From: Grennon, Lisa (GMI - NY Syndicate)
Sent: Tuesday, November 27, 2007 10:43 AM
To: Mottola, Paul (Financial Products Group); Mottola, Paul (Financial Products Group)
Subject: FW: Barclays

Paul -
Please see below.

High Grade Syndicate / 4 World Financial Center, 7th Fl New York NY 10080 / 212 449.4916 / Lisa_Grennon@ML.com

-----Original Message-----
From: Palmer, Robin (IBK EMEA)
Sent: Tuesday, November 27, 2007 10:40 AM
To: Grennon, Lisa (GMI - NY Syndicate)
Cc: Roman, Julien (IBK EMEA)
Subject: Barclays

Hello Lisa,

Most recent reports below. I am going to relisten to the due diligence call and will send over key summary points in relation to their liquidity position, subprime etcâ€¦.

Trading Update:

ML Equity Research:

Merrill Lynch is currently a buy on the stock...

ML Credit Research:

Ratings Reports:

Best regards,

Robin

Robin Palmer
FIG Capital Markets & Financing London

Merrill Lynch International
2 King Edward Street - London EC1A 1HQ
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BARCLAYS

27th November 2007

BARCLAYS PLC

TRADING UPDATE

"The diversification of our profits in recent years, together with the investments we have made in businesses both inside and outside the UK, is serving us well in 2007. Our performance in the nine months to the end of September was supported by good underlying growth in Global Retail and Commercial Banking, and by resilience in Investment Banking and Investment Management in the face of turbulent market conditions in the second half."

John Varley, Group Chief Executive

Business Commentary

Global Retail and Commercial Banking

In **UK Retail Banking** we have delivered good growth in profit before tax after excluding the impact of settlements on overdraft fees from prior years, reflecting good growth in mortgages and customer deposits. Impairment performance in unsecured credit continued to improve and charges remained negligible in mortgages. **Barclays Commercial Bank** (formerly UK Business Banking) also saw good growth in profit before tax. This was driven by good growth in income, with expenses growing broadly in line with income and impairment rising at a slower rate than in the first half. **UK Banking** remains on course to achieve its targeted full year cost:income ratio improvement of two percentage points, excluding the impact of settlements on overdraft fees.

Profit before tax at **Barclaycard** grew strongly, excluding the loss on the Monument credit card disposal in 2007 and property gains in 2006. Income and expense trends were broadly in line with the first half of 2007 and impairment charges continued to improve. Barclaycard US performed well and is on track to be profitable in 2007.

Income growth in **International Retail and Commercial Banking – excluding Absa** was very strong. We continued to invest in the expansion of the distribution network and in infrastructure. Good profit growth in Western Europe and Emerging Markets was offset by the impact of the disposal of FirstCaribbean International Bank and property gains in 2006, and further investment in infrastructure. **International Retail and Commercial Banking - Absa** reported strong growth in profit before tax in Rand terms, driven by very strong growth in loans and good deposit growth. There was a decline in profit before tax in Sterling due to Rand depreciation.

Investment Banking and Investment Management

We provided a trading update in respect of the performance of **Barclays Capital** for the ten months ended 31st October 2007 on 15th November 2007.

At **Barclays Global Investors** strong growth in income and profit before tax in US Dollars translated into good growth in profit before tax in Sterling terms. We continued to invest in people and infrastructure.

Excellent profit growth at **Barclays Wealth** was driven by higher transactional income and strong inflows of client deposits and invested assets. We continued to invest in client facing staff and related infrastructure to support future growth.

Capital

We continue to buy back shares to neutralise the dilutive effect of share issuance in August 2007. As at close of business 26th November 2007, we had purchased for cancellation 280m shares at an average price of 603p per share. We expect the year end Tier 1 ratio to be in line with our target of 7.25%. Barclays liquidity remains strong and we continue to see good inflows of deposits.

2007 outlook

Barclays expects 2007 earnings per share to be broadly in line with the current market consensus.

– ENDS –

Notes

1. Key trends in the income statement set out above, unless stated otherwise, relate to the nine months to 30th September 2007, and are compared to the corresponding nine months of 2006. Balance sheet references relate to 30th September 2007 and are compared to the balance sheet as at 31st December 2006.
2. Trends in income are expressed after the deduction of 'net claims and benefits on insurance contracts'.
3. UK Business Banking has been renamed Barclays Commercial Bank.
4. As at close of business 26th November 2007, the market consensus derived by Barclays Investor Relations for 2007 PBT was £7,099m and for 2007 earnings per share was 68.8p.

Trading Update conference call and webcast details

The Group Finance Director's briefing will be available as a live conference call at 09.00 (GMT) on Tuesday, 27th November 2007. The telephone number for UK callers is 0845 301 4070 (+44 (0) 20 8322 2723 for all other locations), with the access code 'Barclays Results'. The briefing will also be available as a live audio webcast on the Investor Relations website at: www.investorrelations.barclays.com and a recording will be posted on the website later.

Timetable

2007 Preliminary Results Announcement	Tuesday, 19th February 2008
Ex Dividend Date	Wednesday, 5th March 2008
Dividend Record Date	Friday, 7th March 2008
2008 Annual General Meeting	Thursday, 24th April 2008
Dividend Payment Date	Friday 25th April 2008

All dates are provisional and subject to change.

For further information please contact

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Mark Merson/John McIvor
+44 (0) 20 7116 5752/2929

Media Relations
Alistair Smith/Robin Tozer
+44 (0) 20 7116 6132/6586

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. Examples of 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, UK domestic and global economic and business conditions, the effects of continued volatility in credit markets, market related risks such as changes in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under International Financial Reporting Standards (IFRS) applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, 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, the success of future acquisitions and other strategic transactions 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.

Barclays

Back with a Buy

Coverage Resumed **BUY**

Equity | United Kingdom | Banks-Retail
08 October 2007

Merrill Lynch

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Resume coverage with Buy rating and 800p price objective

We resume coverage on Barclays with a buy rating and 800p price objective. Our EPS forecasts are 70.1p for 2007 (after 41.4p in H1) and 77.7p for 2008. This puts us ahead of recent competitor forecasts which have been clustered in the low 70's area for next year. We believe the positive tone of presentation at our recent banking conference supports a more positive stance. As well as an expected yield of 6% for 2008, we also expect near-term share price support from the need to acquire c.200m shares (c.£1.27bn, or 3% of the company) within the next two months to neutralise the investments made by Temasek and CDB.

Re-rating due?

Barclays on 8.5x 2008e trades at a discount to more growth-challenged UK centric stories like HBOS (8.8x 2008e) and Lloyds TSB (10.1x 2008e) and at a discount to purer play investment bank names like Deutsche (9.4x 2008e) and Credit Suisse (9.7x 2008e). Historically, Barclays low rating was attributed to concern that Barclays would overpay for an "ill-conceived" acquisition and that Barclays Capital's profits would be more volatile than peers. However, recent history suggests a different perspective. Barclays maintained a financially disciplined line on its bid for ABN AMRO and, unlike elsewhere, we have not had (and do not expect) a BarCap induced profit warning.

Estimates (Dec)

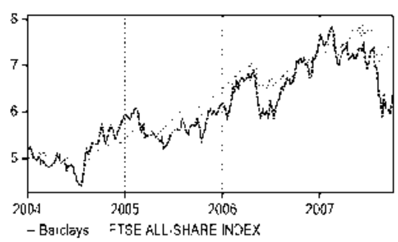
(£)	2005A	2006A	2007E	2008E	2009E
	IFRS	IFRS	IFRS	IFRS	IFRS
Net Profit	3.447	4 625	4,473	4 977	5,629
EPS (Adjusted Diluted)	57.9	67 7	70 1	77 7	87 5
EPS Reported	54	73	70	78	88
Dividend / Share	26.6	31 0	34 5	39 0	44 0
Adjusted NAV PS	156	192	239	279	325
ADR EPS (Adjusted Diluted - US$)	4 21	4 98	5 72	6 34	7 15
ADR Dividend / Shares (US$)	1 93	2 28	2 82	3 18	3 59

Valuation (Dec)

	2005A	2006A	2007E	2008E	2009E
P/E	11.3x	9.7x	9.3x	8.4x	7.5x
EPS Change (YoY)	4.81%	17.0%	3 57%	10.8%	12.7%
Price / BV	2.44x	2.15x	1.88x	1.68x	1.51x
Price / NAV	4 19x	3 40x	2 74x	2 34x	2 01x
Net Yield	4.06%	4.73%	5 27%	5.95%	6.72%
DPS Change (YoY)	10 8%	16 5%	11 3%	13 0%	12 8%
Price / GOP	5.89x	4.64x	4.49x	4.18x	3.81x

Stock Data

Price (Common / ADR)	655.00p / US$53.33
Price Objective	885 00p to 800 00p / US$71.58 to US$64.00
Date Established	8-Oct-2007 / 8-Oct-2007
Investment Opinion	A-1-7 / A-1-7
Volatility Risk	LOW / LOW
52-Week Range	570 50p-794 00p
Market Value (mn)	£42.785
Shares Outstanding (mn)	6 532 0 / 1,633.0
Average Daily Volume	89 986,984
ML Symbol / Exchange	BCLYF / LSE
ML Symbol / Exchange	BCS / NYS
Bloomberg / Reuters	BARC LN / BARC L
ROE (2007E)	21 0%
Total Dbt to Cap (Dec-2006A)	0%
Est. 5-Yr EPS / DPS Growth	12.0% / 10 0%
Free Float	100 0%



>> Employed by a non-US affiliate of MLPF&S and is not registered/qualified as a research analyst under the NYSE/NASD rules.

Refer to "Other Important Disclosures" for information on certain Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

Refer to important disclosures on page 8 to 9. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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iQprofile℠ Barclays

Key Income Statement Data (Dec) (£ Millions)	2005A IFRS	2006A IFRS	2007E IFRS	2008E IFRS	2009E IFRS
Net Interest Income	**8,075**	**9,149**	**9,505**	**10,337**	**11,216**
Net Fee Income	5,705	7,177	7,018	7,562	8,248
Securities Gains / (Losses)	2,321	3,614	4,274	4,702	5,172
Other Income	1,232	1,743	2,244	2,257	2,392
Total Non-Interest Income	**9,258**	**12,534**	**13,536**	**14,521**	**15,811**
Total Operating Income	**17,333**	**21,683**	**23,041**	**24,858**	**27,028**
Operating Expenses	(10,367)	(12,708)	(13,727)	(14,809)	(15,976)
Pre-Provision Profit	**6,966**	**8,975**	**9,315**	**10,049**	**11,052**
Provisions Expense	(1,571)	(2,154)	(2,078)	(2,037)	(2,044)
Operating Profit	**5,395**	**6,821**	**7,237**	**8,012**	**9,008**
Non-Operating Items	(115)	369	(2.15)	(2.26)	(2.37)
Pre-Tax Income	**5,280**	**7,190**	**7,235**	**8,009**	**9,005**
Net Income to sh/holders	3,447	4,625	4,473	4,977	5,629
Adjusted Cash Earnings	**3,666**	**4,302**	**4,473**	**4,977**	**5,629**
Key Balance Sheet Data					
Total Assets	924,357	996,787	1,195,293	1,266,843	1,342,996
Average Interest Earning Assets	274,845	294,177	312,614	333,913	357,646
Weighted Risk Assets	**269,148**	**305,891**	**340,225**	**376,626**	**417,252**
Total Gross Customer Loans	271,471	285,404	341,967	362,417	384,056
Total Customer Deposits	238,684	256,754	272,159	288,489	305,798
Tier 1 Capital	**15,444**	**18,895**	**23,005**	**26,248**	**29,536**
Tangible Equity	10,135	12,523	15,588	18,316	21,398
Common Shareholders' Equity	**17,426**	**19,830**	**22,768**	**25,496**	**28,578**
Key Metrics					
Net Interest Margin	2.94%	3.11%	3.04%	3.10%	3.14%
Tier 1 Ratio	**5.74%**	**6.18%**	**6.76%**	**6.97%**	**7.08%**
Effective Tax Rate	27.3%	27.0%	28.5%	28.5%	28.5%
Loan / Assets Ratio	29.1%	28.3%	28.3%	28.3%	28.3%
Loan / Deposit Ratio	**113%**	**110%**	**124%**	**124%**	**124%**
Oper Leverage (Inc Growth - Cost Growth)	0.14%	2.52%	-1.75%	0%	0.85%
Gearing (Assets / Equity)	53.0x	50.3x	52.5x	49.7x	47.0x
Tangible Equity / Assets	1.10%	1.26%	1.30%	1.45%	1.59%
Tangible Equity / WRAs	3.77%	4.09%	4.58%	4.86%	5.13%
Business Performance					
Revenue Growth	24.3%	25.1%	6.26%	7.88%	8.73%
Operating Expense Growth	24.2%	22.6%	8.02%	7.88%	7.88%
Provisions Expense Growth	43.7%	37.1%	-3.54%	-1.94%	0.35%
Operating Revenue / Average Assets	0.75%	0.71%	0.66%	0.65%	0.69%
Operating Expenses / Average Assets	-1.43%	-1.32%	-1.25%	-1.20%	-1.22%
Pre-Provision ROA	**0.96%**	**0.93%**	**0.85%**	**0.82%**	**0.85%**
ROA	0.48%	0.48%	0.41%	0.40%	0.43%
Pre-Provision ROE	**40.0%**	**48.2%**	**43.7%**	**41.6%**	**40.9%**
ROE	19.8%	24.8%	21.0%	20.6%	20.8%
RoTE	31.5%	38.0%	31.8%	29.4%	28.3%
RoWRAs	1.50%	1.50%	1.38%	1.39%	1.42%
Dividend Payout Ratio	46.0%	45.8%	49.2%	50.2%	50.3%
Efficiency Ratio (Cost / Income Ratio)	**59.4%**	**58.6%**	**59.6%**	**59.6%**	**59.1%**
Quality of Earnings					
Total Non-Interest Inc / Operating Inc	**53.4%**	**57.8%**	**58.7%**	**58.4%**	**58.5%**
Market-Related Revenue / Total Revenues	13.4%	16.7%	18.6%	18.9%	19.1%
Provisioning Burden as % of PPP	22.5%	24.0%	22.3%	20.3%	18.5%
NPLs plus Foreclosed Real Estate / Loans	1.91%	1.86%	1.64%	1.64%	1.64%
Loan Loss Reserves / NPLs	**50.2%**	**59.0%**	**62.1%**	**61.8%**	**59.4%**
Loan Loss Reserves / Total Loans	0.96%	1.10%	1.02%	1.01%	0.97%
Provisions Expense / Average Loans	**0.68%**	**0.78%**	**0.67%**	**0.58%**	**0.55%**

Company Description

Barclays incorporates a wide range of banking activities including personal and corporate lending, leasing, insurance, personal financial services, private and investment banking, and asset management. Around 70% of group assets are UK based, with around 10% each in Europe, the US, and the rest of the world.

Stock Data

Shares / ADR	4.00
Price to Book Value	1.9x

Resuming coverage

Buy rating and 800p price objective

We resume coverage on Barclays with a buy rating and 800p price objective. Our EPS forecasts are 70.1p for 2007 (after 41.4p in H1) and 77.7p for 2008. This puts us ahead of recent competitor forecasts which have been clustered in the low 70's area for next year.

We believe the positive tone of presentation at our recent banking conference supports a more positive stance. As well as an expected yield of 6% for 2008, we also expect near-term share price support from the need to acquire c.200m shares (c.£1.27bn, or 3% of the company) within the next two months to neutralise the investments made by Temasek and CDB.

Re-rating due?

Barclays on 8.5x 2008e trades at a discount to more growth-challenged UK centric stories like HBOS (8.8x 2008e (HBOOF, 959p, A-2-7)) and Lloyds TSB (10.1x 2008e (LLDTF, 571.50p, A-2-7)) and at a discount to purer play investment bank names like Deutsche (9.4x 2008e (DB, US$135.06, A-2-7)) and Credit Suisse (9.7x 2008e (CS, US$69.43, B-1-7)).

Historically, Barclays low rating was attributed to concern that Barclays would overpay for an "ill-conceived" acquisition and that Barclays Capital's profits would be more volatile than peers. However, recent history suggests a different perspective. Barclays maintained a financially disciplined line on its bid for ABN AMRO and, unlike elsewhere, we have not had (and do not expect) a BarCap induced profit warning.

Strategic questions for another day

In the wake of the failure of the bid for ABN AMRO, we expect Barclays to aggressively reaffirm its commitment to a standalone organic growth story based off the combination of:

- Geographic and market share expansion within BGI and BarCap;
- Secular growth within the international businesses;
- Restructuring of the core UK franchise; and
- Credit leverage within the UK operations as unsecured impairments move back to more normalised levels.

However, we remain conscious that the failed ABN situation leaves a number of strategic questions to be answered. Will Barclays look to acquire again? Will Barclays be bought?

In our view, the strategic logic of the bid for ABN was sound; based upon taking Barclays product capability in investment banking, investment management and cards into new markets. Our original concern over the structure of the offer for ABN AMRO was its terms which looked to be overly favourable in respect of ABN AMRO shareholders to the detriment of Barclays shareholders.

In our view there is a de-minimis probability of an outright bid for Barclays. More of a possibility is Barclays will look, in time, to replicate the structure of its bid for ABN AMRO with another European player which brings structural growth markets

(BBVA?, SocGen?). Moreover with Barclays having signalled the terms on which it is prepared to operate (management control, PLC governing board but willing to cede Chairman, Head Office and regulator), it may be that the basis of workable compromise is there.

The other possibility is that Barclays will, in time, look to leverage the benefit of its new Asian strategic partners to accelerate growth in that region and eventually play a role in Asian consolidation. Either way, we expect the financial disciplines which were a hallmark of the ABN situation to remain.

Financials

Table 1: Summary Profit & Loss Statement

	1H06	2H06	1H07	2H07E	2005	2006	2007E	2008E
Net interest income	4 404	4 745	4 589	4.916	8,075	9.149	9 505	10 337
Net fees and commissions	3.209	3 195	3 422	3.596	5,705	7.177	7 018	7,562
Dealing income	2.209	1 414	2.804	1.542	2,321	3,614	4.274	4,702
Life insurance income	0	0	0	0	0	0	0	0
Other	1.147	1 360	1.087	1.129	1,232	1.743	2.244	2.257
Non-interest income	6 565	5 969	7,313	6 267	9,258	12 534	13,536	14 521
Total recurring revenues	10.969	10 714	11 902	11.183	17 333	21,683	23,041	24 858
Staff expenses	-4.147	-4 022	-4.581	-4.174	-6,318	-8,169	-8 755	-9,521
Other admin expenses	-1.916	-2 416	-1.893	-2.718	-3,768	-4.332	-4.611	-4.909
Depreciation	-207	-136	-227	-133	-312	-343	-360	-378
Other costs	25	111	-146	146	110	136	0	0
Operating expenses	-6 245	-6 463	-6 847	-6 880	-10,288	-12.708	-13,727	-14 809
Cost/income	56 9%	60 3%	57 5%	61 5%	59 4%	58 6%	59 6%	59 6%
JAWS	0.5%	1.7%	-1 1%	-2 1%	-3.5%	1 6%	-1 8%	0 0%
Gross operating profit	4.724	4 251	5.055	4,304	7,045	8,975	9.315	10.049
Loan loss provisions	-1.057	-1 097	-959	-1.119	-1,571	-2.154	-2.078	-2,038
Provisions/Total loans	0.86%	0.88%	0 74%	0.85%	0 73%	0.88%	0 81%	0 75%
Other provisions and write-offs	0	0	0	0	0	0	0	0
Op. profit post provisions	3.667	3 154	4.096	3,185	5,474	6,821	7 237	8,012
Associate income	30	16	5	-7	45	46	-2	-2
Business-as-usual profit	3.697	3 170	4.101	3.178	5,519	6.867	7.235	8,009
Amortisation of goodwill	0	0	0	0	-79	0	0	0
Exceptionals	-23	346	0	0	-160	323	0	0
Statutory profit before tax	3.674	3 516	4 101	3.178	5,280	7.190	7 235	8,009
Tax	-1.072	-869	-1.158	-904	-1,439	-1.941	-2.062	-2.283
Tax Rate	29.2%	24.7%	28 2%	28.4%	27.3%	27.0%	28 5%	28 5%
Minorities	-294	-330	-309	-391	-394	-624	-700	-750
Net profit	2 308	2 317	2 634	1 883	3,447	4 625	4 473	4,977
Reported EPS (p)	36 3	36 4	41 1	29 0	54.4	72 8	70 1	77.7
Clean EPS (p)	36 6	31 7	41 1	29 0	57.8	68.3	70 1	77.7
DPS	10 5	20 5	11 5	23 0	26.6	31.0	34 5	39.0
Weighted Avg share no.	6.354	6 360	6.403	6,360	6,337	6,357	6.381	6,406

Source: Company Data, ML Estimates

Table 2: Divisional P&L Summary

		1H06	2H06	1H07	2H07E	2006E	2007E	2008E	2009E
UK Retail	Revenues	2.109	2 237	2.121	2.323	4.346	4.444	4.668	4.945
	Expenses	-1.203	-1.329	-1.194	-1,338	-2,532	-2,532	-2,608	-2,686
	Operating profit	906	908	927	985	1.814	1.912	2.060	2.259
	Provisions	-306	-329	-277	-300	-635	-577	-556	-540
	Associates & other	0	2	1	1	2	2	2	2
	PBT	**600**	**581**	**651**	**686**	**1,181**	**1,337**	**1,506**	**1,721**
UK Business	Revenues	1.154	1.241	1.251	1,259	2,395	2,510	2,711	2,946
	Expenses	-402	-455	-416	-484	-857	-900	-963	-1,021
	Operating profit	752	786	835	776	1.538	1.611	1,749	1.925
	Provisions	-100	-152	-123	-159	-252	-282	-296	-311
	Associates & other	2	1	0	3	3	3	3	3
	PBT	**654**	**635**	**712**	**620**	**1,365**	**1,332**	**1,456**	**1,618**
Barclaycard	Revenues	1 258	1 256	1.233	1,331	2,514	2,564	2,793	3,046
	Expenses	-445	-536	-516	-563	-981	-1,079	-1,187	-1,282
	Operating profit	813	720	717	768	1 533	1,485	1,606	1,764
	Provisions	-488	-579	-443	-475	-1,067	-918	-826	-785
	Associates & other	1	-9	-2	-6	-8	-8	-9	-9
	PBT	**326**	**132**	**272**	**287**	**458**	**559**	**771**	**970**
Barcap	Revenues	3 437	2 830	4.153	2,635	6,267	6,788	7,340	8,017
	Expenses	-2 121	-1 888	-2.483	-1,967	-4,009	-4,450	-4,850	-5,287
	Operating profit	1 316	942	1.670	668	2,258	2,338	2,490	2,730
	Provisions	-70	28	-10	-74	-42	-84	-92	-102
	PBT	**1,246**	**970**	**1,660**	**594**	**2,216**	**2,254**	**2,397**	**2,628**
BGI	Revenues	845	820	943	939	1.665	1.882	2,012	2.195
	Expenses	-481	-470	-555	-548	-951	-1,103	-1.191	-1,311
	Operating profit	364	350	388	390	714	778	821	884
	PBT	**364**	**350**	**388**	**390**	**714**	**778**	**821**	**884**
	AUM (£bn)	877	927	1,003	1,066	927	1,066	1,098	1,263
Int'l	Revenues	1 611	1 726	1.646	1,894	3,337	3,540	3,850	4,207
	Expenses	-1.058	-1.138	-1.107	-1,255	-2,196	-2,362	-2,584	-2,827
	Operating profit	553	588	539	638	1.141	1.177	1.266	1.381
	Provisions	-68	-99	-93	-117	-167	-210	-260	-300
	Associates & other	27	22	1	0	49	1	1	1
	PBT	**512**	**511**	**447**	**521**	**1,023**	**968**	**1,007**	**1,082**
	of which ABSA PBT	311	378	308	336	689	644	694	757
Wealth	Revenues	578	582	635	718	1.160	1.309	1.456	1.618
	Expenses	-448	-465	-460	-544	-913	-1,004	-1,085	-1,171
	Operating profit	130	117	175	173	247	304	372	447
	Provisions	-1	-1	-2	0	-2	-2	-2	-2
	PBT	**129**	**116**	**173**	**173**	**245**	**302**	**370**	**445**

Source: Company Data ML Estimates

Price objective basis & risk

Barclays (BCLYF)

We rate Barclays a Buy with an 800p (US$64.00/ADR) price objective. This price objective is determined by applying sector-consistent PER multiples to individual business lines within our sum-of-parts analysis. At 800p Barclays dividend yield would be 5% for 2008e which is consistent with current money market rates, long-term trends and expected growth.

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iQmethod SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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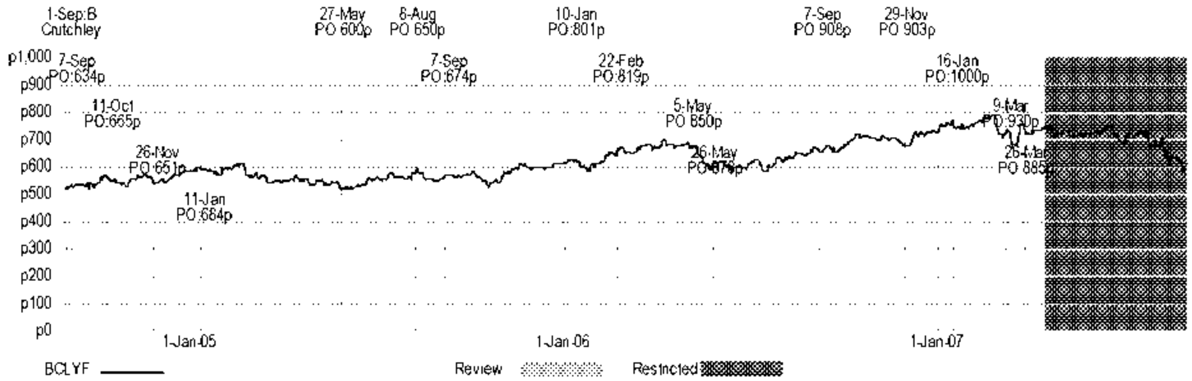

B : Buy, N : Neutral, S : Sell, PO : Price objective NA : No longer valid

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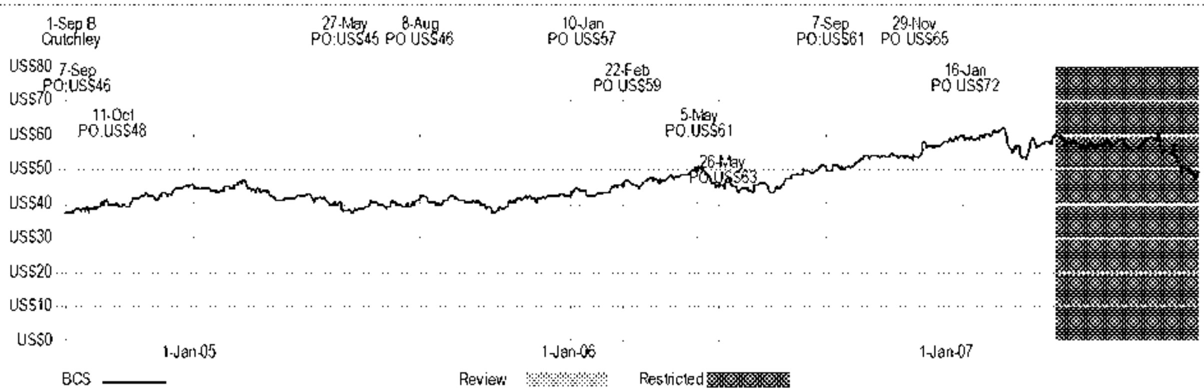

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Barclays

Market speculation abounds

Company Update **BUY**

Equity | United Kingdom | Banks-Retail
02 November 2007

Merrill Lynch

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Stock down 7% at the worst

Barclays shares dived this morning on market speculation that the company was facing liquidity troubles and had approached the Bank of England for funding and that it was also guiding down market estimates. At the risk of tempting fate, both of these stories look like a Friday bear raid in a skittish market.

First in respect of funding worries – while we acknowledge that there is a difference between capital adequacy and adequate liquidity, we note that Barclays Tier 1 ratio (core equity 07e 5.7%, post buyback) is sound and the company is in the middle of a share buyback programme. The company bought back 5.75m shares yesterday at a price of c.577p and we believe that this would not have happened if they were in discussions with the BoE over liquidity support.

Second, the Bank of England has confirmed this morning that it has not been approached by any bank for emergency funding; and thirdly, during the summer liquidity crisis, Barclays indicated that it was a beneficiary of funds seeking a "flight to safety" and we would expect the same to be true today. Notably the group has an excess of retail/commercial liabilities over assets and the investment bank remains full of assets available for repo.

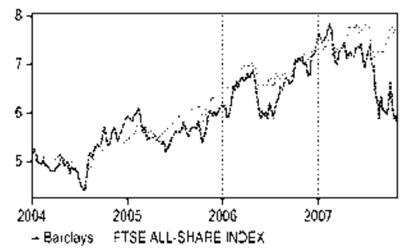
In terms of current trading, while the company is out on the road meeting investors, we understand the message is consistent with that given at our banking conference in October, when the bank reaffirmed the 15-20% target growth rate in Barclays Capital and operating trends elsewhere in the business.

November 29th trading update a key catalyst

Barclays is next scheduled to update the market with a full Q3 update on 27th November. While the shares may continue to be volatile before then, we see a reassuring Q3 update as a potential positive catalyst for the stock. Our earnings estimates and 800p price objective remain unchanged. The stock is trading on a twice covered 08e yield of 7.2% and PER of 7.0x

Stock Data

Price (Common / ADR)	571.50p / US$47.23
Price Objective	800.00p / US$64.00
Date Established	8-Oct-2007 / 8-Oct-2007
Investment Opinion	A-1-7 / A-1-7
Volatility Risk	LOW / LOW
ML Symbol / Exchange	BCLYF / LSE
ML Symbol / Exchange	BCS / NYS
Bloomberg / Reuters	BARC LN / BARC L



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Price objective basis & risk

Barclays (BCLYF)

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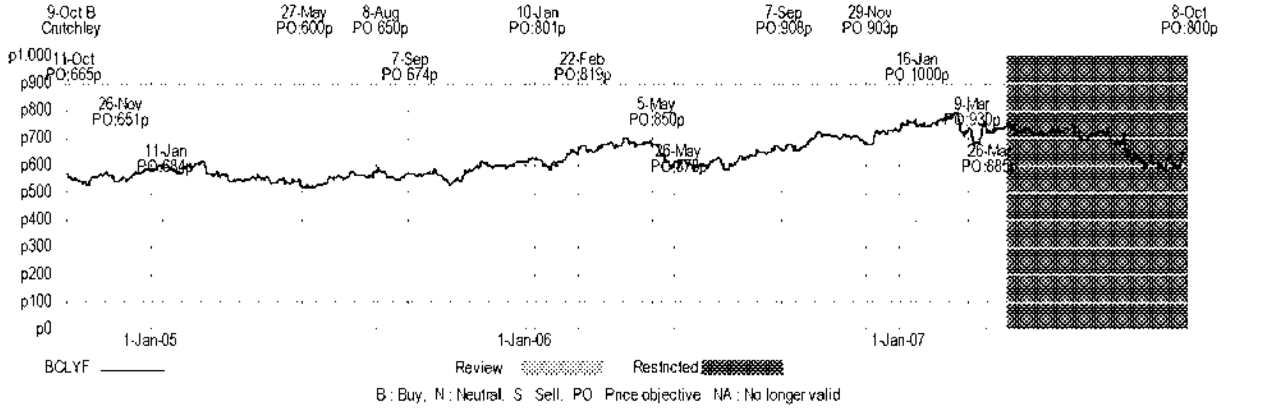

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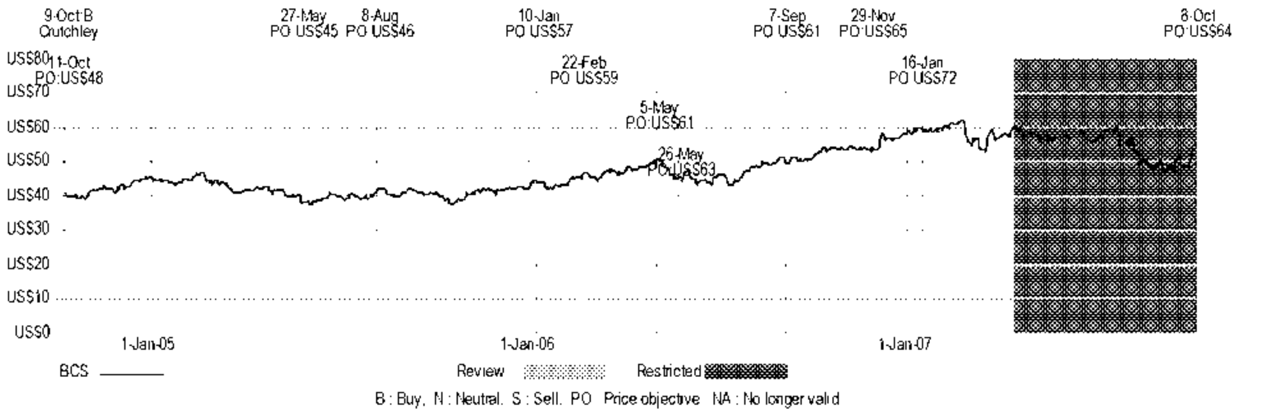

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Barclays

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Company Update **BUY**

Equity | United Kingdom | Banks-Retail
15 November 2007

Merrill Lynch

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A reassuring statement, although questions remain

Barclays has published a trading statement for Barcap earlier than expected. The statement shows PBT for Barcap for the 10 months to October of £1.9bn, after a £1.3bn charge on balance sheet exposures. PBT is ahead of the same period last year, and compares with our full year estimate of £2.3bn for Barcap. We think the size of the writedowns seems broadly appropriate, and we think that the residual exposures are not too concerning. We think there are certain areas (eg trading and leveraged finance) where questions remain about the marks taken.

Writedowns of £1.3bn

Total writedowns were as follows:

- High grade CDOs £700m (15.5%) to leave £3.8bn of exposure.

- Mezz CDOs £400m (25%) to leave £1.2bn.

- £400m on whole loan and trading book positions in sub prime to leave £5.4bn.

- Levered loans (net of fees) of £60m to leave £7.3bn.

- £70m on SIVs to leave £700m of SIV exposure and £200m of SIV-lite exposure.

- There was also a benefit of £400m on the company's own liabilities.

The writedowns taken on the high grade CDOs appear to be in line with other conservative assumptions taken by the peers. The writedown on the Mezz CDO is a little lower (eg Merrill Lynch took 37%) but the company stresses that half of the collateral backing the CDOs was from 2005 or earlier vintages. We will need more detail on the trading book exposure, as to what is in the book and why the mark was not higher. In addition, the leveraged finance mark seems a little light of marks taken elsewhere in the sector.

Exposures were a little higher than expected

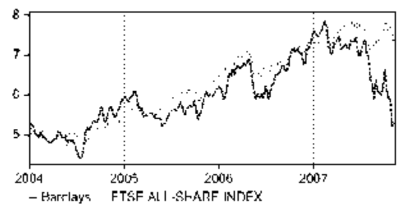
We had previously estimated a CDO exposure at Barcap of $8.1bn, so the actual exposure (before write-down) of £6.1bn was a little higher than we thought, but not too far off. We think the residual exposures Barcap is left with are much less concerning than the market had been pricing in for the shares. We would note that the exposure to EquiFirst loans was reduced to just £400m.

Very strong trading implied elsewhere

Excluding these writedowns, it seems Barcap had a very strong 4 months since the end of June – excluding the writedown the PBT to end October would have been £3.2bn, after £1.7bn in 1H. We are somewhat surprised at this strength, and will look for more detail on the conference call this morning.

Stock Data

Price (Common / ADR)	533.00p / US$43.90
Price Objective	800.00p / US$64.00
Date Established	5-Oct-2007 / 5-Oct-2007
Investment Opinion	A-1-7 / A-1-7
Volatility Risk	LOW / LOW
ML Symbol / Exchange	BCLYF / LSE
ML Symbol / Exchange	BCS / NYS
Bloomberg / Reuters	BARC LN / BARC L



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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Price objective basis & risk

Barclays (BCLYF)

We rate Barclays a Buy with an 800p (US$64.00/ADR) price objective. This price objective is determined by applying sector-consistent PER multiples to individual business lines within our sum-of-parts analysis. At 800p Barclays dividend yield would be 5% for 2008e which is consistent with current money market rates, long-term trends and expected growth.

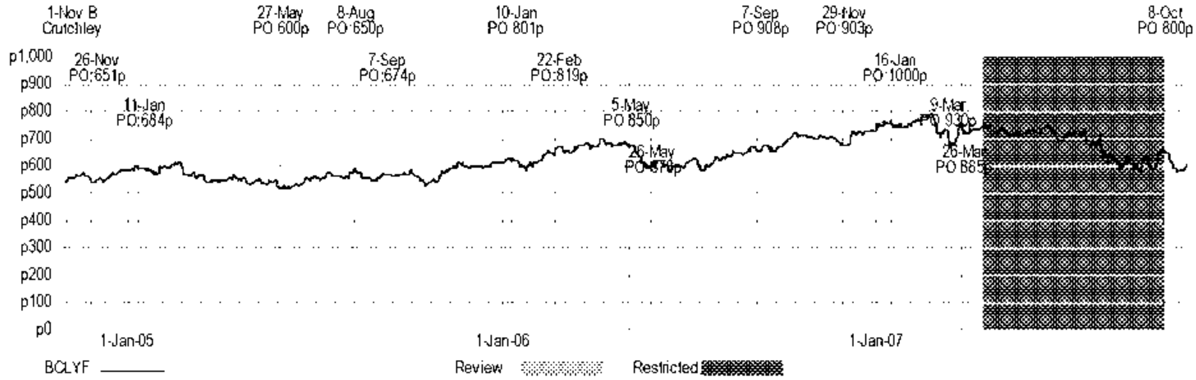
Risks to attaining our price objective come from the likelihood of earnings falling short of expectations. This could arise from either weakness in the UK economy leading to higher impairment charges or weakness in capital markets revenues which would impact upon the investment bank, Barclays Capital.

Analyst Certification

I, John-Paul Crutchley, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Important Disclosures

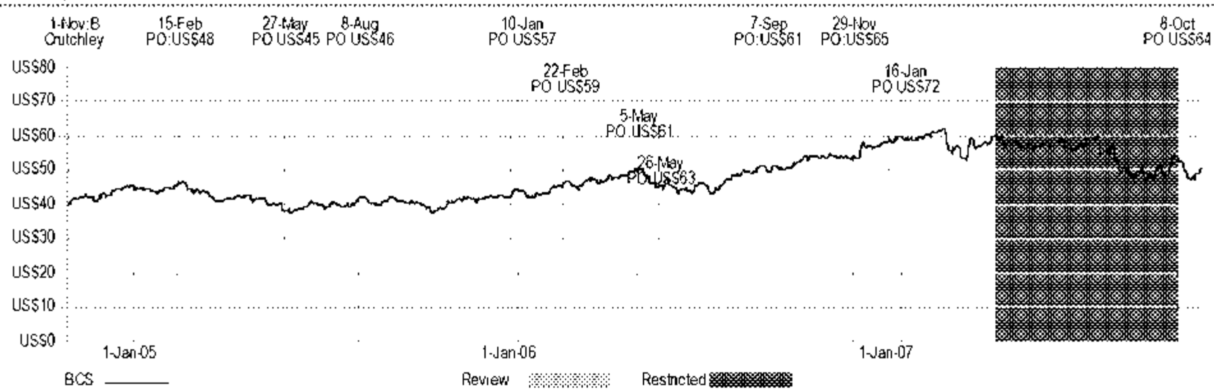
BCLYF Price Chart



B : Buy, N : Neutral, S : Sell, PO Price objective NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key" Dark Grey shading indicates the security is restricted with the opinion suspended Light Grey shading indicates the security is under review with the opinion withdrawn Chart current as of October 31, 2007 or such later date as indicated.

BCS Price Chart



B : Buy, N : Neutral, S Sell, PO Price objective NA : No longer valid

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Investment Rating Distribution: Banks Group (as of 01 Oct 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	130	45.94%	Buy	55	52 88%
Neutral	121	42 76%	Neutral	60	57 14%
Sell	32	11.31%	Sell	19	63 33%

Investment Rating Distribution: Global Group (as of 01 Oct 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1701	47 03%	Buy	437	29 15%
Neutral	1611	44 54%	Neutral	425	29 11%
Sell	305	8 43%	Sell	58	21 09%

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Barclays, HSBC, BA, Rhodia

Crossover Credit | Europe
27 November 2007

Merrill Lynch

ML European Credit Rsch Grp
MLPF&S (UK)
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Highlights of this morning's news

Barclays - first view of trading update

HSBC - SIVs assets to be consolidated

BA: Iberia Bidding Consortium Withdraws Interest

Rhodia: Moody's positive outlook

Financial Institutions and Public Sector Issuers

BBG Ticker	Name	Rating
BACR	Barclays	Aa2/AA-/AA+(-)
HSBC	HSBC	Aa2(+)/AA-/AA

Industrials

BBG Ticker	Name	Rating
BAB	British Airways	Ba1/BB+
RHA	Rhodia	BB-/Ba3

TMT

BBG Ticker	Name	Rating

Emerging Markets

BBG Ticker	Name	Rating

Refer to important disclosures on page 11 to 12. Analyst Certification on page 10. 10675820

Financial Institutions news

Barclays – first view of trading update

Merrill Lynch view/recommendation

Underweight-30% the BACR 4.75% Mar-2020 issue.

Trading impact

Neutral.

Rating agencies

No rating impact expected. Already on negative outlook at Fitch, where Barclays is rated AA+.

Key takeaways

- Barclays trading statement was largely credit neutral. According to the Group, UK unsecured credit impairment improved, UK mortgage impairments remain negligible, Barclaycard US is expected to be profitable this year and liquidity remains strong.

- Barclays expects FY07 results to be 'broadly in line with current market consensus.' The Group did not provide further details on performance at Barclays Capital but comments about the other businesses' performance were largely positive.

- Barclays expects to report a Tier 1 ratio of 7.25% at YE07, taking into account its share buyback programme. *(TA)*

HSBC - SIVs assets to be consolidated

Merrill Lynch view / recommendation

Our Underweight-30% recommendation on HSBC mainly reflects risks related to the Group's US business. We think provision requirements in this business will remain high, especially as HSBC itself has stated that it will take 2-3 years to work through its subprime problems. Regarding today's news, we think the key takeaway is probably that HSBC does not expect the consolidation of its two SIVs to result in 'material' losses or capital requirements as holders of the Mezzanine and Income Notes will 'continue to bear the risk of actual credit defaults in the asset portfolios.'

Key Takeaways

- Earlier today, HSBC announced that it would consolidate/restructure the USD45bn in assets currently held at its two SIVs, Cullinan and Asscher. The issuer is doing this to avoid a liquidation of the assets held in these SIVs as HSBC 'believes there is not likely to be a near term resolution of funding problems faced by the SIV sector.' The USD45bn is equivalent to a meagre 2.1% of assets at HSBC, but is about 35.6% of Group equity (using end Jun-07 figures).

- Asscher Finance was established in May/June this year and according to Moody's had USD529mn in Income and Mezzanine Notes outstanding at end October 2007. Cullinan was set up in 2005 and is by far the larger of the two vehicles. It had USD2.2bn in Capital Notes outstanding at the end of October. Taken together, HSBC appears to have about 6% 'first loss protection' on its USD45bn exposure. It is not clear to us that this will necessarily be sufficient, given that both vehicles have mainly invested in structured products (81% of assets at Asscher and 69% at Cullinan). By far the largest portion of the structured investments in both vehicles is triple-A rated RMBS. HSBC has however stated that it does not expect any losses to be 'material.'

- HSBC intends to repay senior debt holders in the two vehicles as their debt falls due. Holders of Mezzanine and Income notes will have the option to exchange their existing notes for equivalent notes to be issued by one or more vehicles which HSBC will set up. As mentioned earlier, these junior creditors will continue to bear the default risks of assets in the SIV portfolios.
- According to HSBC, the average rating of the SIV assets is Aa1/AA+ and to date, there have been no downgrades to the ABS or other structured finance securities within these portfolios.
- Although the entire USD45bn will be consolidated, HSBC only expects to provide liquidity and term funding of USD35bn as assets amortize and as a portion of senior debt repayments will be met by the SIVs cash holdings and short-term investments. *(TA)*

Industrials news

BA: Iberia Bidding Consortium Withdraws Interest

Merrill Lynch view/recommendation

Overweight-30% CDS, Overweight-70% Bonds. Today's announcement that the TPG consortium, which includes BA as well as Ibersuizas, Quercus and Vista Capital, will not proceed with its previous stated interest in acquiring Iberia, the Spanish flag carrier, should support BA CDS spreads, as the possibility of a financial commitment requiring marginally higher net debt has been reduced.

BA announced yesterday that they would not exercise their pre-emption rights to buy stakes held by Banco Bilbao Vizcaya Argentaria SA and Compania de Distribucion Integral Logista SA, who together control around 14% of Iberia. At yesterday's share price of €3.14, this would have had a value of €418mn (£297mn) or around 15-20% of BA's current year EBITDA. We note that BA had stated early on in the bidding process that it would not increase its investment in Iberia beyond its current stake. Efforts by Caja Madrid to become the largest shareholder pressured BA to decide on pre-empting the other core shareholder stakes.

The TPG consortium offered €3.41bn for Iberia earlier this year. BA's Iberia stake is currently 9.95%.

Trading impact

CDS should tighten, as should BA bonds.

Rating agencies

No change *(BC)*

Rating actions

Rhodia: Moody's positive outlook

Merrill Lynch view/recommendation

Overweight-70% – Moody's acknowledged Rhodia's recent progress yesterday by changing the outlook on the group's rating to positive from stable. We reiterate our existing Overweight-70% view and continue to believe that there is upside potential to Rhodia's credit ratings during H1 2008. For more detail on our views, please refer to our recent sector report: "Not All Chemicals Are Toxic", 8 November 2007.

Trading impact

Spreads have already reacted to positive comments from management in the past few weeks, but the outlook change is likely to provide further support spreads.

Rating agencies

S&P still has a stable outlook, but could follow Moody's with its own outlook revision in the coming months.

Key takeaways

- Moody's acknowledged the group's recent success with price increases to counter higher raw material costs. Partly due to this, Rhodia was able to announce recently that it will reach its leverage reduction target early (net debt/EBITDA < 2.0x).
- Although Rhodia is heading in the right direction, Moody's remains somewhat concerned due to Rhodia's relatively large pension deficit.
- We remain sellers of protection in the name with 5yr CDS trading at c.230bp. The Rhodia 2013 FRN is currently yielding 8.3%, which we regard as an attractive return. We have an Overweight-70% view on all instruments.

(RM)

Credit Opinion History Table
Barclays / BACR

Security	Date^	Action	Recommendation
Euro Tier 1	28-Apr-05	New Opinion System	Overweight-30%
	09-Sep-05	Downgrade	Underweight-30%
	07-Sep-06	No longer covered	
Euro Tier 1 (Non-step) '14 call	28-Apr-05	New Opinion System	Overweight-30%
	02-Oct-06	Downgrade	Underweight-30%
	07-Mar-07	Upgrade	Overweight-30%
	15-Nov-07	Re-initiate / Downgrade	Underweight-30%
Euro Tier 1 (Non-step) 20 call	28-Apr-05	New Opinion System	Overweight-30%
	07-Mar-07	Downgrade	Underweight-30%
	15-Nov-07	Re-initiate	Underweight-30%
Euro LT2	28-Apr-05	New Opinion System	Overweight-30%
	15-Nov-07	Re-initiate	Overweight-30%
Euro Senior	28-Apr-05	New Opinion System	Underweight-30%
	07-Sep-06	No longer covered	

Credit Opinion History Table
Barclays / BACR

Security	Date^	Action	Recommendation
Sterling Tier 1	28-Apr-05	New Opinion System	Overweight-30%
	05-Dec-05	Downgrade	Underweight-30%
	07-Sep-06	Downgrade	Underweight-70%
	15-Nov-07	No longer covered	
Sterling Tier 1 (Non-step)	13-Oct-05	Initiation	Overweight-30%
	15-Nov-07	No longer covered.	
Sterling LT2	28-Apr-05	New Opinion System	Overweight-30%
	07-Sep-06	No longer covered .	
Sterling Senior	28-Apr-05	New Opinion System	Underweight-30%
	07-Sep-06	No longer covered .	
USD Tier 1	28-Apr-05	New Opinion System	Overweight-30%
	15-Nov-07	No longer covered	
USD Tier 1 (Non-step)	13-Oct-05	Initiation	Overweight-30%
	15-Nov-07	No longer covered.	
USD LT2	13-Oct-05	Initiation	Overweight-30%
	07-Sep-06	No longer covered	
USD Senior	05-Dec-05	Initiation	Underweight-30%
	07-Sep-06	No longer covered .	

As of 07-Mar-07 ^First date of recommendation within last 12 months. Please refer to text above "Important Disclosures" for the current opinion system

Credit Opinion History Table
British Airways / BAB

Security	Date^	Action	Recommendation
Sterling 5yr CDS	28-Apr-05	New Opinion System	Overweight-70%
	13-Feb-06	Downgrade	Overweight-30%
Sterling Senior Unsecured	28-Apr-05	New Opinion System	Overweight-70%

As of 13-Feb-06 ^First date of recommendation within last 12 months. Please refer to text above "Important Disclosures" for the current opinion system.

Credit Opinion History Table
HSBC / HSBC (ML Ticker: HBC)

Security	Date^	Action	Recommendation
Sterling Tier 1/UT2	28-Apr-05	New Opinion System	Overweight-30%
	07-Mar-07	Downgrade	Underweight-30%
Sterling LT2	28-Apr-05	New Opinion System	Overweight-30%
	07-Sep-06	Coverage terminated	
Sterling Senior	05-Dec-05	Initiation	Underweight-30%
	07-Sep-06	Coverage terminated	
Euro Tier 1/UT2	28-Apr-05	New Opinion System	Overweight-30%
	07-Mar-07	Downgrade	Underweight-30%
Euro LT2	28-Apr-05	New Opinion System	Overweight-30%
	07-Mar-07	Downgrade	Underweight-30%
USD Tier 1/UT2	28-Apr-05	New Opinion System	Overweight-30%
	07-Sep-06	Coverage terminated	
USD LT2	05-Dec-05	Initiation	Overweight-30%
	07-Sep-06	Coverage terminated	

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Credit Opinion History Table
Rhodia / RHA

Security	Date^	Action	Recommendation
Euro 5yr CDS	28-Apr-05	New Opinion System	Overweight-100%
	13-Feb-06	Downgrade	Overweight-30%
	03-Oct-06	Downgrade	Underweight-30%
	01-Aug-07	Upgrade	Overweight-70%
Euro Senior	28-Apr-05	New Opinion System	Overweight-100%
	13-Feb-06	Downgrade	Overweight-30%
	03-Oct-06	Downgrade	Underweight-30%
	01-Aug-07	Upgrade	Overweight-70%

As of 01-Aug-07 ^First date of recommendation within last 12 months Please refer to text above "Important Disclosures" for the current opinion system.

Events calendar

MONDAY, 26 November	TUESDAY, 27 November	WEDNESDAY, 28 November	THURSDAY, 29 November	FRIDAY, 30 November
AEGON Analyst & Investor conference (New York)	**AEGON** Analyst & Investor conference (New York) **Meinl European Land Ltd** Q3 2007 Earnings	**Compass** prelim FY **Porsche** FY06/07 results	**FKI PLC** I 2008 Earnings Release **Grohe** 3Q07 **INEOS** Q3 **Porsche** analyst conference on 2006/07 fiscal year **Prosieben** 3Q	
MONDAY, 03 December	**TUESDAY, 04 December**	**WEDNESDAY, 05 December**	**THURSDAY, 06 December**	**FRIDAY, 07 December**
	ThyssenKrupp AG A 2007 Earnings Release			**Pernod Ricard** Shareholders Meeting
MONDAY, 10 December	**TUESDAY, 11 December**	**WEDNESDAY, 12 December**	**THURSDAY, 13 December**	**FRIDAY, 14 December**
			HBOS Pre-Close Trading Statement	
MONDAY, 17 December	**TUESDAY, 18 December**	**WEDNESDAY, 19 December**	**THURSDAY, 20 December**	**FRIDAY, 21 December**
	Kaufman & Broad SA Y 2007 Earnings Release			
MONDAY, 24 December	**TUESDAY, 25 December**	**WEDNESDAY, 26 December**	**THURSDAY, 27 December**	**FRIDAY, 28 December**

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Recommendation	Investor Action Points (Cash and/or CDS)	Primary Investment Return Driver
Overweight-100%	Up to 100% Overweight of investor's guidelines	Compelling spread tightening potential
Overweight-70%	Up to 70% Overweight of investor's guidelines	Carry, plus some spread tightening expected
Overweight-30%	Up to 30% Overweight of investor's guidelines	Good carry, but little spread tightening expected
Underweight-30%	Down to 30% Underweight of investor's guidelines	Unattractive carry, but spreads unlikely to widen
Underweight-70%	Down to 70% Underweight of investor's guidelines	Expected spread underperformance
Underweight-100%	Down to 100% Underweight of investor's guidelines	Material spread widening expected

Time horizon – our recommendations have a 3 month trade horizon.

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Barclays

Company Update

High Grade Credit | Europe
15 November 2007

Merrill Lynch

Good bad news

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Performance better than expected

Barclays released an impromptu trading statement earlier today, detailing the GBP1.3bn in writedowns the Group has taken in the Barclays Capital business (see Table 1 overleaf). We think there are three key takeaways from the release:

- Despite the writedowns, Barclays Capital still made a pre-tax profit of GBP1.9bn for the first ten months of this year, which – according to the company – is higher than the equivalent period in 2006. We note that Barclays Capital reported a pre-tax profit of GBP2.2bn for FY06 and our Equity colleagues had previously forecast a GBP2.3bn FY07 pre-tax profit for this business.
- A larger proportion of the writedowns have been taken in October (about 62%). Barclays comments that it took GBP500mn in writedowns in the third quarter and GBP800mn in October alone. We think this could have implications for Q4 results from European banks with similar exposures, including UBS, Deutsche Bank and Credit Suisse.
- We think this disclosure puts more pressure on RBS to provide more detail on writedowns it expects to take. We would note that besides its own exposures, RBS may also have additional writedowns arising from the recent purchase of ABN Amro.

Risks remain. Reinitiate with UW-30% 4.75% Mar-20 T1

We welcome today's disclosure from Barclays. Management was very confident on the conference call – they stated that October was the best Q4 revenue month in BarCap's history. Furthermore, excluding writedowns, BarCap has made a GBP3.2bn pre-tax profit in the first ten months of the year, which is over 40% higher than the FY06 result. We acknowledge that near term headline risks to Barclays have declined significantly and we will likely see spreads recover as a result. But we do not believe we are out of the woods just yet. We think earnings risks remain going into 2008 – not just to BarCap, but potentially to the Group's UK retail banking business as well. We reinstate our Underweight-30% recommendation on the on the BACR 4.75% Mar-20 non-steps but remain Overweight-30% the 4.875% Dec-14s and the EUR LT2 instruments.

Barclays will still provide a trading update for the whole group on 27 November.

Table 1: Barclays Capital – disclosed exposures and writedowns (GBP bns / %)

	NET EXPOSURES		WRITEDOWNS				
	Oct-07	**Jun-07**	**%**	**Q3**	**Oct**	**Total**	**Notes**
ABS CDO Super Senior	5.0	7.4	18.0%	-0.4	-0.7	-1.1	RMBS-backed CDO collateral and second lien collateral written down to zero
o/w High Grade	3.8	5.8	15.6%	-0.3	-0.4	-0.7	Writedowns, charges, hedges & subordination give loss protection of 65% of subprime collateral
o/w Mezzanine	1.2	1.6	25.0%	-0.1	-0.3	-0.4	
Other US subprime							
Whole loans	5.4	6	6.9%	-0.2	-0.2	-0.4	
o/w excl. Equifirst	0.4	0.8	n/a	n/a	n/a	n/a	Exposure was GBP4.3bn in Jan-07
SIVs & SIV-lites	0.9	1.6	7.2%	n/a	n/a	-0.07	Writedowns for both SIVs and SIV-lites.
o/w SIVs	0.7	0.9	n/a	n/a	n/a	n/a	No further undrawn facilities to SIVs and SIV-lites
o/w SIV-lites	0.2	0.7	n/a	n/a	n/a	n/a	
Leveraged finance	7.3	7.3	0.8%	n/a	n/a	-0.06	Writedowns of GBP190mn, net of GBP130mn in fees. Peak was GBP9bn during September
o/w Equity bridges	< 0.02	0.082					
Conduits	19	21.7	-	-	-	-	No impairments. Fully funded by CP issuance
Total (excl. conduits)	**18.6**	**22.3**	**8.1%**	**n/a**	**n/a**	**-1.6**	
FV of BarCap debt	*5.5*	*5.5*	-	*0.2*	*0.2*	*0.4*	

Source: Barclays statement, Merrill Lynch calculations.
All charges taken to income statement, not directly to equity.

Credit Opinion History Table
Barclays / BACR

Security	Date^	Action	Recommendation
Euro Tier 1	28-Apr-05	New Opinion System	Overweight-30%
	09-Sep-05	Downgrade	Underweight-30%
	07-Sep-06	No longer covered	
Euro Tier 1 (Non-step) 14 call	28-Apr-05	New Opinion System	Overweight-30%
	02-Oct-06	Downgrade	Underweight-30%
	07-Mar-07	Upgrade	Overweight-30%
	15-Nov-07	Re-initiate	Overweight-30%
Euro Tier 1 (Non-step) '20 call	28-Apr-05	New Opinion System	Overweight-30%
	07-Mar-07	Downgrade	Underweight-30%
	15-Nov-07	Re-initiate	Underweight-30%
Euro LT2	28-Apr-05	New Opinion System	Overweight-30%
	15-Nov-07	Re-initiate	Overweight-30%
Euro Senior	28-Apr-05	New Opinion System	Underweight-30%
	07-Sep-06	No longer covered	
Sterling Tier 1	28-Apr-05	New Opinion System	Overweight-30%
	05-Dec-05	Downgrade	Underweight-30%
	07-Sep-06	Downgrade	Underweight-70%
	15-Nov-07	No longer covered.	
Sterling Tier 1 (Non-step)	13-Oct-05	Initiation	Overweight-30%
	15-Nov-07	No longer covered.	
Sterling LT2	28-Apr-05	New Opinion System	Overweight-30%
	07-Sep-06	No longer covered .	
Sterling Senior	28-Apr-05	New Opinion System	Underweight-30%
	07-Sep-06	No longer covered .	
USD Tier 1	28-Apr-05	New Opinion System	Overweight-30%
	15-Nov-07	No longer covered.	
USD Tier 1 (Non-step)	13-Oct-05	Initiation	Overweight-30%
	15-Nov-07	No longer covered.	
USD LT2	13-Oct-05	Initiation	Overweight-30%
	07-Sep-06	No longer covered	
USD Senior	05-Dec-05	Initiation	Underweight-30%
	07-Sep-06	No longer covered .	

As of 07-Mar-07 ^First date of recommendation within last 12 months. Please refer to text above "Important Disclosures" for the current opinion system.

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I, Tolu Alamutu, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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Merrill Lynch Credit Rating Scale

Recommendation	Investor Action Points (Cash and/or CDS)	Primary Investment Return Driver
Overweight-100%	Up to 100% Overweight of investor's guidelines	Compelling spread tightening potential
Overweight-70%	Up to 70% Overweight of investor's guidelines	Carry plus some spread tightening expected
Overweight-30%	Up to 30% Overweight of investor's guidelines	Good carry but little spread tightening expected
Underweight-30%	Down to 30% Underweight of investor's guidelines	Unattractive carry, but spreads unlikely to widen
Underweight-70%	Down to 70% Underweight of investor's guidelines	Expected spread underperformance
Underweight-100%	Down to 100% Underweight of investor's guidelines	Material spread widening expected

Time horizon – our recommendations have a 3 month trade horizon.

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Announcement: Barclays Bank PLC

Moody's Comments on Write downs at Barclays Capital

London, 16 November 2007 -- Moody's commented on the GBP1.7bn charges and write downs (excluding the offsetting effect of GBP400m fair valuation on its own debt) within Barclays Capital over the period July – October 2007 announced yesterday by Barclays PLC. The rating agency said that the announcement has led to no change in the ratings of the bank. The outlook for the bank's debt and deposit ratings (Senior at Aa1) remains stable, while the outlook for Barclays' B+ Bank Financial Strength Rating (BFSR) remains negative.

Given the ongoing dislocation in the financial markets, Moody's will continue to monitor the impact of market conditions on Barclays Bank PLC, including its exposures to structured products. Barclays reported net exposures of structured products at the end of October 2007 totalling GBP11.3bn, with a relatively small proportion of the more volatile mezzanine super senior CDOs. But an important consideration with regards to the possibility of further write downs, will be the efficacy of hedges the bank has in place and the sufficiency of the marks taken relative to gross and net exposures.

However, Moody's considers that the strong earnings capabilities and solid capitalisation of Barclays mean that this current write down can be absorbed without negatively impacting the credit rating of the bank. In conducting its own stress tests, Moody's has concluded that the bank would be able to absorb further write downs roughly equal to the size of those announced to date without experiencing further negative pressure on its rating.

Barclays Bank plc is headquartered in London, United Kingdom, and had total assets of GBP 1,158 billion at 30 June 2007.

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Credit Opinion: Barclays Bank PLC

Barclays Bank PLC

London, United Kingdom

Ratings

Category	**Moody's Rating**
Outlook	Stable(m)
Bank Deposits	Aa1/P-1
Bank Financial Strength	B+
Issuer Rating	Aa1
Senior Unsecured	Aa1
Subordinate	Aa2
Jr Subordinate	Aa3
Preferred Stock	Aa3
Preference Stock	Aa3
Commercial Paper	P-1
Other Short Term	P-1
Parent: Barclays Plc	
Outlook	Stable
Issuer Rating -Dom Curr	Aa2
ST Issuer Rating -Dom Curr	P-1
Barclays Bank Ireland PLC	
Outlook	Negative(m)
Bank Deposits	Aa2/P-1
Bank Financial Strength	D+

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Key Indicators

Barclays Bank PLC

	[1]2007	2006	2005	2004	2003	5-Year Avg.
Total assets (GBP billion)	**1158.26**	**996.79**	**924.36**	**522.09**	**443.26**	[2]**22.82**
Total assets (EUR billion)	**1720.68**	**1479.43**	**1345.32**	**737.44**	**629.09**	[2]**20.48**
Total capital (GBP billion)	**43.79**	**41.18**	**36.89**	**30.60**	**29.00**	[2]**10.85**
Return on average assets	**0.55**	**0.54**	**0.53**	**0.69**	**0.65**	**0.60**
Recurring earnings power	**0.91**	**0.89**	**0.94**	**1.22**	**1.28**	**1.12**
Net interest margin	**1.03**	**1.14**	**1.30**	**1.55**	**1.71**	**1.50**
Cost/income ratio (%)	**58.75**	**60.59**	**60.68**	**57.73**	**56.30**	**58.37**
Problem loans % gross loans	**1.65**	**1.78**	**1.91**	**1.55**	**1.87**	**1.86**
Tier 1 ratio (%)	**7.70**	**7.70**	**7.00**	**7.60**	**7.90**	**7.68**

[1] As of June 30. [2] Compound annual growth rate.

Opinion

SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of B+ to Barclays, which translates into a baseline risk assessment of Aa2. The rating derives from the bank's broad spread of earnings, which are based on its very strong franchise in the UK, diversified business lines and income streams, and its very healthy and sustainable financial fundamentals. While UK retail and business banking accounted for approximately 36% of profits in 2006, other operations including Barclays Capital (BarCap), Barclays Global Investors (BGI), and international businesses now represent a growing proportion of consolidated group revenues.

Moody's continues to believe that the probability of systemic support for Barclays plc is very high, which would -- were the outlook of Barclays BFSR to be stable -- result in a two-notch uplift in the deposit ratings to Aaa from the Aa2 baseline risk assessment. However with the BFSR on negative outlook the rating is at Aa1.

Thus, the deposit and debt ratings of Barclays incorporate three main elements: (1) the bank's BFSR of B+; (2) Moody's assessment of a very high probability of support from the UK authorities (a component of joint default analysis, referred to as JDA) and (3) the seniority of its deposits and debt.

Credit Strengths

- Strong positions in all key areas of UK financial markets

- Consistent profitability, driven by intense management focus on value creation

- Growth of international operations adds diversification to UK operations, while execution risk has been well managed

- Solid funding profile and strong liquidity

Credit Challenges

- Profitability of UK retail bank is improving but margin pressures persist

- Vulnerability of credit cards and unsecured lending to a downturn in UK consumer lending market

- Barclays Capital's current focus and risk appetite will be a key to managing the inherent volatility of earnings that these businesses entail

- Managing the cost structure of the bank as a whole

Rating Outlook

The outlook on the long term debt and deposit rating and the short term debt and deposit rating is stable.The negative outlook on the BFSR was initially assigned in April 2007 following the announcement of the proposed merger with ABN AMRO. The negative outlook was maintained after the offer lapsed in October 2007 as the dislocation in the financial markets since July continues to create uncertainty for the performance of all banks which are involved in structured securities and related capital market activities.

What Could Change the Rating - Up

Greater clarity on market conditions and on how their impact on banks develop over the next 3 - 6 months will be a key factor for upward pressure on the BFSR. Evidence that Barclays is able to maintain the earnings momentum of the last few years, and in particular achieve greater leverage off its UK retail franchise, would also be positive for the BFSR.

What Could Change the Rating - Down

Negative rating pressure would likely occur if strategic decisions led to a material increase in Barclays' risk/return profile; for example, due to increased market-related activities or international acquisitions. If conditions in the UK retail market were to deteriorate significantly and so as to lead to an increased provisioning burden then this might also impact negatively on the rating.

Recent Results

Barclays reported a 12% increase in pre-tax profits to GBP4.1 billion for H107 (H106: GBP3.7 billion). UK Banking produced a pre-tax profit of GBP1.4 billion (an increase of 9% on H106), while BarCap delivered record results, with a 33% rise in pre-tax profit to GBP1.7 billion (H106: GBP1.2 billion). Between them, UK Banking and BarCap produced 74% of overall group pre-tax profit. Profit from Barclaycard declined 17% to GBP 272m (H106: GBP 326m) - although excluding a loss on a disposal in H107 and a property gain in H106 Barclaycard pre-tax profits were up 4% - while profit from International Retail and Commercial Banking declined by 12% to GBP452 million

(H106: GBP512 million). Elsewhere, profit growth remained strong. BGI reported a 7% rise in pre-tax profit to GBP388 million (H106: GBP364 million), with both income and profit up substantially more in USD terms. Barclays Wealth reported a 34% rise in pre-tax profit to GBP173 million (H106: GBP129 million), reflecting strong income growth from increased client funds and transaction volumes.

Loan impairment charges for the Group overall reduced by 9% to GBP959 million for H107 (H106: GBP1.1 billion), despite evidence of increased financial market volatility (notably in the UK and US).

Barclays' Tier 1 capital ratio at H107 was unchanged from year-end 2006 at 7.7%.

DETAILED RATING CONSIDERATIONS

Detailed considerations for Barclays ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a B+ BFSR to Barclays. Moody's believes the B+ rating is an appropriate measure of the bank's financial strength at present given its strong regional franchise, moderate risk profile and good financial fundamentals. Additionally, we believe that the franchise of Barclays Global Investors is under-rated in the scorecard, and note that this is stable business area which is gaining market share and that the figures may well improve further going forward.

Key positive elements driving the BFSR scorecard outcome are Barclays' franchise value across a number of countries, its strong liquidity and risk positioning.

A key negative element driving the BFSR scorecard outcome is the more moderate score for capital adequacy.

Qualitative Rating Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

Barclays Bank PLC has strong market shares in all significant fields of UK banking, including being one of the major players in the current account market, credit cards (through Barclaycard), small business banking and corporate finance. BarCap - its investment banking operation - has a major presence in debt and risk management markets in Europe and a growing presence in the US and Asia. BGI is one of the world's largest institutional fund managers.

Within this broad spread of businesses, the bank is not overly dependent on potentially volatile revenues from corporate and investment banking in order to maintain high levels of profitability. Furthermore, around 50% of its profits (albeit that this is a reducing trend) are currently generated in the UK, which is a large, diverse and stable economy.

Barclays has a significant international presence in over 50 countries with 27 million customers and 3,648 branches. This presence has been enhanced over the last few years by a number of acquisitions.

These most notably include Banco Zaragozano in Spain (2003), US credit card company Juniper Financial Corporation (2004) and most recently the acquisition of Absa in South Africa (2005). These acquisitions are clearly helping to further broaden the revenue base of the bank. We note that Barclays has a good record in integration and that potential problems of execution risk have not arisen.

Factor 2: Risk Positioning

Trend: Neutral

The bank's market risk tolerance, as measured by its value at risk (VaR) limits is in line with other large international banks. Although there will always be risks associated with a banking group which is actively involved in markets and trading activities, we believe that the risk appetite at Barclays is such as to maintain these at acceptable levels going forward. Nevertheless, we believe the group will need to maintain its disciplined approach to risk management in light of BarCap's ambitious growth plans and the ongoing dislocation in the financial markets. With reference to Basel II, Barclays continues to develop its approach to operational risk and plans to follow the Advanced Management Approach.

Factor 3: Regulatory Environment

Trend: Neutral

All UK banks are subject to the same score on regulatory environment. This factor does not address bank-specific issues; instead, it evaluates whether regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practices for risk control. Refer to Moody's Banking System Outlook for the United Kingdom, published September 2006, for a detailed discussion of regulatory environment.

Factor 4: Operating Environment

Trend: Neutral

This factor is a blended score to account for the different geographies in which Barclays operates (notably South Africa). Moody's assigns an A- for the overall operating environment. Refer to Moody's Banking System Outlook for the United Kingdom, published September 2006, for a detailed discussion of the bank's domestic operating environment.

Quantitative Rating Factors (50%)

Factor 5: Profitability

Trend: Neutral

Barclays has a solid financial profile, generating pre-provision income of GBP8.5 billion in 2006. The net interest margin fell back in 2006 to 1.14% from 1.28% in 2005. (The net interest margin is defined as net interest income as a percentage of average interest earning assets.) However, net interest income now accounts for a smaller proportion of operating income (approximately 42% in 2006 and 47% in 2005 compared to 54% in the year 2000) with net fees and commissions as well as dealing profits representing a growing share of revenues. Risk-weighted recurring earning power (pre-provision income as a percentage of average total assets), however, remained strong at 3.00% for the year 2006.

Factor 6:

Liquidity

Trend: Neutral

The solid funding profile and good liquidity of Barclays is a key underpinning of the bank's rating. Barclays has, in our opinion, a diverse and stable depositor base - by type and by geography - as well as good flexibility in its balance sheet, with an ability to manage its asset base in times of stress. Barclays has, as one might expect, a strong funding franchise in the UK with strong positions in the current account, savings and business banking sectors, supported by the savings franchise under both the Barclays and the Woolwich brands. The structure of the balance sheet ensures that the retail and commercial banking books are 'self-funded' (i.e. the assets are funded with customer deposits from within the franchise),

The bank manages its wholesale funding according to a schedule of "Wholesale Borrowing Guidelines", which specifies a maximum net cumulative mismatch of funds in local and foreign currency, for one day, one week and one month, across five global regions. In particular, Barclays closely manages the trading and liquidity balance sheet of Barclays Capital. The bank raises sizeable amounts of wholesale funds to finance local operations in the US. In addition, Barclays makes modest use of securitisation programmes for its Barclaycard and residential mortgage portfolios in order to enhance balance sheet flexibility, but to date has not made use of covered bond programmes. Barclays' average market funds (excluding interbank funds) as percentage of average funding is at first sight relatively high at 56% at end-2006. However, we take comfort from Barclays' excellent reputation and longstanding presence in the wholesale market.

We note that liquidity is good: liquid assets as a percentage of total assets were 55% at end-2006, which compares favourably with other highly rated European banks. And with the exception of the banking loan book, the majority of Barclays Capital's assets are highly liquid.

Factor 7: Capital Adequacy

Trend: Neutral

Barclays' target Tier 1 ratio is around 7.25%, of which a portion is planned to be in the form of hybrid instruments. We observe that the level of core Tier 1 looks relatively light for a bank of Barclays' profile. However, and notwithstanding the reduction in core Tier 1, we are reasonably comfortable with the current levels of capitalisation in view of the risks that the bank accepts and the quality of its earnings. Indeed, while these ratios are important, the level and consistency of the bank's earnings are the more significant drivers of its high ratings: capitalisation ratios and composition are more likely to become a significant factor at the margin - i.e. if the rating was under pressure (upwards or downwards) for other reasons.

Buybacks are seen as an integral part of the capital management toolkit, but are viewed very much as an option to be used occasionally to deal with excess capital, not a core policy.

Factor 8: Efficiency

Trend: Neutral

While Barclays' cost-to-income ratio of 61% in 2006 is relatively high compared to similarly rated peers, we recognise that the bank continues to make investments in UK Retail Banking, Barclays Capital, BGI and Barclaycard. Operational excellence is clearly defined as an objective and inevitably there needs to be some investment before the bank can achieve its goal, both operationally and in terms of reduced cost ratios.

Factor 9: Asset Quality

Trend: Neutral

Barclays continues to show a good level of asset quality; the bank's exposures to industries which have potential for higher credit risk (for example, autos and airlines) are not, in our opinion, likely to lead to a significant deterioration in the bank's credit strength.

It is important to bear in mind the context of this relative deterioration in asset quality and rise in impairment charges. The current economic climate, while still relatively good, is undoubtedly less benign than 12 or 18 months ago. This is particularly true in relation to household finances, where clear signs of strain are beginning to emerge as a result of lower disposable incomes and high levels of personal indebtedness.

Nonetheless, the core strengths of Barclays should continue to provide an extremely strong buffer against possible deterioration in the UK operating environment. Indeed, we note that the bank, in common with its large UK peers, has demonstrated a significant degree of stability, both strategically and in terms of financial fundamentals, over the past few years, when there have been a number of financial and economic crises globally.

Overall asset quality in the UK is good and Barclays has very strong pre-provision earnings (GBP8.5 billion in 2006), which should allow it to withstand any currently foreseeable deterioration with ease.

Global Local Currency Deposit Rating (Joint Default Analysis)

The deposit/debt ratings are Aa1/Prime-1. Were the BFSR to fall back from one notch from B+ to B then, given the current probability of systemic support, the long-term rating would remain at Aa1.

Moody's assessment of the probability of support as very high recognises Barclays importance to the UK economy and its payment systems.

Notching Considerations

Ratings for Barclays' junior obligations should be notched off the fully supported deposit rating because Moody's believes that there is no legal authority in place in the UK to impose losses on subordinated creditors outside of a liquidation scenario.

Foreign Currency Deposit Rating

The Foreign Currency Deposit ratings of Barclays are unconstrained given that the UK, in common with other EU members, has a country ceiling of Aaa.

Foreign Currency Debt Rating

The Foreign Currency Debt Rating's ratings of Barclays are unconstrained given that the UK, in common with other EU members, has a country ceiling of Aaa.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the Bank Financial Strength Rating as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, and includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Risk Assessment. In calculating the GLC rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of government support for the bank in case a stress situation occurs and the degree of dependence between the issuer rating and the LCDC.

National scale ratings

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. An Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to a high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be reminded that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt obligations may also be constrained by the country ceiling for foreign currency bonds and notes, however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

Rating Factors

Barclays Bank PLC

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (50%)						**B**	
Factor 1: Franchise Value (20%)						**B+**	**Neutral**
Market Share and Sustainability	**x**						
Geographical Diversification	**x**						

Earnings Stability			x				
Earnings Diversification [2]							
Factor 2: Risk Positioning (20%)						**C+**	**Neutral**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk							
- Insider and Related-Party Risks				--	--		
Controls and Risk Management	x						
- Risk Management	x						
- Controls	x						
Financial Reporting Transparency	x						
- Global Comparability	x						
- Frequency and Timeliness		x					
- Quality of Financial Information	x						
Credit Risk Concentration	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management	x						
Market Risk Appetite	x						
Factor 3: Regulatory Environment (5%)	--	--	--	--	--	--	--
Factor 4: Operating Environment (5%)						**A-**	**Neutral**
Economic Stability	x						
Integrity and Corruption		x					
Legal System	x						
Financial Factors (50%)						**C+**	
Factor 5: Profitability (7.9%)						**C+**	**Improving**
PPP % Avg RWA		2.84%					
Net Income % Avg RWA			1.67%				
Factor 6: Liquidity (7.9%)						**A-**	**Neutral**
(Mkt funds-Liquid Assets) % Total Assets		-1.56%					
Liquidity Management	x						
Factor 7: Capital Adequacy (7.9%)						**C**	**Neutral**
Tier 1 ratio (%)			7.40%				
Tangible Common Equity % RWA	--	--	--	--	--		
Factor 8: Efficiency (3.5%)						**C**	**Improving**
Cost/income ratio			60.57%				
Factor 9: Asset Quality (7.9%)						**C+**	**Weakening**
Problem Loans % Gross Loans		1.75%					
Problem Loans % (Equity + LLR)			23.04%				
Lowest Combined Score (15%)						**C**	
Economic Insolvency Override						**Neutral**	
Total Scorecard Implied BFSR						**B-**	
Assigned BFSR						**B+**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information
[2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral

Barclays Bank PLC Ratings Unaffected By Writedowns

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LONDON (Standard & Poor's) Nov. 16, 2007--Standard & Poor's Ratings Services said today that its ratings and outlook on Barclays Bank PLC (Barclays; AA/Stable/A-1+) were unaffected by today's announcement of writedowns on a range of assets within its investment banking division, Barclays Capital.

Barclays today revealed that it had made markdowns and impairment charges totaling approximately £1.7 billion for July 2007-October 2007 in respect of various exposures to collateralized debt obligations, other subprime loans and RMBS, Structured Investment Vehicles (SIVs), and leveraged loans. These writedowns are substantial in absolute terms, but not altogether surprising given market movements in recent months. Relative to Barclays Capital's revenue base (£4.1 billion in first-half 2007), the markdowns are lower than those seen to date at the worst-affected firms. We also note that excluding these writedowns, Barclays Capital's performance was very strong, suggesting that that the overall franchise is in good health. Even after the writedowns, its profits for the year to date will be higher than for the same period in 2006, suggesting that these markdowns are manageable, although the outlook for 2008 is more than usually uncertain.

The impact of the markdowns within Barclays Capital is diluted by the group's retail banking, commercial banking, and asset-management businesses, which we expect generally to perform well in 2007, despite some headwinds caused by the depreciation of the U.S. dollar. Overall, therefore, the writedowns are likely to have a much lower proportional impact on group profitability than at the worst affected banks, thanks to the group's diversification.

Barclays' residual net exposures to CDOs are about 25% of adjusted total equity. We note that the valuation methodology employed by Barclays assumes a substantial deterioration in underlying collateral values, which reduces the risk to the group of further downward moves in market prices.

SIV exposures are modest at £0.7 billion, with no undrawn facilities, and Barclays conduits are fully funded by ABCP.

Standard & Poor's believes that Barclays continues to be well placed to manage through a prolonged difficult environment, thanks to broad diversification, sound profitability, and good liquidity. While we consider capitalization to be weak in a global context, capital generation is good and, should it be necessary, the group has the discretion to suspend its current share buyback program.

The outlook on Barclays is stable. This reflects Standard & Poor's expectation of continued good profitability and stable capitalization. A negative rating action could follow if Barclays does not meet its capital targets, if there were unexpectedly large losses or material failure in risk controls, or if economic growth prospects became significantly less favorable. A positive rating action would require a major improvement in capitalization beyond expectations, but a tight capital policy is likely to act as a rating constraint.

Please note that Standard & Poor's will be holding conferences on the European bank sector across Europe, examining how financial institutions are managing their way through the various risks and challenges posed by the recent turbulence in the financial markets, and how these events may affect the way they operate in the future. These conferences will be taking place in Paris on November 20, London on November 21, and Frankfurt on November 22. Information on these events is available in the Events section of our website at www.standardandpoors.com

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November 12, 2007

Barclays Bank PLC

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Table Of Contents

Barclays Bank PLC

Major Rating Factors

Counterparty Credit Rating

AA/Stable/A-1+

Strengths:

- Strong earnings growth and returns
- Good market positions
- Increased diversification by business line and geography
- Solid funding base
- Highly developed risk-management framework

Weaknesses:

- Relatively weak, although improved, capitalization compared with peers'
- High growth in investment banking has increased group sensitivity to capital markets
- Large exposure to U.K. unsecured debt
- Balance sheet volatility arising from substantial defined-benefit pension fund

Rationale

The ratings on U.K.-based Barclays Bank PLC (Barclays) reflect its strong earnings and returns, good market positions, increased diversification, solid funding base, and highly developed risk-management framework. The ratings also reflect its relatively weak, although improving, capitalization, the potential increase in earnings volatility created by its expanded investment bank, its significant exposure to U.K. unsecured personal debt, and its large defined-benefit pension scheme.

Barclays has a range of high-return businesses across multiple product lines, including retail banking and business banking in the U.K. and abroad, investment banking, and asset management. Growth has generally been strong, particularly in wholesale banking toward which Barclays' business profile has been shifting, and this could introduce more volatility into group income and earnings, particularly in the current market environment. Domestic retail growth has been notably weaker and remains subject to various management initiatives.

Diversification, both by business line and geography, has been increasing rapidly, and the aim of sourcing 50% of group profits from outside the U.K. has been achieved. In part, this has come through the organic growth of global product lines including investment banking and asset management, but also through acquisitions, notably in South Africa and Spain.

Barclays has invested considerable resources in developing its risk-management framework, which Standard & Poor's Ratings Services considers to be one of the most sophisticated in the banking industry. Despite some exposures to structured investment vehicles, Standard & Poor's believes that Barclays is unlikely to face outsized losses from recent market volatility. Furthermore, we believe Barclays' liquidity position to be strong.

Standard & Poor's regards Barclays' capitalization as weaker than some similarly rated peers, notwithstanding some recent improvement. Barclays is shareholder focused and has used hybrid capital rather than ordinary shares to fund much of its recent expansion and is now engaged in a share buyback. Barclays' loan impairment charge in its U.K. unsecured lending and credit card business has leveled off following the large increases in recent years. Nevertheless, Barclays remains exposed to further changes in the U.K. economic climate.

Outlook

The outlook on Barclays is stable. This reflects Standard & Poor's expectation of continued good profitability and stable capitalization. A negative rating action could follow if Barclays does not meet its capital targets (e.g. in the context of a large acquisition), if there were unexpectedly large losses, or if there were a material failure in risk controls. A positive rating action would require a major improvement in capitalization beyond expectations, but a tight capital policy is likely to act as a rating constraint.

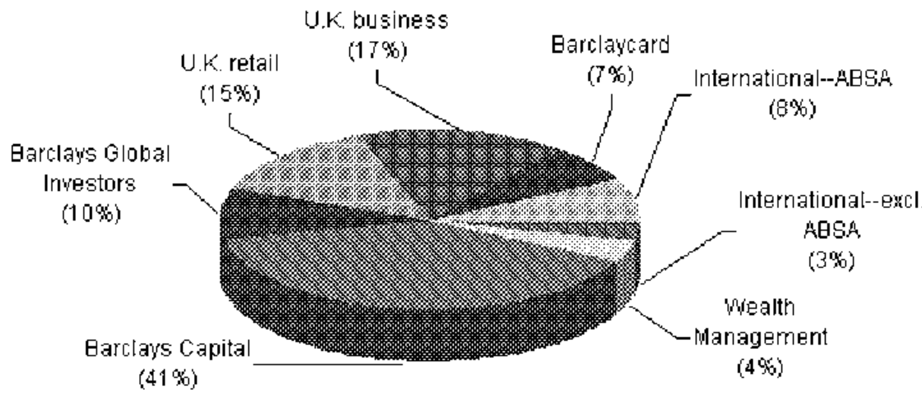
Profile: U.K.-Based Universal Bank

Barclays is a large U.K.-based universal bank with total assets of £1,158 billion at June 30, 2007, and shareholders' equity of £29 billion. Its activities cover a wide range of financial activities both in the U.K. and abroad. These include retail and business banking in the U.K., Iberia, France, Italy, South Africa, and sub-Saharan Africa, global corporate and investment banking via its Barclays Capital division, and asset and wealth management. Expansion has been achieved through a combination of organic growth (particularly in investment banking and asset management) and by acquisition--the largest purchases since 2000 have been Woolwich (not rated), Banco Zaragozano (not rated), and Absa Bank Ltd. ('Api' unsolicited rating). Barclays was unsuccessful in its attempt this year to acquire ABN AMRO Bank N.V. (AA-/Positive/A-1+).

Barclays is grouped into seven principal divisions, managed in two groups. Profits are broadly spread between the businesses (see chart 1).

Chart 1

Pretax Profit By Division (H1 2007)



Source: Standard & Poor's, company data. Based on pretax earnings excluding gains on sale and leaseback, overdraft refunds, profits on disposals, and amortization of intangible assets.

The first group, Global Retail and Commercial Banking, consists of U.K. banking, international banking, and Barclaycard.

The U.K. bank (32% of group pretax profits in the first half of 2007, excluding impairment of intangible assets, overdraft refunds, and gains on sale) is the core of Barclay's' historical roots, and comprises U.K. retail banking (providing current accounts, savings accounts, and mortgages), and U.K. business banking, providing financial services to small and midsize enterprises (SMEs) and larger businesses. Its market position is strong across most product lines.

The international business (12% of pretax profits) has expanded rapidly in recent years. While Barclays has long had a presence abroad, notably in France, Spain, and Africa, the acquisition of Banco Zaragozano, a midsize retail and commercial operation in Spain, and 57% share of the Absa banking group in South Africa have given a much greater role to this division.

Barclaycard (7% of pretax profits) is the oldest and one of the largest credit card operators in the U.K., and provides revolving credit and unsecured loans. It has also been expanding abroad, especially in the U.S.

The second group, primarily wholesale and institutional, consists of Barclays Capital, Barclays Global Investors (BGI), and Barclays Wealth.

Barclays Capital (41% of pretax profits) is an international corporate and investment bank focused on the interest rate, credit and derivative, debt, and risk-management markets, and has expanded rapidly in recent years.

BGI (10% of pretax profits) is the world's largest index asset manager, with $2.0 trillion of assets under management, and has also undergone rapid growth, while launching new products in active asset management.

Wealth Management (4% of pretax profits) provides financial advice, offshore savings, and private banking services to affluent individuals.

Head office accounts for a negative 5% of group profits, and includes most central group services, and manages group capital.

Support And Ownership: U.K. Listed

Standard & Poor's does not factor extraordinary government support into the ratings on healthy U.K. private sector banks such as Barclays. We classify the U.K. as a "supportive" country, where the government primarily relies on prudential policies to maintain a sound banking sector. As in other supportive countries, U.K. authorities can be expected to provide (or facilitate the provision of) support to systemically important banks in a stress period, as demonstrated by the extraordinary support made available to Northern Rock PLC (A-/Watch Dev/A-1) in the form of liquidity facilities and a guarantee of certain senior unsecured obligations. As a systemically important bank gets into a troubled situation, Standard & Poor's may add more explicit support to the rating.

Barclays Bank PLC is 100%-owned by Barclays PLC (AA-/Stable/A-1+), a holding company listed on the London Stock Exchange, the Tokyo Stock Exchange, and the New York Stock Exchange via an ADR program. As one of the largest companies by market capitalization in the U.K., liquidity is very good.

Barclays is regulated on a consolidated basis by the U.K.'s Financial Services Authority. Many of the group's overseas subsidiaries are also subject to local regulators.

In 2007, Barclays issued shares to two major new shareholders, Temasek and China Development Bank, who now own 2% and 3%, respectively, and will be represented on Barclays' Board of Directors.

Strategy: Growth And Diversification

Barclays' strategy is to "earn, invest, and grow". This encapsulates what has been a largely organically driven approach to growth. For example, Barclays has used the significant cashflow generated by its U.K. banking businesses to invest in its faster growing capital markets, investment management, and overseas operations. Standard & Poor's considers that this approach has been generally successful, as indicated by strong growth and increased diversification.

Barclays' unsuccessful attempt to acquire ABN AMRO suggests that Barclays has the appetite to undertake a transformational acquisition to support its growth ambitions. The loss of ABN AMRO is a strategic setback, but is not expected to lead to significant change in strategy, even though Standard & Poor's still considers Barclays to be acquisitive.

Barclays' high level goal is supplemented with additional targets. The overall financial aim is to achieve first quartile total shareholder return over the period 2004 to 2007, by means of annual economic profit growth of 10%-13%. The latter aim has already been met, but nevertheless, Barclays ranked in the second quartile for total shareholder return in its peer group.

At an operational level, priorities have been to return to market share growth in U.K. retail, to continue to diversity in Barclays Capital, to demonstrate value creation from universal banking, and to establish a global retail and commercial bank strategy. Progress has been made on all of these, with a pickup in U.K. mortgage share, a further broadening of Barclays Capital's revenue base, and the creation of a global retail and commercial banking business unit. Barclays also aims to improve credit quality in Barclaycard and impairments have begun to level out in 2007. The greatest challenge for the group, perhaps, is to demonstrate the value of synergies between business units, which offer a range of products over diverse geographies. At the moment, this remains unproven.

Accounting: Pension Deficit Introduces Volatility

In common with most other European banks, Barclays switched to IFRS from U.K. GAAP as adopted by the EU from Jan. 1, 2005. For more information, see "Bank Industry Risk Analysis: U.K. Banks Stand Firm Against Changing Credit Environment," published on Dec. 15, 2006, on RatingsDirect. Barclays complies with the stricter requirements of hedge accounting under IAS 39.

Barclays has chosen to apply the "corridor" approach to accounting for postretirement benefit obligations under IAS 19, whereby it amortizes actuarial gains and losses when they exceed 10% of the greater of plan assets or obligations. Because the deficit has shrunk recently (due mainly to higher corporate bond yields reducing liabilities), at June 30, 2007, this means that the recognized deficit of £1,804 million actually exceeded the reported deficit. For this reason, Standard & Poor's made an addition to adjusted common equity (ACE) of £1,641 million, reflecting the unrecognized actuarial gains, after tax. This is a dramatic reversal of the position a year earlier, when the recognized deficit was considerably smaller than the actual deficit, requiring a deduction from ACE.

Table 1

IAS 19 Pension Deficit Has Changed Materially

	H1 2007	2006	2005
Projected benefit obligation	N.A.	18,323	19,269
Value of plan assets	N.A.	17,506	16,390
Surplus/(deficit)	540	(817)	(2,879)
Net recognized liability	1,804	1,719	1,737
Difference between deficit and net recognized liability	2,344	902	(1,142)
After tax difference = adjustment to adjusted common equity	1,641	631	(799)

Source: Standard & Poor's, company data. N.A.--Not available.

During 2006, Barclays commenced a program of sale and leaseback of various properties, mainly branches within its retail network. This reflected the group's view that the rental yields on assets were now so low that it was more economically efficient to lease some properties rather than own them. These transactions resulted in gains of £432 million and £147 million in 2006 and the first half of 2007, respectively, the bulk of which were within U.K. Retail Banking and U.K. Business Banking, with some further gains in Spain, Barclaycard, and at head office. These gains were (unusually) accounted for as negative costs, but Standard & Poor's regards them as exceptional gains. Some further gains are expected in the second half of 2007. Operating lease rental expenses will rise as a result of the sales.

Barclays is active in securitization and, as at June 30, 2007, had securitized assets on the balance sheet of £31 billion, about one-half of which was in respect of residential mortgage loans, with the other half split between commercial loans and credit card receivables. Barclays had retained interests on securitized mortgages of £628 million at Dec. 31, 2006. Given that these interests bear a substantial part of the risk of the securitized mortgage assets, they are deducted from regulatory capital and Standard & Poor's modified adjusted total equity (ATE) measure.

Barclays' asset management business, BGI, is 9.4%-owned by its key employees. In addition, Barclays grants options in BGI to these staff as part of their compensation arrangements. The cost of these option awards is recognized in staff expenses over the service of the employee. Barclays may also purchase shares in BGI from employees, although it has no contractual obligation to do so. These purchases were worth £410 million in 2006, and were accounted for as an acquisition.

Risk Profile And Management: Highly Developed Framework

Standard & Poor's considers Barclays' enterprise risk management to be excellent. Its risk-management framework is comprehensive, highly developed, and, in Standard & Poor's view, one of the best in the industry. At the highest level, the board has established a board risk committee, which approves the group's risk appetite and monitors the risk profile against the appetite. It also approves the group's internal control and assurance framework, and approves control standards for the principal risks. Meanwhile, the board's audit committee and the governance and control committee consider the effectiveness of the group's internal control and assurance framework. The risk oversight committee debates and determines actions on the risk profile and strategy and ensures consistency with group risk appetite.

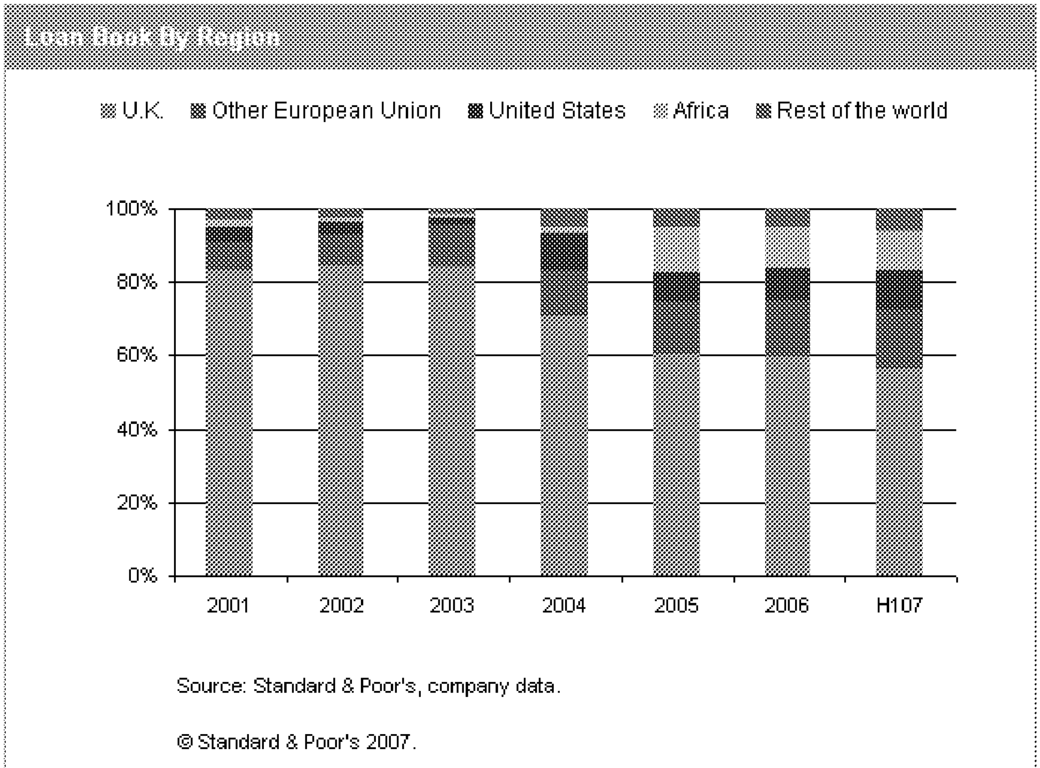
Operationally, the Group Chief Executive and Finance Director have delegated authority to the Risk Director to ensure effective management and control of risks. The control frameworks themselves are established by the heads of the various risk functions and their teams. The business line heads, supported by their teams, are responsible for the identification and management of risk.

Credit quality

Barclays' loan book is of high overall quality, despite the deterioration in U.K. unsecured lending in 2006. Barclays uses a relatively sophisticated credit risk-management system including statistical modeling of probability of default, loss given default, and exposure at default throughout its business. It also publishes its expected loss figures ("risk tendency") on a rolling 12-month basis. Barclays also makes extensive use of credit-mitigation techniques to manage credit risk, including collateral, netting, and credit derivatives.

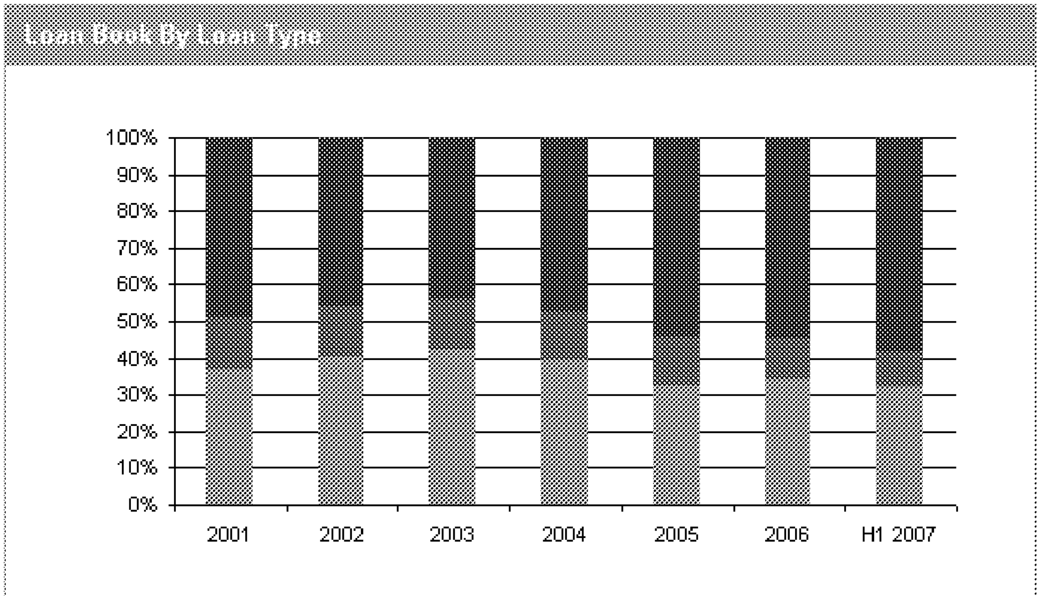
Barclays benefits from having a broadly based loan portfolio, by both geography and industry. Although it retains a strong bias toward the U.K., the geographic mix has changed significantly in recent years, with the U.K. component falling to 60% of the total at year-end 2006, from 70% at year-end 2004 and more than 80% in 2001 (see chart 2). This has been beneficial in reducing the group's relative exposure to credit quality problems in the U.K., although this remains by far the largest risk.

Chart 2



Loans to individuals make up slightly less than one-half the total loan portfolio, at 46% (see chart 3). These loans break down further into mortgages (32% of the total) and personal loans (10%). These proportions have been roughly stable in recent years.

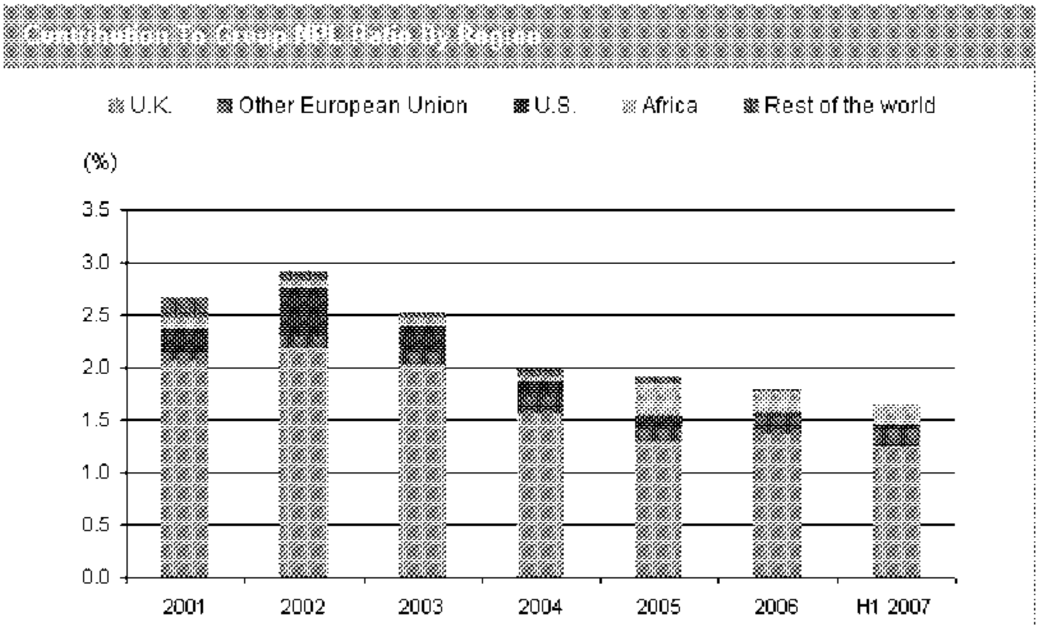
Chart 3



Source: Standard & Poor's, company data.

Credit quality remains good. The NPL ratio fell further in the first half of 2007, to 1.65% from 1.8% in 2006 and 2.5% in 2004, reflecting industry trends (see chart 4). NPL ratios fell in every region in the first half of 2007 bar Africa, where there was a small increase reflecting higher interest rates. NPLs are 61% covered by impairment allowances, a decline compared with the 64%-66% of previous years.

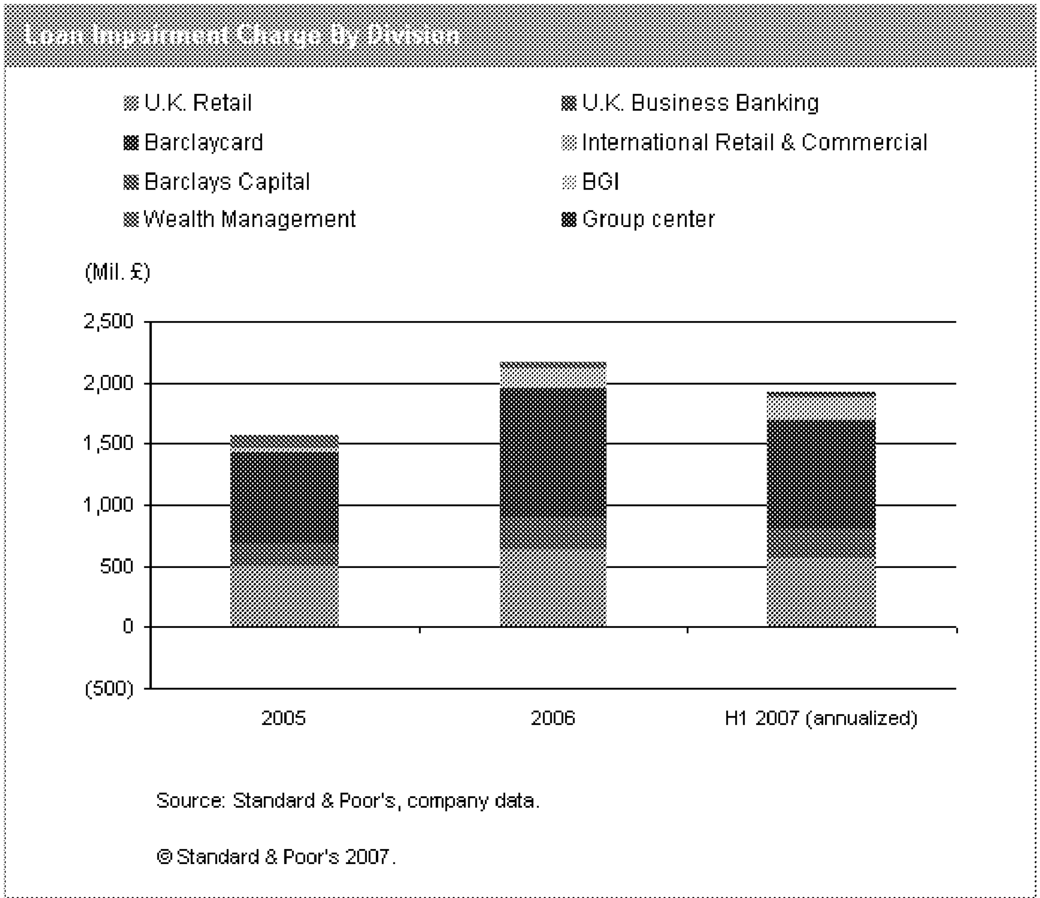
Chart 4



Source: Standard & Poor's, company data.

Credit card exposures have accounted for an increased proportion of the group impairment charge in recent years, reflecting higher personal bankruptcies in the U.K. In 2006, Barclaycard experienced impairments of £1.1 billion (50% of group), although this proportion declined slightly in the first half of 2007. So far, however, there has been little spillover of the U.K. unsecured credit quality problems into other areas, for example, mortgages, although there has been some deterioration in the SME portfolio. Standard & Poor's expects impairments within Barclaycard to remain high in absolute terms, but not increase significantly further. Elsewhere, we expect impairments to further increase as corporate credit quality deteriorates from current exceptionally high levels.

Chart 5



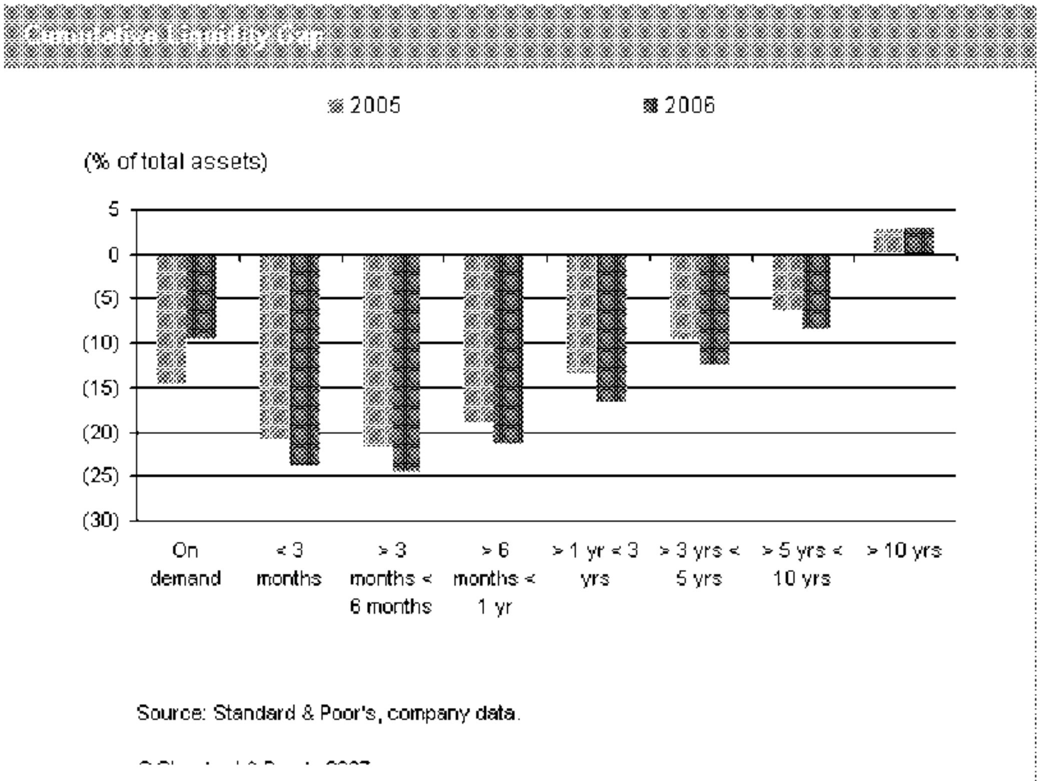
Funding and liquidity

Barclays' funding profile is generally strong, given its high profile in international markets and good access to noninterest-bearing deposits. Barclays is increasingly active in securitization, and had £31 billion of securitized assets at June 2007, up from £18.6 billion in 2005 and just £4.3 billion at end-2004.

Liquidity is monitored by the treasury committee, which assesses and projects cashflows. In addition, the treasury monitors unmatched assets and undrawn commitments and other contingent liabilities, while conducting stress testing.

As a clearing bank with a sizable book of sight deposits, Barclays has a large degree of mismatch between short-term assets and liabilities (see chart 6).

Chart 6



In 2006, the short-term mismatch (three months or less) increased, offset by an increase in liquid assets. This inherent mismatch is mitigated by a number of factors. First, retail sight deposits--although contractually repayable on demand--tend to be "sticky" and form a stable funding base. The majority (66%) of customer deposits are from the U.K., but deposits abroad provide some diversity. Second, as required by regulation, Barclays maintains a pool of liquid securities, such as government bonds, which may not repay for many years, but which can be sold in almost any scenario to meet a sudden demand for funds.

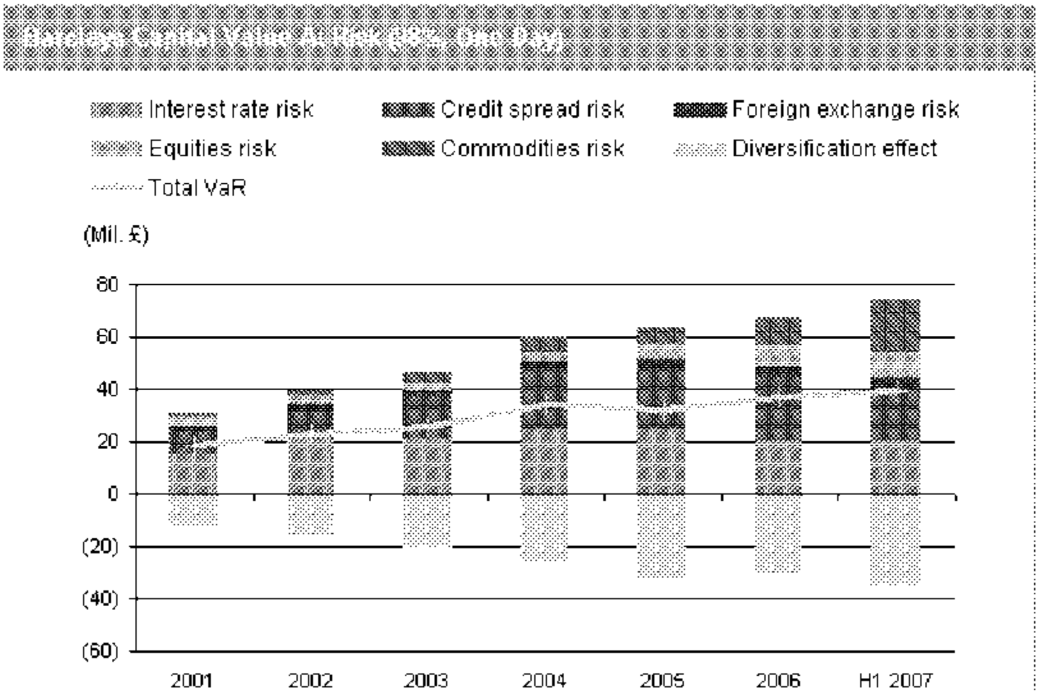
Barclays also has a large stock of assets, which can be used to raise cash via repo, although the present difficulties in the RMBS market mean that securitization is unlikely to be available as a source of cash in the short term.

Barclays runs a number of asset-backed CP conduits, the largest of which are Sheffield, Surrey, and Stratford, which collectively have about $39 billion of CP outstanding. These are multi-seller conduits and have not required to draw extensively on liquidity backstop lines from Barclays during the recent ABCP market disruption.

Market risk

Barclays runs significant market risk in its trading operations within its investment banking division, Barclays Capital. The majority of this traded market risk, as indicated by value-at-risk (VaR) measures, is composed of interest rate, commodity and credit spread risk, broadly in line with the division's core activities (see chart 7).

Chart 7

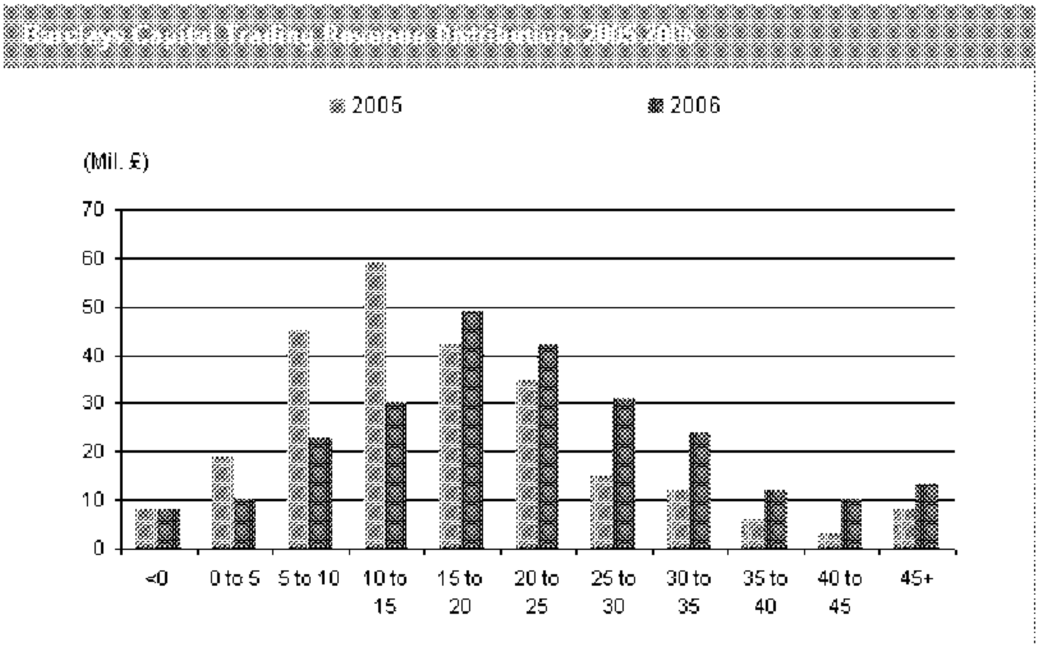


Source: Standard & Poor's, company data.

VaR has approximately doubled in absolute terms since 2001, with more recent growth being driven by exposure to commodity exposures. Nevertheless, VaR has been outstripped by growth in income and profit, and so VaR has fallen relative to the size of the division. Average VaR was about 1.7x average daily revenue for 2006, compared with about 2.0x in 2005, and fell further in the very strong first half of 2007. This has in part been achieved through increased diversification benefit as the business lines have grown, but in absolute terms, and relative to trading income, VaR remains higher than at many other investment banks. This is to some extent because Barclays' disclosed VaR includes risk arising from managing interest rate positions in the banking book, and its pure traded risk VaR is thus lower. Barclays also employs other market risk metrics, including stress tests, earnings at risk and economic capital.

The distribution of trading revenue also provides an indication of risk (see chart 8). The shift of the histogram to the right demonstrates the favorable trading conditions in 2006, enabling Barclays Capital to increase its profitable days without an increase in lossmaking days. Again, this shift is also likely to reflect its broadening product range.

Chart 8



Source: Standard & Poor's, company data.

Both these measures are expected to change significantly in the second half of 2007, with volatility driving VaR measures higher, market turbulence resulting in more loss making dates, and lower income following probable write-downs on assets.

Barclays nontraded market risks include interest rate risk in the commercial banking business. This is managed by the treasury, which hedges the net position with market counterparties via Barclays Capital. We believe that the residual risk from these exposures is low.

Moreover, Barclays bears considerable nontrading market risk through its defined-benefit pension fund exposure. Barclays has one of the largest pension schemes relative to its core capital of any European bank, and although this is a long-term liability without great short-term impact, it does render the bank's capitalization relatively sensitive to changes in the value of plan assets or changes in liability assumptions.

Operational risk

Barclays has an established definition of operational risk and a framework establishing control requirements for a number of identified risk categories, for example, financial crime, financial reporting, legal, operations, staff, compliance, and technology. Primary responsibility rests with the business areas.

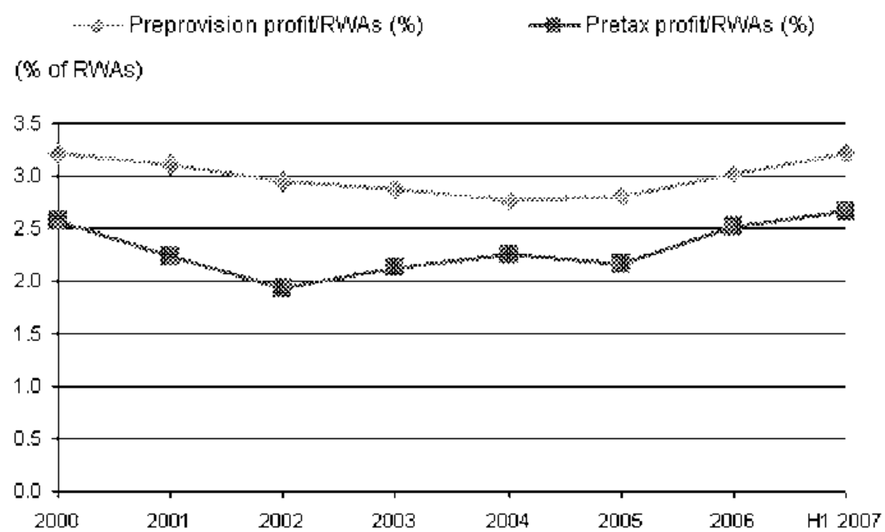
Key risks and controls are assessed using scenario analyses, and Barclays uses a standard groupwide process for collecting risk data, as well as public data on operational losses, and is part of a number of international banks which share operational loss data. Barclays allocates economic capital to operational losses to incentivize tighter risk management.

Profitability: Strong Returns; Increasingly Diverse

Barclays' profitability is strong, increasingly diverse and earnings should remain solid despite a likely weaker second half of 2007 in investment banking. First-half 2007 was a record half year for Barclays, with core earnings of £2.9 billion, a 7% increase on the first half of 2006, reflecting in large part the strong growth in investment banking and asset management. Core return on risk-weighted assets (RWAs) was 1.9%, which denotes strong capital generation, although RWA growth was reduced about 1pp by securitizations. Preprovision returns on RWAs are also good, at 3.2%, a slight increase compared with 2006, again reflecting higher profits in the investment banking and asset management business, which are balance sheet but not RWA intensive. In the first half of 2007, loan impairments were 62 basis points (bps) of RWAs, so this margin provides a substantial buffer against unexpected losses.

Chart 9

Barclays Preprovision And Pretax Return On Risk-Weighted Assets



Sources: Standard & Poor's, company data. Excludes gain on sale of property and other exceptional items.

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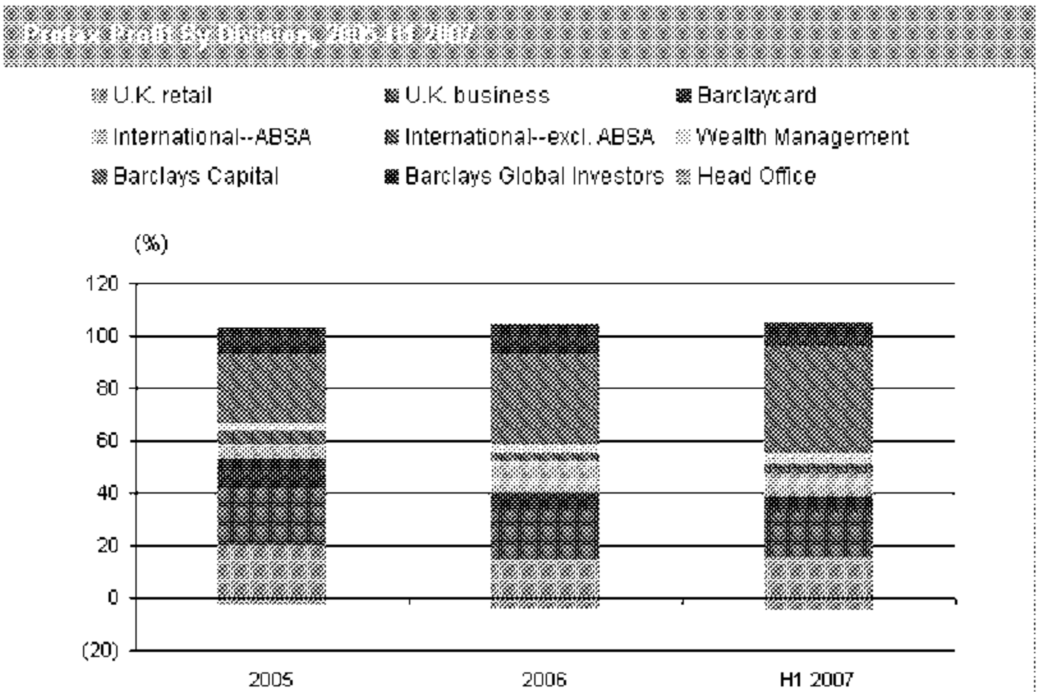
Profit growth was driven chiefly by Barclays Capital (where pretax profits excluding goodwill impairment rose 36%) and the U.K. bank (up 19% excluding gains on sale and leaseback and overdraft settlement fees). Earnings from emerging markets and Spain grew significantly. Other divisions were more sluggish, partly due to currency movements, which reduced sterling earnings at BGI and at Absa.

The trends of 2007 to date mark a continuation of Barclays' transition toward international and capital markets business, and away from U.K. banking--a transition that has been accelerated by the relatively weak performance in Barclaycard (see chart 10). Standard & Poor's considers that Barclays' income streams have become increasingly diverse in recent years, reducing its exposure to any single geographical market (notably the U.K.), and enabling it to weather significant problems at Barclaycard, for example, while still showing good group-level growth.

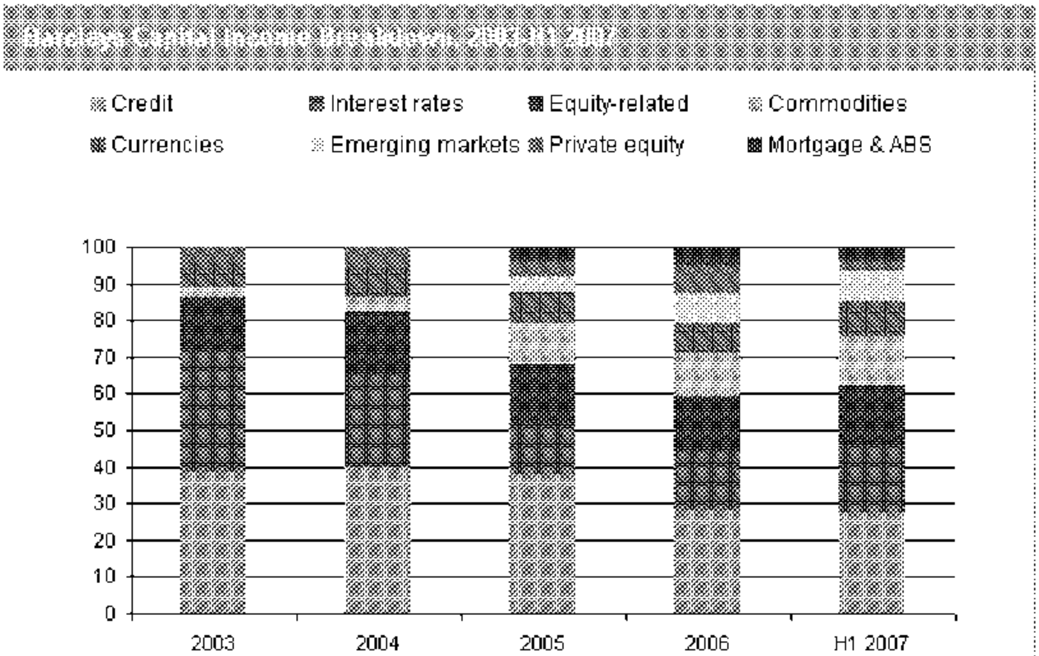
Chart 10



Source: Standard & Poor's, company data.

The counterpart to this shift away from the U.K. is that much of the growth has come from wholesale activities, particularly Barclays Capital, which has been particularly impressive. The latter grew its own pretax profits by about £1.2 billon between 2004 and 2006, roughly two thirds of the group's pretax profit growth. As a result, Barclays Capital accounted for 41% of group profits in the first half of 2007 (excluding gains on sale and leaseback, amortization of intangible assets, and exceptional items), compared with only 22% in 2004. This is in part mitigated by the increased diversification of Barclays Capital itself, but the increased importance of Barclays Capital to group earnings potentially increases profit volatility and uncertainty about the risk profile of the group (see chart 11). Standard & Poor's expects Barclays Capital's contribution to the group to decline markedly in the second half of 2007, reflecting more difficult capital market conditions.

Chart 11



Source: Standard & Poor's, company data.

Capital: Recently Improved, But A Relative Weakness

Standard & Poor's regards Barclays' capitalization as relatively weak for its rating category, and this is expected to remain the case. Barclays targets an equity Tier 1 to RWA target of 5.25%, and following the failure of its bid for ABN AMRO is expected to continue share buybacks in order to offset the dilutive effect of issuing shares to China Development Bank and Temasek, and maintain tight ratios. Even so, its capital ratios on Standard & Poor's measures should remain broadly within their recent range.

Barclays' ATE to RWAs ratio (which includes some hybrid capital but deducts first loss pieces and investments in insurance subsidiaries) was 6.0% at June 30, 2007, up from 5.3% at end-2006 and 4.1% at end-2005 (see chart 12). Barclays makes full use of hybrid capital, without which its ACE to RWAs ratio was 5.0% at June 30, 2007, compared with 4.6% at end-2006 and just 3.5% at end-2005. Standard & Poor's still regards this as low in the international context (see chart 13). The recent increases are in part explained by the shrinking pension deficit, the swing in which between December 2005 and June 2007 was equivalent to approximately 0.5pps of RWAs.

Chart 12

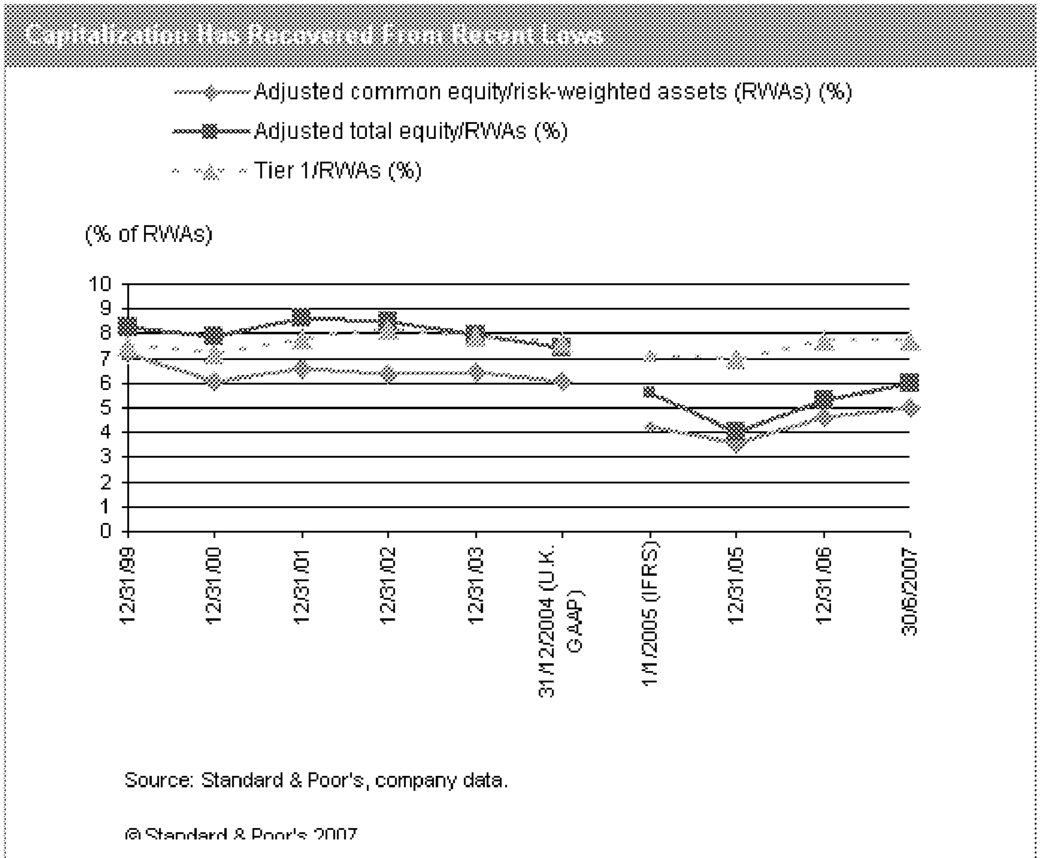


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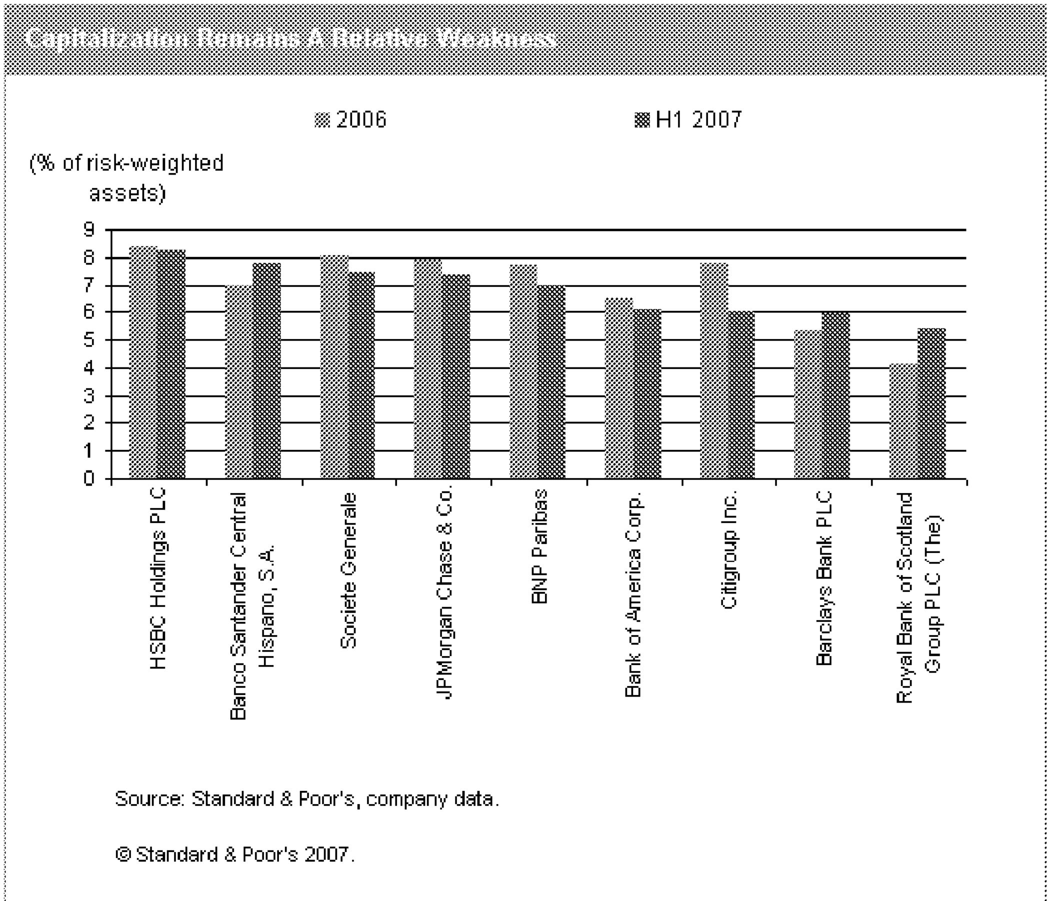
Chart 13



Barclays uses an economic capital framework, which Standard & Poor's regards as one of the most advanced in the industry. This measure--which neutralizes changes in the pension deficit--also shows the impact of Barclays' decision to increase gearing in 2005, since when capitalization has remained stable (see chart 14).

Chart 14

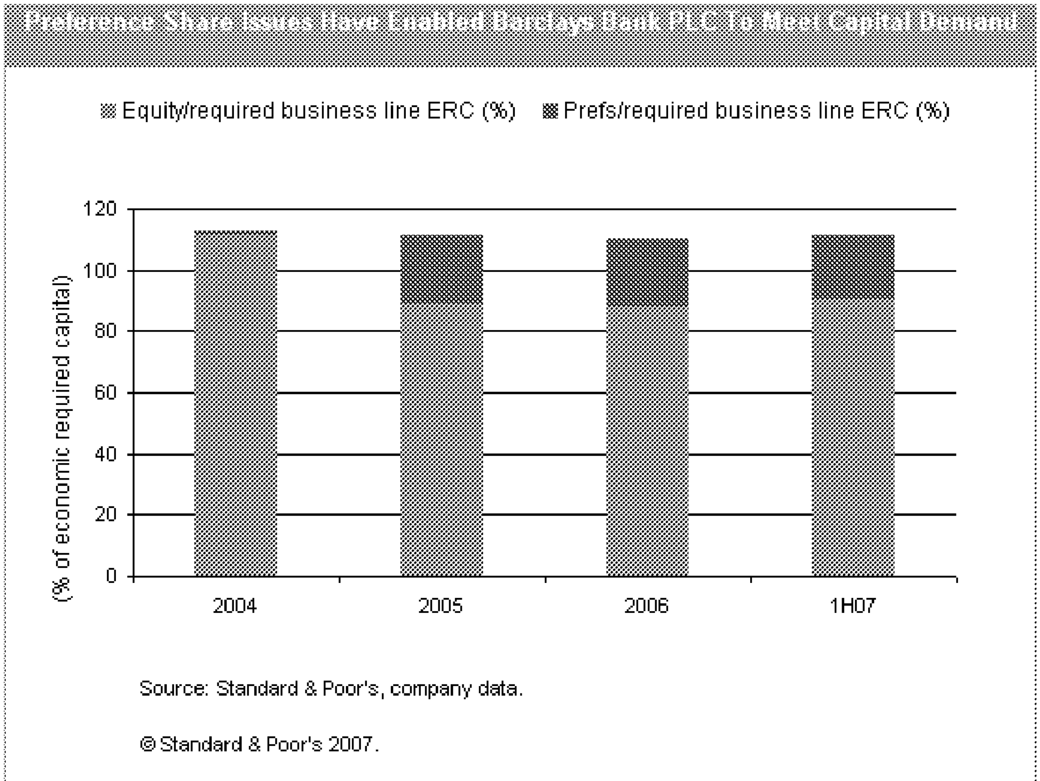


Table 2

Balance Sheet Statistics

	--Year ended Dec. 31--					-	Breakdown as a % of assets (adj.)				
(Mil. £)	**2007***	**2006**	**2005**	**2004**	**2003**		**2007***	**2006**	**2005**	**2004**	**2003**
Assets											
Cash and money market instruments	241,909	205,551	186,377	114,650	99,727		22.86	22.67	22.35	22.51	23.15
Securities	308,121	245,753	211,301	146,252	112,429		29.12	27.10	25.34	28.71	26.10
Trading securities (marked to market)	217,573	177,867	155,723	87,671	59,812		20.56	19.61	18.67	17.21	13.88
Nontrading securities	90,548	67,886	55,578	58,581	52,617		8.56	7.49	6.67	11.50	12.21
Loans to banks (net)	0	9,230	11,255	20,538	13,885		0.00	1.02	1.35	4.03	3.22
Customer loans (gross)	324,517	298,827	280,942	199,402	179,869		30.67	32.95	33.69	39.14	41.75
Residential real estate loans	104,319	98,172	89,529	64,481	61,905		9.86	10.83	10.74	12.66	14.37
Other consumer loans	31,713	31,840	35,543	23,313	21,905		3.00	3.51	4.26	4.58	5.08
Foreign loans	N.A.	N.A.	N.A.	40,760	32,587		N.A.	N.A.	N.A.	8.00	7.56
Commercial real estate loans	17,489	16,528	16,325	10,409	8,224		1.65	1.82	1.96	2.04	1.91
Commercial/corporate loans	160,666	128,949	121,857	35,926	32,990		15.18	14.22	14.61	7.05	7.66
All other loans	10,330	23,338	17,688	24,513	22,258		0.98	2.57	2.12	4.81	5.17
Loan loss reserves	3,274	3,331	3,446	2,760	3,012		0.31	0.37	0.41	0.54	0.70
Customer loans (net)	321,243	295,496	277,496	196,642	176,857		30.36	32.59	33.28	38.60	41.06

Table 2

Balance Sheet Statistics (cont.)										
Earning assets	869,762	752,020	685,973	479,095	404,200	82.19	82.93	82.26	94.05	93.83
Equity interests/participations (nonfinancial)	N.A.	N.A.	N.A.	67	96	N.A.	N.A.	N.A.	0.01	0.02
Inv. in unconsolidated subsidiaries (financial co.)	947	982	782	437	501	0.09	0.11	0.09	0.09	0.12
Intangibles (nonservicing)	7,863	7,195	7,291	4,295	4,505	0.74	0.79	0.87	0.84	1.05
Fixed assets	2,538	2,492	2,754	1,921	1,790	0.24	0.27	0.33	0.38	0.42
Derivatives credit amount	174,225	138,353	136,823	18,174	15,812	16.46	15.26	16.41	3.57	3.67
Accrued receivables	4,275	3,788	2,952	6,850	5,927	0.40	0.42	0.35	1.34	1.38
All other assets	97,141	87,947	87,326	12,263	11,832	9.18	9.70	10.47	2.41	2.75
Total reported assets	1,158,262	996,787	924,357	522,089	443,361	109.46	109.92	110.85	102.49	102.92
Less insurance statutory funds	(92,194)	(82,798)	(83,193)	(8,378)	(8,077)					
Less nonservicing intangibles+ I/O strips	(7,863)	(7,195)	(7,291)	(4,295)	(4,505)	(0.74)	(0.79)	(0.87)	(0.84)	(1.05)
Adjusted assets	1,058,205	906,794	833,873	509,416	430,779	100.00	100.00	100.00	100.00	100.00

						Breakdown as a % of liabilities + equity				
	2007*	2006	2005	2004	2003	2007*	2006	2005	2004	2003
Liabilities										
Total deposits	379,873	389,116	356,920	250,391	215,489	32.80	39.04	38.61	47.96	48.60
Noncore deposits	87,429	132,362	75,127	68,055	54,282	7.55	13.28	8.13	13.04	12.24
Core/customer deposits	292,444	256,754	281,793	182,336	161,207	25.25	25.76	30.49	34.92	36.36
Repurchase agreements	181,093	136,956	121,178	78,351	63,471	15.63	13.74	13.11	15.01	14.32
Other borrowings	128,390	66,701	68,285	73,934	55,598	11.08	6.69	7.39	14.16	12.54
Other liabilities	434,763	371,202	349,147	94,946	85,737	37.54	37.24	37.77	18.19	19.34
Total liabilities	1,124,119	963,975	895,530	497,622	420,295	97.05	96.71	96.88	95.31	94.80
Total shareholders' equity	34,143	32,812	28,827	24,467	23,066	2.95	3.29	3.12	4.69	5.20
Limited life preferred and quasi equity	3,842	3,842	3,923	3,602	3,645	0.33	0.39	0.42	0.69	0.82
Preferred stock and other capital	7,518	7,486	5,900	3,237	2,665	0.65	0.75	0.64	0.62	0.60
Minority interest-equity	1,810	1,685	1,578	211	283	0.16	0.17	0.17	0.04	0.06
Common shareholders' equity (reported)	20,973	19,799	17,426	17,417	16,473	1.81	1.99	1.89	3.34	3.72
Share capital and surplus	7,496	7,452	7,273	7,138	7,059	0.65	0.75	0.79	1.37	1.59
Revaluation reserve	(169)	(98)	295	24	24	(0.01)	(0.01)	0.03	0.00	0.01
Reserves (incl. inflation revaluations)	440	488	1,082	926	891	0.04	0.05	0.12	0.18	0.20
Retained profits	13,461	12,169	8,957	9,329	8,499	1.16	1.22	0.97	1.79	1.92
Other equity	(255)	(212)	(181)	N.A.	N.A.	(0.02)	(0.02)	(0.02)	N.A.	N.A.
Memo: Dividends (not yet distributed)	(731)	(1,307)	(1,105)	0	0					
Total liabilities and equity	1,158,262	996,787	924,357	522,089	443,361	100.00	100.00	100.00	100.00	100.00
Equity Reconciliation Table										
Common shareholders' equity (reported)	20,973	19,799	17,426	17,417	16,473					
+ Minority Interest (equity)	1,810	1,685	1,578	211	283					
- Dividends (not yet distributed)	(731)	(1,307)	(1,105)	0	0					
- Revaluation reserves	169	98	(295)	(24)	(24)					

Table 2

Balance Sheet Statistics (cont.)					
- Nonservicing Intangibles	(7,863)	(7,195)	(7,291)	(4,295)	(4,505)
- Postretirement benefit adjustments	1,641	631	(799)	0	0
Adjusted common equity	15,999	13,711	9,514	13,309	12,227
+ Admissible Prefs and hybrids	5,280	4,525	3,140	4,392	4,035
- Equity in Unconsolidated Subsidiaries	(947)	(982)	(782)	(437)	(501)
- Capital of Insurance Subsidiaries	0	0	0	(610)	(478)
- Adjustment for Securitized Assets	(1,328)	(1,348)	(961)	(496)	(182)
Adjusted total equity	19,004	15,906	10,911	16,158	15,101

*Data as of June 30, 2007. Data for 2005-2007 are based on IFRS; prior years are based on U.K. GAAP. Ratios annualized where appropriate. N.A.--Not available.

Table 3

Profit And Loss Statement Statistics											
		--Year ended Dec. 31--				Adj. avg. assets (%)					
(Mil. £)	2007*	2006	2005	2004	2003	2007*	2006	2005	2004	2003
Profitability										
Interest income	12,037	21,805	17,232	13,665	12,427	2.45	2.51	2.57	2.91	3.02
Interest expense	7,448	12,662	9,157	6,823	5,823	1.52	1.45	1.36	1.45	1.42
Net interest income	4,589	9,143	8,075	6,842	6,604	0.93	1.05	1.20	1.46	1.61
Operating noninterest income	7,340	12,412	9,299	7,159	5,836	1.49	1.43	1.38	1.52	1.42
Fees and commissions	3,812	7,177	5,705	4,966	4,263	0.78	0.82	0.85	1.06	1.04
Equity in earnings of unconsolidated subsidiaries	0	46	45	56	29	0.00	0.01	0.01	0.01	0.01
Trading gains	2,811	3,614	2,321	1,493	1,054	0.57	0.42	0.35	0.32	0.26
Other market-sensitive income	261	668	505	26	21	0.05	0.08	0.08	0.01	0.01
Net insurance income	194	485	227	269	231	0.04	0.06	0.03	0.06	0.06
Other noninterest income	262	422	496	349	238	0.05	0.05	0.07	0.07	0.06
Operating revenues	11,929	21,555	17,374	14,001	12,440	2.43	2.48	2.59	2.98	3.02
Noninterest expenses	6,994	13,026	10,484	8,051	6,988	1.42	1.50	1.56	1.71	1.70
Personnel expenses	4,581	8,169	6,318	4,998	4,295	0.93	0.94	0.94	1.06	1.04
Other general and administrative expense	2,097	4,325	3,759	2,758	2,404	0.43	0.50	0.56	0.59	0.58
Depreciation	316	532	407	295	289	0.06	0.06	0.06	0.06	0.07
Net operating income before loss provisions	4,935	8,529	6,890	5,950	5,452	1.00	0.98	1.03	1.27	1.33
Credit loss provisions (net new)	959	2,068	1,567	1,093	1,346	0.20	0.24	0.23	0.23	0.33
Net operating income after loss provisions	3,976	6,461	5,323	4,857	4,106	0.81	0.74	0.79	1.03	1.00
Nonrecurring/special income	125	755	0	45	4	0.03	0.09	0.00	0.01	0.00
Nonrecurring/special expense	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00
Amortization of goodwill and intangibles	0	80	43	299	265	0.00	0.01	0.01	0.06	0.06
Pretax profit	4,101	7,136	5,280	4,603	3,845	0.83	0.82	0.79	0.98	0.93
Tax expense/credit	1,158	1,941	1,439	1,289	1,076	0.24	0.22	0.21	0.27	0.26
Net income before minority interest	2,943	5,195	3,841	3,314	2,769	0.60	0.60	0.57	0.70	0.67
Minority interest in consolidated subsidiaries	309	624	394	46	25	0.06	0.07	0.06	0.01	0.01
Net income before extraordinaries	2,634	4,571	3,447	3,268	2,744	0.54	0.53	0.51	0.70	0.67
Net income after extraordinaries	2,634	4,571	3,447	3,268	2,744	0.54	0.53	0.51	0.70	0.67

Table 3

Profit And Loss Statement Statistics(cont.)

Core Earnings Reconciliation										
Net Income (before Minority Interest)	2,943	5,195	3,841	3,314	2,769					
- Nonrecurring/Special Income	(125)	(755)	0	(45)	(4)					
+ Nonrecurring/Special Expense	0	0	0	0	0					
+ Amortization/ Impairment of Goodwill/ Intangibles	0	80	43	299	265					
Core earnings	2,818	4,520	3,884	3,568	3,030	0.57	0.52	0.58	0.76	0.74
	2007*	**2006**	**2005**	**2004**	**2003**					
Asset Quality										
Nonperforming assets	5,352	5,088	5,210	3,985	4,155					
Nonaccrual loans	4,693	4,444	4,550	2,607	2,907					
Restructured loans	61	46	51	0	0					
Loans in arrears but accruing	598	598	609	1,378	1,248					
Classified loans (substandard, doubtful, loss)	735	761	929	756	1,477					
Net charge-offs	887	1,915	1,365	1,340	1,361					
Average balance sheet										
Average customer loans	308,370	286,496	237,069	186,750	168,378					
Average earning assets	810,891	718,997	582,534	441,648	386,387					
Average assets	1,077,525	960,572	723,223	482,725	423,212					
Average total deposits	384,495	373,018	303,656	232,940	205,992					
Average interest-bearing liabilities	641,065	569,578	474,530	368,617	322,117					
Average common equity	20,386	18,613	17,422	16,945	15,837					
Average adjusted assets	982,500	870,334	671,645	470,098	411,284					
Other data										
Number of employees (end of period, actual)	127,700	122,600	113,300	78,400	74,800					
Number of branches	N.A.	3,627	3,545	N.A.	2,916					
Total assets under management	1,003,000	927,000	881,000	709,000	598,000					
Off-balance-sheet credit equivalents	236,307	244,923	250,928	185,014	161,191					

*Data as of June 30, 2007. Data for 2005-2007 are based on IFRS; prior years are based on U.K. GAAP. Ratios annualized where appropriate. N.A.--Not available.

Table 4

Ratio Analysis

		--Year ended Dec. 31--			
	2007*	**2006**	**2005**	**2004**	**2003**
ANNUAL GROWTH (%)					
Customer loans (gross)	17.19	6.37	40.89	10.86	10.48
Loss reserves	(3.42)	(3.34)	24.86	(8.37)	3.29
Adjusted assets	33.39	8.74	63.69	18.25	9.95
Customer deposits	27.80	(8.89)	54.55	13.11	9.73
Total equity	8.11	13.82	17.82	6.07	4.68
Operating revenues	10.68	24.06	24.09	12.55	9.92
Noninterest expense	7.39	24.25	30.22	15.21	13.02

Table 4

Ratio Analysis (cont.)					
Net operating income before provisions	15.72	23.79	15.80	9.13	6.19
Loan loss provisions	(7.25)	31.97	43.37	(18.80)	(9.36)
Net operating income after provisions	23.08	21.38	9.59	18.29	12.52
Pretax profit	14.94	35.15	14.71	19.71	19.97
Net income	13.30	35.25	15.90	19.68	23.07
	2007*	**2006**	**2005**	**2004**	**2003**
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	1.13	1.27	1.39	1.55	1.71
Net interest spread	0.65	0.81	1.03	1.24	1.41
Interest income (taxable equiv.)/avg. earning assets	2.97	3.03	2.96	3.09	3.22
Interest income on loans/avg. total loans	0.00	5.79	5.39	0.00	0.00
Interest expense/avg. interest-bearing liabilities	2.32	2.22	1.93	1.85	1.81
Interest expense on deposits/avg. deposits	0.00	1.58	1.57	0.00	0.00
Revenue Analysis					
Net interest income/revenues	38.47	42.42	46.48	48.87	53.09
Fee income/revenues	31.96	33.30	32.84	35.47	34.27
Market-sensitive income/revenues	25.75	19.87	16.27	10.85	8.64
Noninterest income/revenues	61.53	57.58	53.52	51.13	46.91
Personnel expense/revenues	38.40	37.90	36.36	35.70	34.53
Noninterest expense/revenues	58.63	60.43	60.34	57.50	56.17
Noninterest expense/revenues less investment gains	59.94	62.36	62.15	57.61	56.27
Net operating income before provision/revenues	41.37	39.57	39.66	42.50	43.83
Net operating income after provisions/revenues	33.33	29.97	30.64	34.69	33.01
New loan loss provisions/revenues	8.04	9.59	9.02	7.81	10.82
Net nonrecurring/abnormal income/revenues	1.05	3.50	0.00	0.32	0.03
Pretax profit/revenues	34.38	33.11	30.39	32.88	30.91
Tax/pretax profit	28.24	27.20	27.25	28.00	27.98
Core Earnings/Revenues	23.62	20.97	22.36	25.48	24.36
	2007*	**2006**	**2005**	**2004**	**2003**
Other Returns					
Pretax profit/avg. risk assets (%)	2.66	2.52	2.17	2.26	2.13
Revenues/avg. risk assets (%)	7.75	7.60	7.12	6.87	6.88
Net operating income before LLP/LLP	514.60	412.43	439.69	544.37	405.05
Net operating income before loss provisions/avg. risk assets (%)	3.21	3.01	2.83	2.92	3.01
Net operating income after loss provisions/avg. risk assets (%)	2.58	2.28	2.18	2.38	2.27
Net income before minority interest/avg. adjusted assets	0.60	0.60	0.57	0.71	0.67
Net income/employee (currency unit)	47,032	44,044	40,073	43,264	37,043
Non-interest expenses/average adjusted assets	1.42	1.50	1.56	1.71	1.70
Personnel expense/employee (currency unit)	73,208	69,258	65,915	65,248	57,458
Personnel expense/branch (mil. currency unit)	N.A.	2.28	N.A.	N.A.	1.56

Table 4

Ratio Analysis (cont.)					
Noninterest expense/branch (mil. currency unit)	N.A.	3.63	N.A.	N.A.	2.54
Cash earnings/avg. tang. common equity (ROE) (%)	44.23	45.01	34.71	30.61	28.20
Core earnings/average risk-weighted assets	1.83	1.59	1.59	1.75	1.68
Core earnings/average adjusted assets	0.57	0.52	0.58	0.76	0.74
Core earnings/ Average ACE (ROE)	37.94	38.92	34.04	27.94	25.71
	2007*	**2006**	**2005**	**2004**	**2003**
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	42.42	43.31	51.57	45.28	48.19
Total loans/customer deposits	110.97	119.98	103.69	120.63	120.20
Total loans/customer deposits + long-term funds	96.52	95.00	84.88	93.66	93.65
Customer loans (net)/assets (adj.)	30.36	32.59	33.28	38.60	41.06
Parent Only Analysis					
	2007*	**2006**	**2005**	**2004**	**2003**
CAPITALIZATION (%)					
Adjusted common equity/risk assets	5.03	4.60	3.53	6.09	6.47
Internal capital generation/prior year's equity	19.22	14.91	10.11	10.50	9.24
Tier 1 capital ratio	7.70	7.70	7.00	7.60	7.90
Regulatory total capital ratio	11.80	11.70	11.30	11.50	12.80
Adjusted total equity/adjusted assets	1.80	1.75	1.31	3.17	3.51
Adjusted total equity/adjusted assets + securitizations	1.80	1.75	1.31	3.17	3.51
Adjusted total equity/risk assets	5.98	5.34	4.05	7.39	7.99
Adjusted total equity plus LLR (specific)/customer loans (gross)	6.86	6.44	5.11	9.49	10.07
Common dividend payout ratio	27.75	43.16	48.94	47.06	48.83
	2007*	**2006**	**2005**	**2004**	**2003**
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	0.62	0.72	0.66	0.59	0.80
Net charge-offs/avg. customer loans (net)	0.58	0.67	0.58	0.72	0.81
Loan loss reserves/customer loans (gross)	1.01	1.11	1.23	1.38	1.67
Credit-loss reserves/risk assets	1.03	1.12	1.28	1.27	1.60
Nonperforming assets (NPA)/customer loans + ORE	1.65	1.70	1.85	2.00	2.31
NPA (excl. delinquencies)/customer loans + ORE	1.46	1.50	1.64	1.31	1.62
Net NPA/customer loans (net) + ORE	0.65	0.59	0.64	0.62	0.65
NPA (net specifics)/customer loans (net specifics)	0.65	0.59	0.64	0.62	0.65
Loan loss reserves/NPA (gross)	61.17	65.47	66.14	69.26	72.49

*Data as of June 30, 2007. Data for 2005-2007 are based on IFRS; prior years are based on U.K. GAAP. Ratios annualized where appropriate. N.A.--Not available.

