78.)

Including Absa, the NPL and PCRL coverage ratios increased to 66.2% and 56.2% respectively at the end of 2005. These ratios are higher than those excluding Absa due to the fact that Absa has a higher proportion of retail lending which, in general, tends to carry a higher level of coverage than corporate lending.

Excluding Absa, coverage of NPLs and PCRLs by the stock of impairment allowances, at 64.8% (2004: 66.9%) and 55.5% (2004: 56.0%) were broadly in line with those reported at 31st December 2004.

Write-offs

Debts are written off to the extent that there is no realistic prospect of a change in the customer's condition, or where local conditions dictate, and

the whole or part of the debt is considered irrecoverable.

Total write-offs increased to £1,587m (2004: £1,582m).

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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Risk management

Market risk management

Market Risk is the risk that Barclays earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, equity prices, and commodity prices.

The main market risks arise from trading activities. Barclays is also exposed to non-trading market risks relating to the Pension Fund and, to a lesser extent, asset and liability management.

Categorisation of Market Risk

To facilitate the management, control, measurement and reporting of market risk, Barclays has grouped market risk into three broad categories:

| Trading market risk

These risks arise in trading transactions where Barclays acts as principal with clients or with the market. Barclays policy is that market risks arising from trading activities are concentrated in Barclays Capital.

| Asset and liability risk

These risks arise from banking activities, including those incurred on non-trading positions such as customer assets and liabilities and capital balances.

| Other market risks

Barclays also incurs market risks that do not fit into the above categories. The principal risks of this type are defined benefit pension scheme risk and asset management structural market risk.

Market Risk Management and Control Responsibilities

The Board Risk Committee approves the market risk appetite for all types of market risk. The Market Risk Director is responsible for the market risk control framework and, under delegated authority from the Risk Director and Risk Oversight Committee, sets a limit framework within the context of the approved market risk appetite.

The Market Risk Director is assisted by a central market risk team and by risk management departments in the businesses. A daily market risk report summarises Barclays market risk exposures against agreed limits. This daily report is sent to the Risk Director, the Market Risk Director, the Finance Director and the appropriate Business Risk Directors.

The Head of each business, assisted by the business risk management team, is accountable for identifying, measuring and managing all market risks associated with its activities. In managing market risk, businesses also consider liquidity risk where relevant.

In Barclays Capital, the Head of Market Risk is responsible for the market risk governance and control framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Global Market Risk Management team that operates independently of the trading areas. Daily market risk reports are produced for the main Barclays Capital business areas covering the six main risk factor categories, namely interest rate, credit spread, inflation, foreign exchange, equity and commodity risk. A more detailed trading market risk presentation is discussed at Barclays Capital's Traded Products Risk Review meeting, held fortnightly. The attendees at this meeting include the senior managers from Barclays Capital and the central market risk team.

Outside Barclays Capital, Treasury manages treasury market and structural interest rate risk. Retail market risk, a consequence of the UK banking operations, is managed by the Retail Market Risk team. In the non-UK banking operations, market risk is managed mainly by local treasuries. The chart overleaf gives an overview of the business control structure.

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Risk management

Market risk management

Managing market risk organisational overview

Market Risk Measurement

The measurement techniques used to measure and control market risk include:

- | Daily Value at Risk;

- | Stress Tests;

- | Annual Earnings at Risk;

- | Economic Capital.

Daily Value at Risk (DVaR)

DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

In Barclays Capital, DVaR is an important market risk measurement tool. DVaR is calculated using the historical simulation method with a historical sample of two years. In 2005, the DVaR methodology for credit spread risk was enhanced. The original methodology is currency dependent and incorporates seven credit categories, these being interest rate swaps and six credit rating based categories. The enhanced specific credit spread method replaces the rating and currency-based approach with a name specific approach and was rolled out in phases across a number of business lines. The enhanced model captures concentration risk and responds quickly to changing market conditions and individual company circumstances. Specific credit spread risk is reported within credit spread risk in the DVaR table.

Also in 2005, a methodology enhancement was introduced for inflation products. Inflation risk is reported within interest rate risk in the DVaR table.

The impact of these methodology changes was not material and has not been reflected in the 2004 comparative data.

The effectiveness of the DVaR model is assessed principally by back-testing which counts the number of days when trading related losses are bigger than the estimated DVaR figure. Back-testing results are shown on page 54. Outside Barclays Capital, Barclays uses a simplified approach to calculate DVaR.

Stress Tests

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Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Barclays Capital include risk factor stress testing where stress movements are applied to each of the six risk categories, namely interest rates, credit spread, inflation, foreign exchange rates, and equity and commodity prices; emerging market stress testing where emerging market portfolios are subject to stress movements; and ad hoc stress testing, which includes applying possible stress events to specific positions or regions, e.g. the stress outcome to a region following a currency peg break.

If the potential stress loss exceeds the trigger limit, the positions captured by the stress test are reviewed and discussed by Barclays Capital Market Risk and the respective Business Head(s). The minutes of the discussion, including the merits of the position and the appropriate course of action, are then sent to the Market Risk Director for review.

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Outside Barclays Capital, stress testing is carried out by the business centres and is reviewed by the senior management and business-level asset and liability committees. The stress testing is tailored to the business and is typically scenario analysis and historical stress movements applied to respective portfolios.

Annual Earnings at Risk (AEaR)

AEaR measures the sensitivity of annual earnings to shocks in market rates at the 99th percentile for change over a one-year period. This shock is consistent with the standardised interest rate shock recommended by the Basel II framework for assessing banking book interest rate risk.

AEaR is used to measure structural interest rate market risk and structural asset management risk (see the Other Market Risks section (page 55) for more details).

Economic Capital

Economic capital methodologies are used to calculate risk sensitive capital allocations for businesses incurring market risk. Consequently, the businesses incur capital charges related to their market risk.

Trading Market Risk

Barclays policy is to concentrate trading activities in Barclays Capital. This includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, Barclays manages client and market activities together. In Barclays Capital, trading risk occurs in both the trading book and the banking book as defined for regulatory purposes.

In anticipation of future customer demand, Barclays maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital market and treasury instruments, including a broad range of cash, securities and derivatives. Trading positions and any offsetting hedges are established as appropriate to accommodate customer or Barclays requirements.

Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, credit derivatives, options and combinations of these instruments. For a description of the nature of derivative instruments, see page 61.

Analysis of Trading Market Risk Exposures

The table below shows the DVaR statistics for Barclays Capital's trading activities (trading book and banking book).

Barclays Capital DVaR: Summary table for 2005 and 2004

	12 months to 31st December 2005 High ^(a)			12 months to 31st December 2004		
	Average £m	£m	Low ^(a) £m	Average £m	High ^(a) £m	Low ^(a) £m
Interest rate risk	25.3	44.8	15.4	25.0	53.6	15.1
Credit spread risk	23.0	28.3	19.0	22.6	32.9	16.0
Foreign exchange risk	2.8	5.3	1.4	2.4	7.4	0.9
Equities risk	5.9	8.2	3.9	4.2	7.9	2.2
Commodities risk	6.8	11.4	4.5	6.0	14.4	2.2
Diversification effect	(31.9)			(25.9)		
Total DVaR^(b)	31.9	40.4	25.4	34.3	46.8	24.0

Notes

- (a) The high (and low) DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) DVaR reported as a whole. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and it is therefore omitted from the above table.
- (b) The year-end total DVaR for 2005 was £37.4m (2004: £31.9m).

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Risk management

Market risk management

Barclays Capital's market risk exposure, as measured by average total Daily Value at Risk, decreased by 7% in 2005. This was mainly a consequence of increased geographical and product diversification resulting from business growth.

The graph below shows the history of total DVaR on a daily basis for 2004 and 2005.

Analysis of Trading Revenue

The histograms below show the distribution of daily trading revenue for Barclays Capital in 2005 and 2004. It includes dealing profits, net interest income and net fees and commissions relating to primary trading. The average daily revenue in 2005 was £16.3m (2004: £12.5m) and there were 237 positive revenue days out of 252 (2004: 246 positive revenue days out of 254).

DVaR Back-testing

Barclays recognises the importance of assessing the effectiveness of its DVaR model. The main approach employed is the technique known as back-testing, which counts the number of days when trading losses are bigger than the estimated DVaR figure. The regulatory standard for backtesting is to measure DVaR assuming a one-day holding period with a 99% level of confidence. For Barclays Capital's regulatory trading book, there were no instances in 2005 or 2004, of a daily trading revenue loss exceeding the corresponding back-testing DVaR.

Asset and Liability Market Risk

Interest rate exposures arising from mismatches of fixed rate assets and liabilities in UK banking operations are passed to Treasury. Treasury aggregates these positions and then passes the net position to the market via Barclays Capital. Due mainly to timing considerations, market risk can arise when some of the net position stays with Treasury. Similarly, market risk can arise due to the impact of interest rates on customer behaviour. The latter risk is managed and measured by the Retail Market Risk team using behavioural models. The positions are converted into wholesale swap or option exposures, passed to Treasury and managed by the process described above.

Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Group's equity. This risk is managed by Treasury, assisted by the Retail Market Risk team.

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Market risk is also taken in overseas treasuries to support and facilitate customer activity. The risk is comparatively modest. The market risks are managed by local treasury functions and local asset and liability committees. The central market risk team maintains regular contact with the businesses on treasury issues and oversees a comprehensive financial risk reporting framework.

Other Market Risks

I Defined benefit pension scheme risk

Barclays maintains a number of defined benefit pension schemes for past and current employees. The ability of the Pension Fund to meet the projected pension payments is maintained through investments. Market risk arises because the estimated market value of the pension fund assets might decline or their investment returns might reduce or because the estimated value of the pension liabilities might increase. In these circumstances, Barclays might be required or might choose to make extra contributions to the pension fund. Financial details of the pension fund are in Note 38.

I Asset management structural market risk

Asset management structural market risk is the risk that fee and commission income is affected by a change in asset prices. It affects Barclays Global Investors, International Retail and Commercial Banking, Wealth Management and Barclays Life. The risk is controlled and managed by the respective businesses and the central market risk team.

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Risk management

Capital and liquidity risk management

The Board Risk Committee has approved minimum control requirements for capital and liquidity risk management.

The Treasurer has established risk control frameworks and a policy and assurance structure to ensure that capital and liquidity risks are managed in accordance with the requirements of the Board. Policies are set by the Treasury Committee which is chaired by the Group Finance Director.

Capital Risk Management

Capital risk is the risk that the Bank fails to comply with FSA mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its banking licence. Capital risk also includes the risk that the capital base is not managed in a prudent manner thereby endangering the Group's credit rating.

Barclays views its strong credit rating as a source of competitive advantage. A solid capital position, together with a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation, underpins that rating.

The Group's capital management will continue to maximise shareholder value through optimising both the level and mix of its capital resources, seeking to:

- | meet the individual capital ratios required by our regulators;

- | maintain an AA credit rating;

- | generate sufficient capital to support asset growth and corporate activity;

- | manage the currency exposure to its overall Sterling Risk Asset Ratio.
See page 88 in the Financial Overview for information on the Group's capital position.

Liquidity Risk Management

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Liquidity management within the Group has several strands. The first is day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable that to happen. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the ability to monitor, manage and control intraday liquidity in real time is recognised by the Group as a mission critical process: any failure to meet specific intraday commitments would be a public event and may have an immediate impact on the Group's reputation.

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Securitisation remains a proportion of the Group's current funding profile, providing additional flexibility, and is an important tool in the management of the Group's capital and funding. During 2005 the Group has continued to securitise elements of the balance sheet, such as credit cards, and has selectively securitised other parts, such as UK mortgages and commercial loans. The Group will look to build on the success of the existing securitisation programmes in broadening the range of asset classes securitised.

The ability to raise funds is in part dependent on maintaining the Bank's credit rating. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered material in Group terms.

Absa monitor their cash flow against limits expressed as a percentage of their total deposits and current accounts rather than against absolute mismatch limits. Absa also continues to assess the ongoing Rand money markets' appetite for the Absa name and to improve their stress testing. The difference in approach is not a major risk, and the integration project is working to more closely align Absa's policies and practices with the Barclays liquidity control requirements.

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Liquidity Risk Measurement

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. This is based on principles agreed by the UK Financial Services Authority.

In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Treasury develops and implements the process for submitting the Group's projected cash flows to stress scenarios. The output of stress testing informs the Group's contingency funding plan. This is maintained by Treasury and is aligned with the Group and country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. Whilst 2005 saw relatively stable markets, with no significant consequences for the Group's liquidity, significant market events over recent years including corporate scandals contributed to a short-term flight to quality in financial markets from which Barclays benefited.

An important source of structural liquidity is provided by our core retail deposits in the UK, Europe and Africa, mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts at short notice, the Group's broad base of customers numerically and by depositor type helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group's operations and liquidity needs.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the Group's reputation, the strength of earnings and the Group's financial position.

For further details see contractual cash obligations and commercial commitments of the Group on page 46.

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Risk management

Management of operational risk and business risk

Operational and business risks are inherent in Barclays operations and are typical of any large enterprise.

Operational Risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors, or from external events. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Business Risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include: revenue volatility due to factors such as macroeconomic conditions; inflexible cost structures; uncompetitive products or pricing; and structural inefficiencies.

Barclays is committed to the advanced management of operational and business risks. In particular, we are implementing advanced management and measurement approaches for operational risk to strengthen control, improve customer service and minimise operating losses.

It is not cost effective to attempt to eliminate all operational and business risks and in any event it would not be possible to do so. Events of small significance are expected to occur and are accepted as inevitable; events of material significance are rare and the Group seeks to reduce the risk from these in a framework consistent with its agreed risk appetite.

Responsibility for and Control of Operational Risk

Barclays has a Group Operational Risk Framework, which is consistent with and part of the Group Internal Control and Assurance Framework. Minimum control requirements have been established for all key areas of identified risk. The risk categories relevant to operational and business risks are: Brand Management, Capital, Change, Corporate Responsibility, Financial Crime, Financial Reporting, Taxation and Budgeting, Legal, Operations, People, Regulatory Compliance, Strategic and Technology.

Responsibility for implementing and overseeing these policies is to be found throughout the organisation as follows:

- | The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. Frontline risk managers are widely distributed throughout the Group in business units. They service and support these areas assisting line managers in managing these risks.

- | Business Risk Directors in each business are responsible for overseeing the implementation of and compliance with Group policies.

- | Governance and Control Committees in each business monitor control effectiveness. The Group Governance and Control Committee receives reports from the committees in the businesses and considers Group-wide control issues and their risk mitigation.

- | In the corporate centre, the Operational Risk Director oversees the range of operational risks across the Group in accordance with the Group Operational Risk Framework.

- | The Internal Audit function provides assurance for operational risk control across the organisation and reports to the Board and senior management.

The Management and Measurement of Operational Risk

Risk Assessment A consistent approach to the identification and assessment of key risks and controls is undertaken across all business units. Scenario analysis and self-assessment techniques are widely used by business management for risk identification and for evaluation of control effectiveness and monitoring capability. Business management determines whether particular risks are effectively managed within business risk appetite and otherwise take remedial action. The risk assessment process is consistent with COSO principles.

Risk Event Data Collection and Reporting A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are loaded onto a central database and reported monthly to the Operational Risk Executive Committee.

Barclays also uses a database of external public risk events to assist in risk identification and assessment.

Reporting Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the key risks to their business objectives, control issues of Group-level significance, and operational risk events. Specific reports are prepared on a regular basis for the Risk Oversight Committee, the Board Risk Committee and the Board Audit Committee. In particular the Group Operational Risk Profile Report is provided quarterly to the Risk Oversight Committee.

Economic Capital Methodologies are used for both operational and business risks to calculate risk sensitive capital allocations. These are allocated to business units which incur risk-based capital charges, as a consequence, providing an incentive to manage the risk within appetite levels. Additional investment is being made to enhance the Operational Risk Capital model to improve risk sensitivity and to obtain approval to apply the Advanced Measurement Approach (AMA) under the Basel II Accord when that option first becomes available in 2008.

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Risk management

Disclosures about certain trading activities including non-exchange traded contracts

The Group delivers a fully integrated service to clients for base metals, precious metals, oil and oil related products, power, natural gas and other related commodities.

The Group's commodity business continues to expand, as market conditions allow, through the addition of new products and markets, with the 2005 expansion of business being driven both by organic growth and acquisitions of portfolios.

The Group offers both over the counter (OTC) and exchange traded derivatives in these commodities. The Group's base metals business also enters into outright metal purchases and sale transactions, while the power and gas business trades both physical forwards and derivative contracts. The Group continues to develop and offer a range of commodity related structured products.

The Group's principal commodity related derivative contracts are swaps, options, forwards and futures, which are all similar in nature to such non-commodity related contracts. Commodity derivative contracts include commodity specification and delivery location as well as forward date and notional value.

The fair values of commodity physical and derivative positions are determined through a combination of recognised market observable prices, exchange prices, and established inter-commodity relationships. The fair value of OTC commodity derivative contracts is determined primarily by using valuation models which are based on assumptions supported by prices from observable market transactions in the same instrument or are based on available observable market data.

Where a valuation model is used, the fair value is determined based on the expected cash flows under the terms of each specific contract, discounted back to present value. The expected cash flows for each contract are either determined using market parameters such as commodity price curves, commodity volatilities, commodity correlations, interest rate yield curves and foreign exchange rates, or other market prices.

Where possible, fair values generated by models are independently validated with reference to market price quotes or price sharing with other institutions. Where all significant model inputs can be validated to observable market data at the inception of the contract the valuation of the contract is based on the model value output.

However, where no observable market parameter is available then the contract is valued at transaction price at inception. Following initial recognition, the process of calculating fair value from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics. These estimates are calibrated against industry standards, economic models and observed transaction prices. 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, market data and assumptions or estimates in these are all subject to internal review and approval procedures and consistent application between accounting periods.

The tables on page 60 analyse the overall fair value of the commodity derivative contracts by movement over time and source of fair value. Additionally, the positive fair value of such contracts is analysed by counterparty credit risk rating.

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Table of Contents**Risk management****Disclosures about certain trading activities****including non-exchange traded contracts**

The following tables analyse the overall fair value of the commodity derivative contracts by movement over time and source of fair value. As at 31st December 2005 this reflected a gross positive fair value of £21,744m (2004: £4,955m) and a gross negative value of £21,217m (2004: £4,780m). Realised and unrealised profits relating to physical commodity and commodity derivative activities are included within dealing profits. Physical commodity positions are held at fair value and reported under Trading Portfolio Assets in Note 13 to the accounts.

	Total	
	2005	Total
		2004 ^(a)
	£m	£m
Fair value of contracts outstanding at the beginning of the period	175	(106)
Contracts realised or otherwise settled during the period	(137)	171
Fair value of new contracts entered into during the period	156	313
Other changes in fair values	333	(203)
Fair value of contracts outstanding at the end of the period	527	175

Movement in fair value of commodity derivative positions**Fair value source and maturity analysis****Source of fair value**

Fair value of contracts at 31st December 2005			
Maturity less than one year	Maturity one to five years	Maturity in excess of five years	Total fair value £m
	£m	£m	

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	£m			
Valuation models supported by observable market data	33	182	326	541
Valuation models not supported by observable market data		(32)	18	(14)
Total	33	150	344	527

The following table analyses the positive fair value arising on commodity derivative contracts. As at 31st December 2005, this reflects a gross positive fair value of £21,744m. The comparative figure for 2004 of £1,757m reflected the Group's ability under UK GAAP to net amounts due to the same counterparties.

Analysis of positive commodity derivative fair values included in the balance sheet by counterparty credit risk rating

	Total	
	value	
	2005	Total
	£m	value
		2004 ^(a)
		£m
A- to AAA	12,234	1,004
BBB- to BBB+	8,726	538
BB+ and below	784	215
Total	21,744	1,757

All credit risk exposures are actively managed by the Group. Refer to page 41 for more information on the Group's approach to credit risk management. In particular, at 31st December 2005, 89% of all commodities credit exposure was to counterparties with cross-asset class netting agreements which allow exposure on commodities products to be reduced by amounts owed to the same counterparties in other asset classes. This percentage is consistent across the credit ratings applying to BBB+ and below as well as higher rated counterparties.

Additionally, collateral agreements are held with a majority of these same counterparties that allow collateral to be called against commodity exposures. All non-collateralised exposures are subject to credit limits, and impairment allowances are created against these exposures if appropriate.

Note

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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Risk management

Derivatives

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

Barclays Capital manages the trading derivatives book as part of the market risk book. This includes foreign exchange, interest rate, equity, commodity and credit derivatives. The policies regarding market risk management are outlined in the market risk management section on pages 51 to 55.

The policies for derivatives that are used to manage the Group's own exposure to interest and exchange rate fluctuations are outlined in the asset and liability market risk section on page 54.

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

A description of the impact of first time adoption of International Financial Reporting Standards (IFRS) is provided in Note 62.

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

Exchange Traded Derivatives

The Group buys and sells financial instruments that are traded or cleared on an exchange, including interest rate swaps, futures and options on futures. Holders of exchange traded instruments provide margin daily with cash or other security at the exchange, to which the holders look for ultimate settlement.

Over the Counter Traded Derivatives (OTC)

The Group also buys and sells financial instruments that are traded over the counter, rather than on a recognised exchange.

These instruments range from commoditised transactions in derivative markets, to trades where the specific terms are tailored to the requirements of the Group's customers. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give the Group protection in situations where a counterparty is in default.

Foreign Exchange Derivatives

The Group's principal exchange rate related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

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

Interest Rate Derivatives

The Group's principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features.

An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. A basis swap is a form of interest rate swap, in which both parties exchange interest payments based on floating rates, where the floating rates are based upon different underlying reference indices. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

Credit Derivatives

The Group's principal credit derivative related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection.

A credit default swap is a contract where the protection seller receives premium or interest related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer in return receives a predetermined amount.

A description of how credit derivatives are used within the Group is provided on page 43.

Equity Derivatives

The Group's principal equity related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date.

Commodity Derivatives

The Group's principal commodity related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are base metals, precious metals, oil and oil related products, power and natural gas.

A description of commodity derivatives is provided on page 59.

Table of Contents**Risk management****Statistical information****Statistical and Other Risk Information**

This section of the report contains supplementary information that is more detailed or contains longer histories than the data presented in the discussion. For commentary on this information, please refer to the preceding text (pages 41 to 61).

Barclays applied International Financial Reporting Standards (IFRS) with effect from 1st January 2004, with the exception of IAS 32, IAS 39 and IFRS 4, which were applied from 1st January 2005.

N/a has been included in the tables where, as a result of the application of IAS 32, IAS 39 and IFRS 4 in 2005 and UK GAAP in 2004, the disclosure is not applicable.

Credit Risk Management**Table 1: Risk Tendency by business**

	2005	2004
	£m	£m
UK Banking	450	375
UK Retail Banking	170	150
UK Business Banking	280	225
Barclays Capital	85	70
Wealth Management	5	5
Barclaycard	1,100	860
International Retail and Commercial Banking	195	65
International Retail and Commercial Banking excluding Absa	75	65
International Retail and Commercial Banking Absa	120	
Head office functions and other operations ^(a)	10	20
Risk Tendency by business	1,845	1,395
(Also see chart on page 42.)		

Table 2: Loans and advances

	2005	2004 ^(b)
	£m	£m
Retail businesses		

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Banks	1,959	1,692
Customers	144,039	106,296
Total retail businesses	145,998	107,988
Wholesale businesses		
Banks	29,150	17,888
Customers	128,303	100,497
Total wholesale businesses	157,453	118,385
Loans and advances excluding reverse repurchase agreements	303,451	226,373
Reverse repurchase agreements	n/a	119,379
Loans and advances	303,451	345,752

Notes

- (a) Head office functions and other operations comprises discontinued businesses in transition.
- (b) Does not reflect the application of IAS 32, IAS 39 or IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

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	On demand £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
At 31st December 2005						
United Kingdom	369	3,647	157	181	270	4,624
Other European Union	585	4,642	145	50	1	5,423
United States	514	3,098	4,645	2,100	2,910	13,267
Africa	722	80	6	59	13	880
Rest of the World	1,739	4,454	222	241	259	6,915
Loans and advances to banks	3,929	15,921	5,175	2,631	3,453	31,109

	On demand £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
At 31st December 2004^(a)						
United Kingdom	847	2,748	8	103	243	3,949
Other European Union	289	1,495		29		1,813
United States	147	4,331	1,363	543	1,284	7,668
Africa	90	274	60		1	425
Rest of the World	326	3,473	674	877	375	5,725
Loans and advances to banks excluding reverse repurchase agreements	1,699	12,321	2,105	1,552	1,903	19,580
Reverse repurchase agreements						61,075
Loans and advances to banks						80,655

Table 4: Interest rate sensitivity of loans and advances to banks^(b)

	Fixed rate £m	2005 Variable rate £m	Total £m	Fixed rate £m	2004 Variable rate £m	Total £m
At 31st December	1,384	3,240	4,624	2,352	1,597	3,949

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United Kingdom						
Other European Union	690	4,733	5,423	404	1,409	1,813
United States	1,683	11,584	13,267	1,941	5,727	7,668
Africa	69	811	880	157	268	425
Rest of the World	3,709	3,206	6,915	1,554	4,171	5,725
Loans and advances to banks excluding reverse repurchase agreements	7,535	23,574	31,109	6,408	13,172	19,580
Reverse repurchase agreements			n/a			61,075
Loans and advances to banks			31,109			80,655

Table 5: Interest rate sensitivity of loans and advances to customers

	Fixed rate	2005 Variable rate	Total	Fixed rate	2004 ^(a) Variable rate	Total
	£m	£m	£m	£m	£m	£m
At 31st December						
United Kingdom	49,988	113,771	163,759	32,974	113,274	146,248
Other European Union	7,317	31,606	38,923	3,156	23,054	26,210
United States	2,260	20,665	22,925	2,894	18,088	20,982
Africa	4,314	28,907	33,221	461	2,298	2,759
Rest of the World	5,604	7,910	13,514	5,212	5,382	10,594
Loans and advances to customers excluding reverse repurchase agreements	69,483	202,859	272,342	44,697	162,096	206,793
Reverse repurchase agreements			n/a			58,304
Loans and advances to customers			272,342			265,097

(a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.

(b) Where a loan is earning a fixed rate of interest on the reporting date, it is included as a fixed rate loan, regardless of the term for which the rate is fixed.

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Table of Contents**Risk management****Statistical information****Table 6: Loans and advances to customers by industry**

	IFRS		2003	UK GAAP	
	2005	2004 ^(a)		2002	2001
At 31st December	£m	£m	£m	£m	£m
Financial services	43,102	25,132	9,872	7,587	7,215
Agriculture, forestry and fishing	3,785	2,345	2,115	2,069	1,945
Manufacturing	13,779	9,044	7,844	9,002	10,061
Construction	5,020	3,278	2,534	2,229	2,131
Property	16,325	8,992	6,728	5,863	5,893
Energy and water	6,891	3,709	3,150	3,988	3,101
Wholesale and retail, distribution and leisure	17,760	11,099	9,628	8,415	8,173
Transport	5,960	3,742	3,654	3,900	3,177
Postal and communication	1,313	834	698	950	655
Business and other services	24,247	23,223	13,913	14,179	14,716
Home loans ^(b)	89,529	80,855	72,318	64,738	54,872
Other personal	35,543	27,602	23,922	22,272	20,800
Overseas customers ^(c)			8,666	10,635	11,820
Finance lease receivables	9,088	6,938	5,877	4,389	4,433
Loans and advances to customers excluding reverse repurchase agreements	272,342	206,793	170,919	160,216	148,992
Reverse repurchase agreements	n/a	58,304	n/a	n/a	n/a
Trading business	n/a	n/a	58,961	45,176	34,240
Loans and advances to customers	272,342	265,097	229,880	205,392	183,232

Table 7: Loans and advances to customers in the UK

	IFRS		2003	UK GAAP	
	2005	2004 ^(d)		2002	2001
At 31st December	£m	£m	£m	£m	£m
Financial services	11,958	8,774	7,721	6,158	5,616
Agriculture, forestry and fishing	2,409	1,963	1,766	1,747	1,626
Manufacturing	8,469	5,684	5,967	6,435	6,766
Construction	3,090	2,285	1,883	1,825	1,779

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Property	10,547	7,912	6,341	5,695	5,600
Energy and water	2,701	802	1,286	1,290	1,153
Wholesale and retail distribution and leisure	12,747	9,356	8,886	7,858	7,571
Transport	2,797	1,822	2,579	2,366	1,894
Postal and communication	455	440	476	694	368
Business and other services	15,403	13,439	12,030	11,693	10,581
Home loans ^(b)	61,256	63,039	61,905	58,436	50,945
Other personal	26,724	25,181	21,905	21,357	19,678
Overseas customers ^(c)			5,477	6,201	6,472
Finance lease receivables	5,203	5,551	5,587	4,145	4,205
Loans and advances to customers in the UK	163,759	146,248	143,809	135,900	124,254

The category 'other personal' includes credit cards, personal loans and personal overdrafts.

The industry classifications in tables 6-10 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent's predominant business may be in a different industry.

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. Further explanation is provided on page 118.
- (b) Excludes commercial property mortgages.
- (c) Overseas customers are now classified as part of other industry segments.
- (d) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.

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At 31st December	IFRS		UK GAAP		2001 £m
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	
Financial services	3,982	2,419	1,205	371	500
Agriculture, forestry and fishing	155	280	147	165	240
Manufacturing	2,254	2,021	1,275	1,422	1,317
Construction	803	716	609	314	298
Property	3,299	344	346	137	241
Energy and water	1,490	940	409	367	282
Wholesale and retail distribution and leisure	952	810	426	215	283
Transport	1,695	640	566	252	318
Postal and communication	432	111	40	173	185
Business and other services	3,594	3,795	1,251	1,648	1,679
Home loans ^(b)	16,488	11,828	10,334	6,243	3,871
Other personal	1,909	1,369	1,769	721	661
Overseas customers ^(c)			438	384	685
Finance lease receivables	1,870	937	212	167	148
Loans and advances to customers in other European Union countries	38,923	26,210	19,027	12,579	10,708

See note under table 7.

Table 9: Loans and advances to customers in the United States

At 31st December	IFRS		UK GAAP		2001 £m
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	
Financial services	16,229	9,942	919	1,036	1,053
Agriculture, forestry and fishing	1		1	3	
Manufacturing	937	388	341	842	1,553
Construction	32	139	2	31	24
Property	329	394	1	15	21
Energy and water	1,261	891	1,358	2,229	1,567
Wholesale and retail distribution and leisure	794	466	77	141	160
Transport	148	186	468	1,248	931
Postal and communication	236	63	153	46	66
Business and other services	1,185	1,565	220	441	901
Home loans ^(b)	2	5,768			
Other personal	1,443	845			267
Overseas customers ^(c)				62	23
Finance lease receivables	328	335	33	44	48
Loans and advances to customers in the United States	22,925	20,982	3,573	6,138	6,614

See note under table 7.

Notes

- (a) Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. Further explanation is provided on page 118.

- (b) Excludes commercial property mortgages.

- (c) Overseas customers are now classified as part of other industry segments.

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	IFRS		UK GAAP		
	2005 £m	2004 ^(a) £m	2003 £m	2002 £m	2001 £m
At 31st December					
Financial services	4,350	186	27	22	46
Agriculture, forestry and fishing	1,193	102	201	154	79
Manufacturing	1,501	313	261	303	425
Construction	1,068	76	40	59	30
Property	1,673	87	40	16	31
Energy and water	193	184	97	102	99
Wholesale and retail distribution and leisure	2,774	165	239	201	159
Transport					