

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

Barclays PLC  
Annual report 2000  
Barclays PLC and Barclays Bank PLC  
Annual report on Form 20-F 2000

## Contents

<b>Presentation of information</b>	2	<b>Consolidated accounts</b>	
<b>Financial data</b>	3	<b>Barclays PLC</b>	76
<b>Business description</b>	6	Accounting policies	76
<b>Financial review</b>	12	Accounting presentation	79
Analysis of results by business	15	Consolidated profit and loss account	80
Results by nature of income and expense	21	Statement of total recognised gains and losses	81
Yields, spreads and margins	22	Consolidated balance sheet	82
Average balance sheet	28	Consolidated statement of changes in reserves	84
Capital resources	32	Consolidated cash flow statement	85
Deposits	33	Parent company accounts	86
Short-term borrowings	34	Notes to the accounts	87
Securities	35	<b>SEC Form 20-F cross reference</b>	
Risk management – Overview	36	<b>and other information</b>	153
Credit Risk Management	38	Glossary	155
Analysis of loans and advances	39	<b>Barclays Bank PLC data</b>	156
Provisions for bad and doubtful debts	44	<b>US GAAP financial data</b>	167
Potential credit risk lendings	48	<b>Shareholder information</b>	168
Cross border outstandings	50	Dividends	168
Market Risk management	51	Trading market for ordinary shares of Barclays PLC	169
Derivatives	53	Trading market for preference shares	170
Treasury asset and liability management	54	Shareholdings at 31st December 2000	171
Management of operational and other risks	57	Memorandum and Articles of Association	172
<b>Other information</b>	58	Taxation	173
Economic and monetary environment	58	Exchange controls and other limitations	
Supervision and regulation	58	affecting security holders	174
Risk factors	59	<b>Group senior management</b>	
<b>Directors and officers</b>	60	<b>and principal offices</b>	176
<b>Directors' report</b>	62		
<b>Corporate governance</b>	65		
<b>Auditors' reports</b>	75		

### Registered No. 48839

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act 1995 with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including UK domestic and global economic and business conditions, market related risks such as interest rate and exchange rate risks, the policies and actions of regulatory authorities and the impact of competition, a number of which 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. For a discussion of some of the factors that may cause actual future results and developments to differ materially from these forward-looking statements, see Risk factors on page 59.

## Economic and monetary environment

### European Economic and Monetary Union (EMU)

The delivery of changes required to deal with the introduction of euro notes and coins, and the demise of the legacy currencies of the eurozone countries are being planned. No significant incremental costs are expected in 2001 as a result of these preparations.

Barclays incurred minimal expenditure during 2000 with respect to any decision to introduce the euro in the UK that may be made by the Government in the near future.

## Supervision and regulation

### UK

The UK government is implementing a major overhaul of the UK financial regulatory system aimed at creating a new single statutory regulator, the Financial Services Authority (FSA), for the full range of financial business, including deposit-taking business, securities and other investment business and insurance business.

The first stage of this reform programme comprised the implementation of the Bank of England Act 1998 (the 1998 Act), which came into force on 1st June 1998. Under the 1998 Act, responsibility for banking supervision in the UK was transferred from the Bank of England to the FSA. The Bank of England retains its monetary policy role and responsibility for the overall stability of the financial system.

The next step in the reform programme is the implementation of new legislation (the Financial Services and Markets Act 2000) to replace the existing legislation, including the Financial Services Act 1986 and the Banking Act 1987 (see below). The Financial Services and Markets Act received Royal Assent in June 2000 and its substantive provisions are expected to come into force, together with other necessary secondary legislation on which HM Treasury has been and is currently consulting, in the second half of 2001. From then on the FSA will become a single regulator (replacing other regulators such as the self-regulating organisations (SROs)) and have a unified handbook of rules and guidance for financial services.

The primary objective of the FSA (in its role as a bank supervisor) is to fulfil the responsibilities relating to the safety and soundness of banks placed on it by the Banking Act 1987 (the 1987 Act) with the aim of strengthening, but not ensuring, the protection of depositors. Barclays Bank PLC is an authorised institution under the 1987 Act and is subject to consolidated supervision by the FSA under that Act.