Barclays Bank PLC	
Counterparty Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	AA/A-1+

[illegible]	
Commercial Paper	
Foreign Currency	A-1+
Junior Subordinated	A+
Preference Stock	
Foreign Currency	A+
Senior Unsecured	AA
Short-Term Debt	A-1+
Subordinated	AA-
Counterparty Credit Ratings History	
20-Jun-1994 *Foreign Currency*	AA/Stable/A-1+
11-Jun-1992	AA/Watch Neg/A-1+
04-Mar-1991	AA+/Stable/A-1+
15-Nov-1994 *Local Currency*	AA/Stable/A-1+
20-Jun-1994	AA/Stable/--
11-Jun-1992	AA/Stable/--
Sovereign Rating	
United Kingdom	AAA/Stable/A-1+
Related Entities	
Absa Bank Ltd. (Unsolicited Ratings)	
Issuer Credit Rating	
Local Currency	Api/--/--
Barclays Bank Ireland PLC	
Issuer Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	AA/A-1+
Barclays Bank Mexico S.A.	
Issuer Credit Rating	
CaVal (Mexico) National Scale Rating	mxAAA/Stable/mxA-1+
Barclays Global Investors Trust & Banking Co. Ltd.	
Issuer Credit Rating	AA-/Watch Neg/--
Certificate Of Deposit	AA-/Watch Neg
Barclays PLC	
Issuer Credit Rating	AA-/Stable/A-1+
Barclays Private Clients International Ltd.	
Issuer Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	AA/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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Fitch Changes Barclays Bank's Outlook to Negative; Affirms 'AA+' Rating

Ratings

15 Nov 2007 12:28 PM (EST)

Fitch Ratings-London-15 November 2007: Fitch Ratings has today affirmed Barclays Bank plc's (Barclays) Long-term Issuer Default rating (IDR) and senior unsecured debt at 'AA+'. At the same time, Fitch has changed the Outlook for the IDR to Negative from Stable. Fitch has also affirmed Barclays' subordinated debt and other preferred and hybrid securities at 'AA', Short-term IDR at 'F1+', Individual rating at 'A/B', Support rating at '1' and Support Rating Floor at 'A-' (A minus). The Long-term IDR of Barclays' parent, Barclays PLC, has also been affirmed at 'AA+' and its Outlook changed to Negative from Stable. Fitch has affirmed Barclays PLC's Short-term IDR at 'F1+', Support rating at '5' and Support Rating Floor at 'No Floor'.

The rating action follows today's detailed trading update by Barclays PLC in respect of its Barclays Capital unit in the year to end-October 2007 (FY07). Barclays Capital has recorded net write-downs of GBP1.3bn in H207 in respect of ABS CDOs, other US sub-prime loans, SIVs and leveraged finance positions, but still reported record 10M07 earnings of GBP1.9bn.

"The write-downs announced today are substantial but can be absorbed in the context of Barclays' strong cash generation," says James Longsdon, Senior Director in Fitch's Financial Institutions group. "The revision of Barclays' Outlook to Negative reflects our concerns that the continuing expansion of Barclays Capital might expose the group to geater risks and earnings volatility, which could lead to a ratings downgrade."

Barclays is one of the world's largest banks. In the UK it offers a full range of financial services to retail, SME and corporate/wholesale customers. Internationally, it has mainly retail and commercial operations in Europe and Africa. Through Barclays Capital and Barclays Global Investors, Barclays services large corporates, financial institutions and governments around the world.

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Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

United Kingdom
Credit Analysis

Barclays Bank PLC

Ratings

Barclays Bank PLC
Foreign Currency

Long-Term IDR*	AA+
Short-Term IDR*	F1+
Outlook	Stable
Individual	A/B
Support	1
Support Rating Floor	A-

Barclays PLC
Foreign Currency

Long-Term IDR*	AA+
Short-Term IDR*	F1+
Outlook	Stable
Support	5
Support Rating Floor	NF

Sovereign Risk

Foreign Long-Term IDR*	AAA
Local Long-Term IDR*	AAA
Outlook	Stable

* IDR – Issuer Default Rating

Financial Data

Barclays PLC

	30 Jun 07	31 Dec 06
Total Assets (USDm)	2,322,190	1,956,786
Total Assets (GBPm)	1,158,262	996,787
Equity (GBPm)	28,721	27,620
Operating Profit (GBPm)	3,951	6,482
Published Net Income (GBPm)	2,943	5,195
Comprehensive Income (GBPm)	n.a	4,508
Operating ROAA (%)	0.73	0.67
Operating ROAE (%)	28.05	24.94
Tier 1 Ratio (%)	7.7	7.7

Analysts

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Rating Rationale

- The ratings of Barclays Bank PLC, the sole subsidiary of Barclays PLC (Barclays), reflect its strong UK franchise, broad business mix, robust profitability, good liquidity and sophisticated risk management.
- In March 2007 Barclays announced a bid for ABN AMRO Holding NV (rated 'AA-'), which sparked a counter-offer by the consortium of The Royal Bank of Scotland Group plc ('AA+'), Banco Santander ('AA') and Fortis Bank ('AA-'). In October 2007, Barclays announced that the acceptance conditions relating to its offer would not be fulfilled and, therefore, its offer lapsed. Fitch does not consider the failure to acquire ABN AMRO as a problem for Barclays, which still has a strong franchise that it can continue to develop organically.
- Barclays' profitability has been strong for several years. The improving diversification of revenue and profits by business and by geography is a key strength and has enabled the bank to absorb growing impairment in its UK unsecured retail portfolios. Operating ROAE compares well with that of major European peers.
- Barclays has limited direct exposure to the US sub-prime market. However, credit market turmoil will affect some of the bank's business volumes in Barclays Capital. The increased diversification of Barclays Capital in recent years should help to mitigate this, although credit products still accounted for about a quarter of division revenue for H107.
- NPLs continued to be relatively low as a proportion of total lending in H107, reflecting an overall benign environment. UK unsecured lending has been the main source of new NPLs, mainly in Barclaycard. Lending criteria have been tightened, and new NPL flows are much reduced.
- Barclays is adequately capitalised. Among other tools, it uses a sophisticated economic capital model to measure capital adequacy.
- Market risk has historically been well controlled, with limits and exposures comfortable in relation to equity.
- Funding and liquidity are strengths: Barclays' retail operations give the bank a large and stable funding base.
- Barclays PLC's IDR reflects the very high investment-grade rating of Barclays Bank PLC and the fact that there is no intention for there to be any double leverage at Barclays PLC. Were double leverage to be introduced at Barclays PLC, Fitch would expect a more formal and suitably prudent liquidity policy to be introduced.

Support

- There is an extremely high probability that Barclays Bank PLC would be supported by the UK authorities if necessary.

Rating Outlook and Key Rating Drivers

- The Long-Term IDR of Barclays Bank PLC is very high and is unlikely to improve. The Stable Outlook reflects the bank's strong profitability and diversified earnings, which should enable the bank to absorb periodical cyclicality in individual business lines. Negative ratings pressure could arise from greater-than-expected earnings volatility or evidence of an increase in risk appetite, for example in Barclays Capital.

Profile

- Barclays is one of the world's largest banks. In the UK it offers a full range of financial services to retail, SME and corporate wholesale customers. Internationally, it has mainly retail and commercial operations in Europe and Africa. Through Barclays Capital and Barclays Global Investors (BGI), Barclays services large corporates, financial institutions and governments around the world.

10 October 2007

Profile

- **Strong UK franchise**
- **Significant growth in business outside UK, driven by the strong growth in Barclays Capital and BGI**
- **China Development Bank and Temasek introduced as strategic shareholders**

The UK is Barclays' primary presence, but it also has mainly retail, wealth management and credit card operations in Europe and Africa, including Absa Group Limited (Absa; see the credit analysis on this company, published on 12 June 2007, and available at www.fitchratings.com), and provides a broad range of commercial and investment banking services to large multi-nationals through Barclays Capital. Barclays is arranged along six business lines.

UK Banking: The division comprises UK Retail Banking and UK Business Banking. The former provides current account, mortgage, savings and general insurance products to retail customers in the UK, banking services to small businesses, and banking, investment and advisory services to affluent customers (UK Premier). Woolwich was acquired in 2000 and significantly strengthened Barclays' position in the UK mortgage market (its market share of stock fell until H107 and is about 6%). UK Business Banking provides banking services to larger and medium-sized businesses in the UK. Woolwich UK high street branches have recently been rebranded as Barclays as part of an initiative to revitalise the UK retail bank and improve the performance of this division against peers.

Barclays Wealth provides private and offshore banking, stockbroking and asset management services, mainly in the UK and continental Europe. It also includes Barclays' closed life assurance activities. Barclays acts as a distributor of other manufacturers' life assurance products. It has GBP127bn of customer deposits and assets under management.

International Retail and Commercial Banking (IRCB) provides a range of retail and corporate banking services to customers in Spain (including through Barclays' Banco Zaragozano subsidiary), Portugal, France, Italy, Africa and the Middle East. The division includes Absa, in which Barclays acquired a 57% stake in H205. Absa owns Absa Bank Limited, one of South Africa's leading retail banks. Absa had consolidated assets of GBP33bn at end-June 2007, compared with GBP42bn for the rest of the division.

Barclays Capital contains the group's investment banking business and manages the group's largest corporate, institutional and government relationships, with more complex financing and risk management requirements. Operations are split between three areas: Global Markets, which incorporates interest rates, fixed-income, FX, commodities, inflation and equity-related activities; Credit Markets, including investment banking, debt capital markets, structuring and securitisation, loans, leasing and credit trading; and Private Equity. Barclays Capital has grown exceptionally in the last decade, with income increasing more than 4.5x during 1999-2006. This growth has come with an expanding product offering (eg ABS/MBS, structured equities, commodities and credit derivatives) and geographical reach (particularly in the US). Barclays Capital is not very active in cash equities or M&A.

Barclaycard is the largest credit card company in the UK and Europe, with more than 9.6 million customers in the UK at end-June 2007, a decline from previously stated figures due to the closure of inactive accounts. There are also 7.6 million cards in issue internationally. Since 2004 Barclaycard has also included Barclays' non-card consumer lending operations.

BGI is one of the world's largest institutional asset managers. Assets under management (AuM) increased to GBP1.0trn in H107, reflecting a combination of new funds and positive market movements. In US dollar terms, AuM have increased almost 2.5x since 2002. At end-June 2007, 59% of AuM were low-margin indexed assets, 23% were in actively managed assets and 18% were in iShares/exchange traded funds.

Strategy: In March 2007 Barclays announced a bid to acquire ABN AMRO, which would have added significant scale to Barclays' activities, and further diversified its income base within Europe and some emerging markets. The integration of such a large bank would have resulted in significant operational risk, however. Barclays' largely share-based bid sparked the largely cash-based counter-offer by the Royal Bank of Scotland-led consortium including Banco Santander and Fortis. In October 2007 Barclays announced that the acceptance conditions relating to its offer would not be fulfilled and the offer therefore lapsed.

In July 2007 Barclays announced the investment of up to GBP9.0bn by China Development Bank (rated 'A'/Positive), one of the three state-owned policy banks in China, and Temasek Holdings (Private) Limited (Temasek), the investment arm of the Singapore government. The immediate impact of this was to enable Barclays to introduce a significant cash component into its offer for ABN AMRO.

Although the bid ultimately failed, Fitch views the co-operation with China Development Bank positively from a business generation perspective. Barclays has not announced the expected benefits of increased co-operation, although the main one is likely to be the cross-referral of clients. China Development Bank will also use BGI as one of its preferred asset managers.

Performance

- **Performance in 2006 and H107 led by the rapid growth of Barclays Capital**
- **Slowdown in capital markets activity to have impact in H207, but limited direct losses on investments expected**
- **Increasingly diversified earnings**

Barclays performed well in H107 and 2006, increasing pre-tax earnings by 12% in H107 (compared with H106) and achieving operating ROAE of 28%, which compares well with that of its large European peers. In 2006, all business lines except Barclaycard performed well, with Barclays Capital again showing strong growth. The turbulence in the credit markets at the start of H207 will undoubtedly affect Barclays' profits, through some losses on its investment and liquidity portfolios and lower deal volume. BGI may also be affected by poorer performance fees, although a fair proportion of these are calculated on relative rather than absolute measures. However, exposure to US sub-prime debt, either through direct lending or holding US sub-prime-backed securities, is limited. Bob Diamond, Barclays' President and head of Barclays Capital, stated publicly that Barclays Capital traded profitably during both July and August 2007.

Reported earnings have become increasingly diversified by division and geography, and in 2006 the strategic aim of generating 50% of net income outside the UK was achieved (from 25% in 2004). This has been influenced by extremely strong performance by Barclays Capital in particular, and also BGI. Even removing what might be seen as extraordinary or volatile profit, Barclays as a whole has become more diversified.

UK Retail Banking: The senior management of this division has substantially changed since 2005 to address its underperformance against management expectations and peers. The key to improving performance here is increasing the level of cross-selling of products, and Barclays has invested in a new operating platform to better identify potential products for customers, and changing the incentive structure for front-line staff. Barclays has also targeted key areas where it wanted to increase market share; in 2006 its new mortgage lending market share was 6%.

Pre-tax profits rose in H107 by 9% compared with H106, largely driven by increased volumes while maintaining impairment charges at a similar nominal level, although this followed an increase in loan impairments in 2006, primarily from small businesses. The UK economy remains strong and unemployment low, although higher interest rates combined with historically high personal debt could mean that impairment charges will rise in the medium term. Costs have been a focus, and the cost/income ratio improved to 56% in H107, although H107 benefited from gains from the sale and leaseback of properties of GBP113m (2006: GBP116m).

Table 1: Divisional Profitability

(GBPm)	H107	% PBT[a]	2006	2005
UK Banking	1,363	*31.6*	2,546	2,236
UK Retail Banking	651	*15.1*	1,181	1,076
UK Business Banking	712	*16.5*	1,365	1,160
Barclays Wealth	173	*4.0*	245	164
IRCB	452	*10.5*	1,216	593
IRCB - ex Absa	142	*3.3*	518	295
IRCB - Absa	310	*7.2*	698	298
Barclays Capital	1,660	*38.5*	2,216	1,431
Barclaycard	272	*6.3*	458	639
BGI	388	*9.0*	714	540
Head Office	(207)	n.a.	(259)	(323)
Profit Before Tax	4,101	100	7,136	5,280

[a] Excludes Head Office and Other
PBT – Profit before tax
Source: Barclays

In July 2007 the Office for Fair Trading (OFT) announced it was to launch a test case in the High Court against the UK's leading banks and banking groups regarding the application of the law on unauthorised overdraft fees. Barclays is a party to this test case. This is another example, along with the introduction of payment protection insurance, credit card fees and OFT's broader current account study, of the increasing regulatory and legislative scrutiny to which the UK banks have become subject. Should there be a judgement against the banks, the scale of financial redress is difficult to predict, but could prove material.

UK Business Banking has been performing well and earnings growth was again good, up 9% in H107 and 18% in 2006. H107 revenue increased by 8% across all revenue lines, driven by strong balance sheet growth. Loan impairment charges increased by 23% in H107, after 42% in 2006, though from an unsustainably low level.

Barclays Capital again experienced extremely strong growth in profit before tax in H107 (33% on

H106) and 2006 (55% on 2005) due to the growth in risk tendencies of broadly similar levels (see "*Risk Management*" below). This has been supported by strong market conditions in many of its areas of operation, although the number of businesses in which Barclays Capital is active has increased fairly substantially in recent years. There is still a bias toward the credit market, but this business area accounted for a lower 28% of H107 revenue. Interest-rate products represented 18% of 2006 revenue and equity-related products 17%. Barclays Capital revenue will be sensitive to market sentiment, although increased diversification in revenue streams does add some comfort.

To be expected for an investment bank, costs relative to income are quite high at Barclays Capital, at 64% for 2006. Within this, there is a fair amount of discretionary costs with performance-related pay representing 41% of total costs and investment in the business a further 5%.

Barclaycard suffered in 2006 from increased loan impairment charges (GBP1.1bn), which led to a 28% fall in profit before tax. Changes in the credit-granting processes were made in H205, although loan impairments remained high in H107 at GBP443m. Barclays states that new flow of impairments is significantly reduced.

On a pre-provisioning level, improvements were seen in 2006, with income increasing by 9%, although this dropped to 2% in H107. Tighter lending criteria have led to a drop in UK customers to 9.6 million at end-June 2007 from 11.2 million at end-June 2006 and in outstanding balances to GBP8.5bn from GBP9.6bn. Pre-provisioning income is likely to suffer as a result.

IRCB: Income was higher in H107 and 2006 compared with 2005, partly reflecting the consolidation of Absa's earnings for only five months in that year. Excluding Absa and other one-offs of GBP76m (gains from sale and leaseback and profit from stake in FirstCaribbean International Bank, now sold), net income rose 19% in 2006. Excluding Absa, most of this division's income comes from Western Europe. Absa's results for H107 suffered from a 20% depreciation of the South African rand, and therefore profit declined. In rand terms, net income rose by 32%.

BGI's profitability has again grown strongly, profit before tax rising 7% in H107 compared with H106. AuM grew 14% in H107, with iShares growth strong at 44% to account for 18% of total AuM. AuM grew by GBP76bn in H107 (of which GBP25bn was new inflows) compared with GBP46bn in 2006 (GBP37bn of new inflows). The fall in the value of the credit markets may affect BGI's AuM, although a fair proportion of performance fees is assessed in relative rather than absolute terms.

Barclays Wealth represents a relatively low contributor to net income, although this is growing. Barclays is one of the largest five wealth providers in the UK, and in a fragmented market intends to grow rapidly, as demonstrated by its recruitment of a number of experienced personnel. Barclays' strong position in the UK market provides ongoing deal flow, and the expertise within BGI and Barclays Capital should enable strong product development. Total customer funds increased 20% to GBP126.8bn in H107.

Prospects: Barclays' business has become increasingly diversified by business line and geography. Fitch views this positively, as it should enable the group to continue to report solid earnings through many business-specific cycles. Barclays has benefited from strong operating conditions in many of its core markets, in particular for Barclays Capital, and growth and profitability rates are unlikely to continue at recent rates. Barclays is likely to be affected by the volatility in the credit markets, particularly through lower deal volume, although the increased diversification in Barclays Capital should partly mitigate this. Despite the growing level of non-UK earnings, the main threat to Barclays' earnings remains a sharp sustained economic downturn in the UK. This appears unlikely in the medium term.

Risk Management

- **Credit the main risk**
- **Sophisticated risk management systems**

Through the board risk committee, the board sets risk management standards and approves the group risk governance framework and appetite. Three further committees report to the executive committee: the risk oversight committee (ROC), which ensures consistency with group risk appetite, debates and agrees actions on risk profile and controls and considers issues escalated by sub-committees; the group treasury committee, responsible for monitoring and controlling the group's liquidity, maturity mismatch, regulatory and economic capital usage and interest rate exposure; and the governance and control committee, which maintains and reviews the effectiveness of group risk management procedures. Independent assurance is provided by internal audit.

The group uses a sophisticated credit risk measurement system called risk tendency, which combines probability of default (PD; expressed through an internal credit rating), exposure at default

(EAD) and loss given default (LGD) to model the loss for the performing loan portfolio for the forthcoming months (risk tendency is PD x EAD x LGD). Risk tendency is used for risk-sensitive pricing, performance measurement and risk transfer. Barclaycard has the highest risk tendency by a substantial margin (GBP1.4bn in 2006) out of group risk tendency of GBP2.3bn, which increased from GBP1.8bn in 2005.

Market risk is mostly concentrated at Barclays Capital and has historically been tightly controlled. The ROC allocates a daily value-at-risk (DVaR) limit for group trading activities and delegates day-to-day control to the group market risk director, who sets limits for each trading area. DVaR is calculated using a historical simulation model to a 98% confidence level, with a one-day holding period and a two-year observation period. The effectiveness of the group's DVaR systems is assessed by back-testing, including to a 99% confidence level, one-day holding period. In 2006 and 2005 there were no instances of a daily trading revenue loss exceeding the corresponding back-testing DVaR. The group also conducts regular stress testing and scenario simulations.

Barclays has been making good progress toward preparation for Basel II, and intends to adopt the more sophisticated approaches for credit and operational risk from 1 January 2008. The bank made its ICAAP submission to the UK Financial Service Authority during 2007 and is awaiting regulatory feedback. Fitch considers Barclays' preparations more advanced than those of most of its peers.

Credit Risk: Barclays' gross customer loan book grew by 14% in H107 after 5% in 2006. Growth was across all geographies and customers, although it was noticeably greater outside the UK at 22% for H107. At end-June 2007, lending in the UK accounted for 57% of the loan book, followed by other EU countries (16%), the US (10%), Africa (11%) and the rest of the world (6%). Home loans, about two-thirds of which were in the UK, and the remainder, predominantly Spain and Absa, accounted for 32% of the book. Other personal lending accounted for a further 9.8%. Wholesale lending is well diversified by sector. Barclays Capital has reduced its loan assets significantly in recent years through a combination of credit derivatives and syndications, activity levels in the former having increased markedly.

Barclays is an active player in the European LBO market: the strategy is to originate and then very substantially sell down. However, it will not originate deals it would be unwilling to hold on its own balance sheet. With the turmoil in the credit markets in early H207, Barclays was left with a significant number of LBOs it was unable to syndicate. However, these are of good quality and there have been no credit losses on this book to date.

LTVs in Barclays' residential mortgage book are at historical lows – only 5% of the book has an LTV of more than 90% at end-2006, a slight increase from 4% at end-2005. The average marked-to-market LTV of the book was 34%. A sharp correction in house prices (of which there is no sign in the UK at present) would probably reverse the recent trend of stable LTVs, but would not, in itself, necessarily result in a material level of mortgage-related impairment losses.

Trading portfolio assets (GBP218bn at end-June 2007) and liabilities (GBP79bn) are marked to market through the income statement, while AFS assets (GBP48bn) are marked to market through equity. Trading book assets and liabilities are mainly government and corporate bonds and customer deposits. Equities of GBP32bn long (at end-2006) and GBP13bn short are mainly listed and are held for hedging derivative and other exposures. This is reflected in the fact that equity DVaR peaked at GBP15.3m in H107 and GBP11.6m in 2006, although this is an increase from the 2005 high of GBP8.3m.

Asset Quality: Barclays defines impaired loans as those that are non-performing; they generally have an impairment provision raised against them. NPLs include impaired loans and others that are 90 days or more overdue. Barclays also discloses potential problem loans.

NPLs grew by 5.2% to GBP5.4bn at end-June 2007 following a decline of 2.3% in 2006, and the NPL/gross loans declined marginally to 1.6% from 1.8% at end-2006 and 1.7% at end-2005. Loan impairment coverage of NPLs was 61% at end-June 2007. This seems reasonable given the collateral covering the loan book. New NPLs have originated from most areas, although there is a bias toward the UK, and particularly Barclaycard, which has accounted for about 70% of impairment charges in 2006, 2005 and 2004.

Market Risk: Trading activity is concentrated in Barclays Capital, and includes client-driven and proprietary position-taking transactions. Table 2 shows the DVaR positions taken during 2006. Average DVaR was higher than in 2005 (GBP32.0m) and the highest exposure also increased (2005: GBP40.7m).

There are clear limitations in using a VaR methodology for assessing market risk, and the stated figures are likely to underestimate the level of risk run given benign markets in 2006 and 2005. Nevertheless, the VaR amounts are low.

Barclays Capital's average daily revenue was GBP22.0m (2005: GBP16.3m), and 96% of trading days were revenue positive. Trading losses never exceeded back-testing DVaR (to a 99% confidence level, one-day holding period).

Table 2: DVaR

2006	Average (GBPm)	High (GBPm)	Low (GBPm)
Interest Rate Risk	20.1	28.8	12.3
Credit Spread Risk	24.3	33.1	17.9
Commodities Risk	11.3	21.6	5.7
Equities Risk	7.8	11.6	5.8
FX Risk	4.0	7.7	1.8
Diversification effect	(30.4)	n.a.	n.a.
Total	**37.1**	**43.2**	**31.3**

n.a. – Not available
Source: Barclays

Interest-rate mismatches are managed through a system of limits and through the use of interest-rate swaps and other derivatives. The group's policy is to finance overseas investments denominated in currencies other than UK pounds so as to limit the effect of FX movements on the group's risk asset ratios. The group has hedged the FX risk on the pound value of the Absa investment.

Liquidity Risk: As a retail bank, although a significant element of the group's liabilities are non-contractual obligations and therefore its liquidity position is potentially difficult to predict, Barclays benefits from the size and diversity of its funding base. Barclays Capital monitors its cash flow mismatch position, and has a broad range of funding tools available. The group maintains a substantial portfolio of unencumbered, liquid assets to cover potential funding shortfalls.

As part of its investment banking business, Barclays Capital has structured a number of special investment vehicles (SIVs). In the recent market conditions, a number of these SIVs have experienced difficulty in refinancing their predominantly short-term funding. Barclays has some exposure to the senior tranches of these SIVs, which are backed by collateral. There is no commitment to provide substantial liquidity to SIVs and total exposure is not material to Barclays' liquidity. However, the bank may suffer some reputational damage from the failure of structures it helped create.

Barclays also provides liquidity lines to its own ABCP conduits, although these are nearly all 'AAA' rated, with minimal exposure to mortgage-backed securities. Total exposure is reasonable relative to Barclays' balance sheet, and there is no exposure to third-party conduits.

Operational Risk: Non-financial risks (ie operational risk and business risk) are an area of increasing focus for Barclays and are managed by business and functional heads within a framework approved by the board. Barclays' operational risk management has historically concentrated on qualitative factors (ie risk identification and control), but is now building its quantitative analysis in preparation for adopting the advanced measurement approach under Basel II.

Barclays is a defendant in a number of proceedings in the US relating to the collapse of Enron, including the class action, but it is not possible to quantify a potential loss in relation to these matters at this stage.

Funding and Capital

- **Large and stable funding base**
- **Liquidity is a strength**
- **Adequately capitalised**
- **Strong internal capital generation**

Barclays benefits from a large and stable source of customer deposits (GBP292bn; 26% of non-equity liabilities at end-June 2007). Other funding sources include interbank (GBP87bn) and repurchase agreement funds (GBP181bn) and debt securities (GBP119bn). Barclays has increasingly been securitising its credit card, mortgage and commercial loan receivables (GBP24bn of the above debt securities).

Capital: Barclays' Tier 1 capital ratio was 7.7% at end-June 2007. This has been supported by the issuance of hybrid securities, and the "equity Tier 1" ratio was 5.3%. Basel II is unlikely to change the level of risk-weighted assets significantly.

Balance Sheet Analysis
BARCLAYS PLC

	30 Jun 2007				31 Dec 2006		31 Dec 2005	
	6 Months - Interim USDm Original	6 Months - Interim GBPm Original	As % of Assets Original	Average GBPm Original	Year End GBPm Original	As % of Assets Original	Year End GBPm Original	As % of Assets Original
A. LOANS								
1 Private	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
2 Corporate	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
3 Government	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
4 Other	650,621.5	324,517.0	28.02	305,074.0	285,631.0	28.66	272,342.0	29.46
5. Loan Impairment	6,564.0	3,274.0	0.28	3,302.5	3,331.0	0.33	3,446.0	0.37
6 Loan Impairment (memo)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
7 Less, Loans from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
TOTAL A	**644,057.5**	**321,243.0**	**27.73**	**301,771.5**	**282,300.0**	**28.32**	**268,896.0**	**29.09**
B. OTHER EARNING ASSETS								
1. Loans and Advances to Banks	468,617.4	233,737.0	20.18	220,580.5	207,424.0	20.81	193,404.0	20.92
2 Government Securities	6,790.6	3,387.0	0.29	30,299.0	57,211.0	5.74	59,509.0	6.44
3 Trading Assets	436,210.4	217,573.0	18.78	170,324.5	123,076.0	12.35	98,437.0	10.65
4. Derivatives	349,302.3	174,225.0	15.04	156,289.0	138,353.0	13.88	136,823.0	14.80
5 Other Securities and Investments	178,226.9	88,896.0	7.67	84,303.5	79,711.0	8.00	62,928.0	6.81
6 Equity Investments	3,769.2	1,880.0	0.16	1,739.5	1,599.0	0.16	1,796.0	0.19
7 Insurance	184,839.0	92,194.0	7.96	87,496.0	82,798.0	8.31	83,193.0	9.00
TOTAL B	**1,627,755.7**	**811,892.0**	**70.10**	**751,032.0**	**690,172.0**	**69.24**	**636,090.0**	**68.81**
C. TOTAL EARNING ASSETS (A+B)	**2,271,813.2**	**1,133,135.0**	**97.83**	**1,052,803.5**	**972,472.0**	**97.56**	**904,986.0**	**97.90**
D. TANGIBLE FIXED ASSETS	**5,088.4**	**2,538.0**	**0.22**	**2,515.0**	**2,492.0**	**0.25**	**2,754.0**	**0.30**
E. NON-EARNING ASSETS								
1 Cash and Due from Banks	14,671.8	7,318.0	0.63	7,331.5	7,345.0	0.74	3,906.0	0.42
2 Other	30,616.7	15,271.0	1.32	14,874.5	14,478.0	1.45	12,711.0	1.38
F. TOTAL ASSETS	**2,322,190.1**	**1,158,262.0**	**100.00**	**1,077,524.5**	**996,787.0**	**100.00**	**924,357.0**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING								
1 Due to Customers - Current	586,318.6	292,444.0	25.25	213,390.5	134,337.0	13.48	128,429.0	13.89
2 Due to Customers - Savings	n.a.	n.a.	-	n.a.	65,786.0	6.60	60,945.0	6.59
3 Due to Customers - Term	n.a.	n.a.	-	n.a.	113,754.0	11.41	103,549.0	11.20
4 Deposits with Banks	542,780.4	270,728.0	23.37	216,172.0	161,616.0	16.21	144,407.0	15.62
5. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
TOTAL G	**1,129,099.0**	**563,172.0**	**48.62**	**519,332.5**	**475,493.0**	**47.70**	**437,330.0**	**47.31**
H. OTHER LIABILITIES								
1. Derivatives	356,417.7	177,774.0	15.35	159,235.5	140,697.0	14.12	137,971.0	14.93
2 Trading Liabilities	158,891.7	79,252.0	6.84	75,563.0	71,874.0	7.21	71,564.0	7.74
3. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
4 Insurance	195,487.0	97,505.0	8.42	93,010.0	88,515.0	8.88	88,968.0	9.62
TOTAL H	**710,796.3**	**354,531.0**	**30.61**	**327,808.5**	**301,088.0**	**30.21**	**298,503.0**	**32.29**
I. OTHER FUNDING								
1 Long-term Borrowing	365,361.5	182,235.0	15.73	173,679.5	165,124.0	16.57	136,713.0	14.79
2 Subordinated Debt	30,207.7	15,067.0	1.30	14,426.5	13,786.0	1.38	12,463.0	1.35
3 Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
TOTAL I	**395,569.2**	**197,302.0**	**17.03**	**188,106.0**	**178,910.0**	**17.95**	**149,176.0**	**16.14**
J. NON-INTEREST BEARING	**29,143.1**	**14,536.0**	**1.25**	**14,107.0**	**13,678.0**	**1.37**	**14,988.0**	**1.62**
K. HYBRID CAPITAL								
1 Hybrid capital accounted for as equity	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
2 Hybrid Capital accounted for as debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
L. TOTAL LIABILITIES	**2,264,607.6**	**1,129,541.0**	**97.52**	**1,049,354.0**	**969,167.0**	**97.23**	**899,997.0**	**97.36**
M. EQUITY								
1. Common Equity	42,048.6	20,973.0	1.81	20,654.0	20,335.0	2.04	16,975.0	1.84
2 Minority Interest	15,533.9	7,748.0	0.67	7,669.5	7,591.0	0.76	7,004.0	0.76
3 Revaluation Reserves	0.0	0.0	0.00	-153.0	-306.0	-0.03	381.0	0.04
TOTAL M	**57,582.5**	**28,721.0**	**2.48**	**28,170.5**	**27,620.0**	**2.77**	**24,360.0**	**2.64**
MEMO: CORE CAPITAL	**42,728.3**	**21,312.0**	**1.84**	**21,191.0**	**21,070.0**	**2.11**	**17,271.0**	**1.87**
MEMO: ELIGIBLE CAPITAL	**n.a.**	**n.a.**	**-**	**n.a.**	**n.a.**	**-**	**n.a.**	**-**
N. TOTAL LIABILITIES & EQUITY	**2,322,190.1**	**1,158,262.0**	**100.00**	**1,077,524.5**	**996,787.0**	**100.00**	**924,357.0**	**100.00**
Exchange Rate		USD1 = GBP 0.4988			USD1 = GBP 0.5094		USD1 = GBP 0.5808	

Income Statement Analysis
BARCLAYS PLC

	30 Jun 2007		31 Dec 2006		31 Dec 2005	
	Income Expenses GBPm Original	As % of Total AV Earning Assts Original	Income Expenses GBPm Original	As % of Total AV Earning Assts Original	Income Expenses GBPm Original	As % of Total AV Earning Assts Original
1 Interest Income	12,055.0	2.29	21,820.0	2.32	17,254.0	2.42
2 Interest Expense	7,448.0	1.41	12,662.0	1.35	9,157.0	1.28
3. NET INTEREST REVENUE	**4,607.0**	**0.88**	**9,158.0**	**0.98**	**8,097.0**	**1.14**
4 Net Fees & Commissions	3,812.0	0.72	7,177.0	0.76	5,705.0	0.80
5 Net Insurance Revenue	194.0	0.04	485.0	0.05	227.0	0.03
6 Other Operating Income	3,289.0	0.62	4,821.0	0.51	3,349.0	0.47
7 Personnel Expenses	4,581.0	0.87	8,169.0	0.87	6,318.0	0.89
8 Other Operating Expenses	2,411.0	0.46	4,916.0	0.52	4,200.0	0.59
9. PRE-IMPAIRMENT OPERATING PROFIT	**4,910.0**	**0.93**	**8,556.0**	**0.91**	**6,860.0**	**0.96**
10 Loan Impairment Charge	959.0	0.18	2,074.0	0.22	1,574.0	0.22
11 Other Credit Impairment and Provisions	n.a.	-	n.a.	-	n.a.	-
12. OPERATING PROFIT	**3,951.0**	**0.75**	**6,482.0**	**0.69**	**5,286.0**	**0.74**
13. Other Income and Expenses	150.0	0.03	654.0	0.07	-6.0	0.00
14. PUBLISHED PRE-TAX PROFIT	**4,101.0**	**0.78**	**7,136.0**	**0.76**	**5,280.0**	**0.74**
15. Taxes	1,158.0	0.22	1,941.0	0.21	1,439.0	0.20
16 Profit/(Loss) from Discontinued Operations	n.a.	-	n.a.	-	n.a.	-
17 Change in Value of AFS investments	n.a.	-	-93.0	-0.01	-89.0	-0.01
18 Currency Translation Differences	n.a.	-	-594.0	-0.06	214.0	0.03
19 Other Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-	n.a.	-
20. FITCH COMPREHENSIVE INCOME	**n.a.**	**-**	**4,508.0**	**0.48**	**3,966.0**	**0.56**
21. Total Gains/(Losses) not in Published Net Income	n.a.	-	-687.0	-0.07	125.0	0.02
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	**2,943.0**	**0.56**	**5,195.0**	**0.55**	**3,841.0**	**0.54**

Ratio Analysis
BARCLAYS PLC

		30 Jun 2007 6 Months - Interim GBPm Original	31 Dec 2006 Year End GBPm Original	31 Dec 2005 Year End GBPm Original
I. PERFORMANCE				
1 Net Interest Margin	%	0.88	0.98	1.14
2 Loan Yield	%	n.a.	5.52	4.54
3 Cost of Funds	%	2.11	2.04	1.82
4 Costs/Average Assets	%	1.30	1.36	1.44
5 Costs/Income	%	58.75	60.59	60.68
6 Pre-Impairment Operating ROAA	%	0.91	0.89	0.94
7 Operating ROAA	%	0.73	0.67	0.72
8 Pre-impairment Operating ROAE	%	34.86	32.92	33.62
9 Operating ROAE	%	28.05	24.94	25.91
II. CAPITAL ADEQUACY				
1 Internal Capital Generation	%	-2.59	9.76	11.17
2 Core Capital/Total Assets	%	1.85	2.13	1.88
3 Eligible Capital/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.
4 Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	n.a.	-0.10	0.14
5 Tier 1 Regulatory Capital Ratio	%	7.70	7.70	7.00
6 Total Regulatory Capital Ratio	%	11.80	11.70	11.30
7 Free Capital/Equity	%	76.54	80.37	75.70
III. LIQUIDITY (year end)				
1 Liquid Assets/Deposits & Money Mkt Funding	%	8.35	38.01	39.22
2 Loans/Deposits	%	109.85	89.94	91.80
IV. ASSET QUALITY				
1 Loan Impairment Charge/Gross Loans (av.)	%	0.63	0.74	0.59
2 Total Credit Impairment/Pre-impairment Operating Profit	%	19.53	24.24	22.94
3 Loan Impairment/Gross Impaired Loans	%	69.76	74.95	75.74
4 Individual Loan Impairment/Gross Impaired Loans	%	n.a.	n.a.	n.a.
5 Impaired Loans Gross / Loans Gross	%	1.45	1.56	1.67
6 Impaired Loans Net/Eligible Capital	%	n.a.	n.a.	n.a.
7 Net Charge-offs/Gross Loans (av.)	%	n.a.	n.a.	n.a.

From: Doyle, Richard N (IBK EMEA)
Sent: Tuesday, November 27, 2007 10:49 AM
To: Tempelman, Marc (FIG-CM&F-Americas); Tempelman, Marc (FIG-CM&F-Americas)
Cc: Pass, Matthew (IBK EMEA); Grennon, Lisa (GMI - NY Syndicate); Roman, Julien (IBK EMEA); Palmer, Robin (IBK EMEA); Pass, Matthew (IBK EMEA); Grennon, Lisa (GMI - NY Syndicate); Roman, Julien (IBK EMEA); Palmer, Robin (IBK EMEA)
Subject: FW: Project Sycamore Due Diligence - ML attendees

Marc -

To your question earlier, Julien, Robin and I were on the Business Due Diligence which dealt with the current status at Barclays.

There was a "trading" announcement published by Barclays today and one specifically devoted to BarCap on Nov 15th. The spokesmen today responded to the questions and was able to refer to the detail contained in those documents. I was on the PwC due diligence call on accounting.

Both Business and Accounting questionnaires as well as Barclays' announcements are attached for your reference. Also attached is the BarCap presentation by the President Bob Diamond made in September at the Lehman Bros conference - the latter was not referred to but makes good supplemental reading.

RD

-----Original Message-----
From: Ciobanu, Bogdan [mailto:bogdan.ciobanu@citi.com]
Sent: Monday, November 26, 2007 10:27 PM
To: jonathan.stone@barclaysgt.com; Ross Aucutt; Nick Lambert; Keith.Harding@barclaysgt.com; Leigh.Meyer@barclaysgt.com; Omar.Ahmed@barclaysgt.com; todd.foreman@barclays.com; james.booth@barclays.com; victoria.hardy@barclays.com; kathryn.mcleland@barcap.com; yenal.ghori@barcap.com; tanja.gihr@barcap.com; simon.croxford@barcap.com; belinda.vickery@barcap.com; richard.d.johnson@barcap.com; mark.bamford@barcap.com; anne.daley@barcap.com; maureen.o'connor@barcap.com; bret.ganis@barcap.com; richard.smith3@barcap.com; Aherne, Peter O ; Greve, Leo-Hendrik ; Mason, Peter James ; Drumm, Laura ; White, Christopher K ; Deese, Derrick ; Dickey, John W ; Mcgeary, Simon ; Letina, Anastasia ; Stephenson, Laura ; Williams, Christopher G ; Walker, David ; Harjani, Chandru ; Mcspadden, Jack D ; gary.abrahams@ubs.com; ron.yanagi@ubs.com; sophia.vonta@ubs.com; andrew.templeton@ubs.com; glenn.goggins@ubs.com; monica.meo@ubs.com; michael.altschuler@ubs.com; bryant.h.owens@wachovia.com; stuart.aylward@wachovia.com; faye.thorogood@wachovia.com; edward.boulderstone@wachovia.com; matt.raymon@wachovia.com; carolyn.coan@wachovia.com; laurie.watts@wachovia.com; dominic.trusted@morganstanley.com; abrielle.munzer@morganstanley.com; mike.borut@morganstanley.com; barbara.alexander@morganstanley.com; Tempelman, Marc (FIG-CM&F-Americas); Wilson, Eric (FIG-CM&F-Americas); MacDonald, Christine (FIG-CM&F-Americas) ; Grennon, Lisa (GMI - NY Syndicate); Doyle, Richard N (IBK EMEA); Lim, Karyn (OGC); Simon.Sinclair@CliffordChance.com; anna.gordon-smith@CliffordChance.com; oConnorJ@sullcrom.com; bananid@sullcrom.com; chris.h.taylor@uk.pwc.com; chai.h.ng@uk.pwc.com; paul.macintosh@uk.pwc.com; yu-liang.ooi@uk.pwc.com; drew.haigh@uk.pwc.com; mwalsh@sidley.com; cchapman@sidley.com; jrussell@sidley.com; dhowe@sidley.com; michael.brady@weil.com; Martin.Sandgren@weil.com; james.cousins@weil.com
Subject: Project Sycamore Due Diligence - Tuesday 12:00 PM (UK) / 7:00 AM (NY)

Project Sycamore Team:

Attached please find the due diligence questionnaires and dial-in information for Tuesday's 12:00 PM (UK) / 7:00 AM (NY) due diligence call. Please note that there will be other parties on the conference call that are not aware of Project Sycamore, therefore please do not make any comments that relate directly to Project Sycamore/Retail Preferred transaction.

<u>Dial-in Information</u>
Time: 11/27/2007; **12:00 PM** (UK) / **7:00 AM** (NY)
Dial-in: +1 (888) 211-0187 (US Toll free) / **+1 (719) 785-9437** (International)
Pass-code: 563400#

Please forward the attached lists to other parties that were not included in the current distribution. Thank you.

Regards,
Bogdan Ciobanu
Transaction Execution Group

Bogdan Ciobanu
Citi Markets and Banking
388 Greenwich St. | 34 Fl. | NY 10013
T: +1.212.816.9429 | F: +1.646.291.3712
M: +1.917.292.1184

Accounting Due Diligence – November 2007

Please note that, as used below, when we refer to the "Group", we mean the Bank and all its subsidiaries. When we refer to an "officer", we mean any member of the administrative, supervisory or management bodies of, as well as any other person who exercises management control over, the Bank or any subsidiary.

BACKGROUND AND RELATIONSHIP WITH THE GROUP

1. How long have you been the auditors of the Group and how long has the current audit team worked with the Group. Describe how any transition of audit team members is handled.

2. Outline the scope of review of the most recent audits and the frequency of meetings with the Bank and its subsidiaries (including officers, the audit committee (or persons serving an equivalent function) and the Board). Are there any material subsidiaries within the Group that you do not audit?

3. Does any management personnel of PricewaterhouseCoopers LLP have any prior relationship with the Bank or any of its affiliates or vice versa? Does PwC perform any non-audit services for the Bank? Has any internal audit work been outsourced to by the Company to PwC?

ACCOUNTING POLICIES AND STANDARDS AND INTERNAL CONTROLS

4. Comment on the adequacy of the accounting policies and standards, internal controls and procedures and management reporting of the Group, including any major problems identified. Please discuss the identification of the Group's critical accounting policies. Please comment on the Group's anti-money laundering procedures.

5. Compare the reporting policies and accounting principles employed by the Group with those generally utilized in the banking industry.

6. Please discuss any areas that you feel can be improved in the Group's internal accounting systems or with respect to internal controls and procedures, any proposals you have made to make such improvements and the management's response to such proposals and any weaknesses that you feel are not being given adequate management attention.

7. Please comment on the effectiveness of management's controls within the meaning of Section 404 of the Sarbanes-Oxley Act. That section requires issuers to include an internal control report in their annual reports which shall state the responsibility of management for establishing and maintaining adequate internal controls, as well as management's assessment of the effectiveness of those controls and an attestation report from a registered public accounting firm as to management's evaluation.

IMPLEMENTATION OF IFRS

8. Please comment on the success of the implementation of IFRS. From your perspective, did the Bank encounter any material difficulties in implementing the necessary changes?

9. Has the implementation of IFRS materially impacted the US GAAP reconciliation process? Please comment generally on the US GAAP reconciliation process and the effect of the recent SEC announcement concerning US GAAP reconciliation.

FINANCIAL STATEMENTS

10. Describe any current or past material disagreements between the Company's auditor and the Group relating to the financial statements or accounting policies of the Group, and describe how they were resolved.

11. List any areas identified as requiring particular attention and audit issues discussed with management.

12. Discuss the amount and adequacy of the Group's reserves for litigation (including any tax disputes) and other contingent liabilities.

13. Describe any significant post-half year end June 30, 2007 events which have or are likely to occur relating to the Group.

14. Please discuss any material developments arising out of the June 19, 2007 restatement reflecting the impact of the changes in group structure on the 2005 and 2006 results.

15. Please describe PwC's involvement in the preparation of the Barclays Capital trading statement of November 15, 2007. Can you describe the methodology used in determining the amounts of the write downs (including any netting) and whether it is in accordance with IFRS and US GAAP (to the extent applicable). Have any additional write downs been taken or contemplated since the end of October?

16. Please describe PwC's involvement in the preparation of the Group Q3 trading statement published on November 27, 2007.

17. Are there any significant issues which you have brought to the attention of the Audit Committee or the Board of Directors (since our last call on August 31, 2007)?

18. Describe anything which has come to the attention of PricewaterhouseCoopers LLP over the last five years or since the Bank's last financial year which materially impacts on the fairness or reliability of a previous audit report or the underlying financial information or which will affect the audit report or financial statements for the current or subsequent financial years.

Confidential

BARCLAYS BANK PLC

BUSINESS DUE DILIGENCE

November 2007

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BUSINESS DUE DILIGENCE

BUSINESS ENVIRONMENT AND STRATEGY

1. Please highlight the major areas for revenue growth and business expansion in Barclays' (the "**Bank's**") medium term strategy.

2. Is Barclays in a position to comment on the Bank's talks with potential merger or acquisition partners or potential joint ventures?

Comment on the current situation in the lapsed ABN Amro bid.

3. Has Barclays any plans for significant changes in management, operating or legal structure of the Group in addition to those already disclosed?

4. Are there any particular business areas that the Bank expects to be adversely and significantly affected by the current economic and political climate?

Discuss expected impact from the recent developments in the sub-prime and non-prime mortgage markets

5. Please discuss the Bank's experience with integration of Absa.

6. Please discuss any significant acquisitions or dispositions the Bank has made in the preceding 12 months.

7. Please discuss the Barclays Capital trading statement released on November 15, 2007. In particular, what methodology was used in determining the amounts of the write downs (including any netting)? Have any additional write downs been taken or contemplated since the end of October?

8. Has Barclays written down a greater or lesser percentage of its assets than other U.S. and European banks? Why?

9. Please discuss the Barclays Group trading statement released on November 27, 2007.

10. Are there any developments or announcements which may occur or be made in the near future, of which we should be made aware?

PROFITABILITY

11. Can Barclays comment on steps the Bank has taken to mitigate the effects of a serious economic downturn?

12. Please comment on the Bank's third quarter results by business segment with respect to:

- λ Earnings and profitability (ROAA, ROAE, NIM)
- λ Operating expenses and operating leverage
- λ Special charges if any
- λ Any trends of note observed within any business segment?

Are the results in line with internal targets/market expectations?

13. Is the Bank concerned about the sustainability of Barclays Capital's profitability, given the current interest rate outlook, European corporate deleveraging environment or a higher reliance on dealing profits?

14. Please comment on the current valuation of the pension scheme, any shortfall and the impact of the scheme on future profitability.

ASSET MIX QUALITY

15. Can the Bank comment further on the impairment charges and other provisions during the first three quarters of 2007? What is your expectation for full year 2007? Any specific trends of concern that you see developing during the remainder of 2007? Do you expect the results to be in line with internal targets/market expectations?

16. Please comment on the sectorial mix of the loan portfolio. How close is it to the optimal portfolio mix for the bank?

17. Does Barclays have any exposure concentrations that the Bank wishes to reduce, and if so what steps are being taken to achieve this? Please comment on:

- λ exposure to sub-prime and non-prime mortgage markets (e.g., EquiFirst in the U.S.)
- λ steps taken recently in light of current market conditions to mitigate such risk.

18. Does Barclays consider that the market offers adequate opportunities to enable it to actively manage its portfolio?

19. Are there any other areas that the Bank feels are likely