The FSA's continuing supervision of banks authorised by it is conducted through the collection of information from statistical and prudential returns, reports obtained from banks' reporting accountants at the FSA's request, visits to banks and regular meetings with management to discuss issues such as performance, risk management and strategy. Under a risk-based approach rolled out for all banks in 1998 – RATE – the starting point for the FSA's supervision of all banks is based on a systematic analysis of the risk profile of each bank. The FSA also promulgates requirements that it expects banks (and

groups containing banks which are subject to consolidated supervision) to meet on matters such as capital adequacy (see Capital resources on page 32), limits on large exposures to individual entities and groups of closely connected entities, and liquidity.

UK banks are required to be members of, and to contribute to, a deposit protection scheme. This entitles depositors with a failed institution to receive 90% of their protected deposits, subject to a maximum payment to any depositor of £18,000 (or €20,000 if greater).

Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in sterling or other EEA currencies (including the euro) are covered by the scheme.

Securities and other investment business is currently regulated in the UK under the Financial Services Act 1986 (the 1986 Act). Barclays Bank PLC and certain other subsidiaries are authorised to conduct investment business in the UK through their membership of SROs which are recognised by the FSA (in its role as the regulatory body with oversight responsibilities under the 1986 Act). As part of the reform programme, the FSA, under service contracts, now carries out monitoring on behalf of the SROs and provides them with support services to enable them to fulfil their functions. The SROs regulate the conduct of investment business by their members, although to avoid duplication they do not generally impose separate capital adequacy requirements on members such as banks where the FSA acts as the lead regulator. Firms authorised to conduct investment business are also required to participate in and contribute to an investors compensation scheme to provide protection to private investors against the default of a participating firm up to a limit of £48,000 per investor.

The UK has now largely implemented the minimum requirements imposed by European Community Directives on such matters as capital adequacy and deposit and investor compensation schemes. These form part of the European single market programme, an important feature of which is the framework for mutual recognition. This is designed to enable a bank or investment firm authorised in one European Union member state to conduct banking or securities and investment business through branches or cross-border in other member states without the need for additional local authorisation.

Formal consultation is a key aspect of the UK government's reform programme and the Group has been reviewing and, where relevant, commenting upon proposals both directly and through market associations.

The Basel Committee and the European Commission have issued consultation papers designed to replace the existing framework for the allocation of regulatory capital for credit risk. They recognise that a more sophisticated approach is now required to address both financial innovation and the increasingly complex risks faced by financial services institutions. Most recently the Basel Committee and the European Commission issued in January and February 2001 respectively proposals for a new capital adequacy regime that, once finalised, will augment the 1988 Basel Capital Accord and the existing EU capital framework. The final versions of the rules are expected to be published around the end of 2001 and to be implemented in 2004.

### Rest of the World

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

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

## Risk factors

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act 1995 with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. The Group may also make forward-looking statements in other written materials, including other documents filed with or furnished to the SEC. In addition, the Group's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements in the Financial Review and Business Description with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management, and competition are forward looking in nature.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group's actual future results may differ materially from those set out in the Group's forward-looking statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, operational, legal, market, liquidity, credit and other risks set out on pages 36 to 57 of the Financial review and Competition as discussed on page 11. The discussion in this report sets forth certain other risks and uncertainties 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's results and the reader should not consider the factors discussed in this report to be a complete set of all potential risks or uncertainties.

### Business conditions and general economy

The profitability of the Group's businesses could be adversely affected by a worsening of general economic conditions in the UK or elsewhere as well as by foreign and domestic trading market conditions. Such factors could also adversely affect the credit quality of the Group's on-balance sheet and off-balance sheet assets. An economic downturn or significantly higher interest rates could increase the risk that a greater number of the Group's customers would default on their loans or other obligations to the Group, or would refrain from seeking additional borrowing.

### Government policies and economic controls

The Group's businesses and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the UK, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond the Group's control.

The UK Competition Commission is conducting an enquiry into the supply of banking services by clearing banks to small and medium sized enterprises and is due to report in June 2001. Provisional findings as to the existence of any monopoly situation and any public interest issues arising may be made during March 2001 but no final conclusions affecting Barclays will be made before the Commission completes its report.

### Credit risk

The Group's provisions for credit losses provides for risks of losses inherent in loans and advances. Estimating potential losses is inherently uncertain and depends on many factors, including general economic conditions, rating migration, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements.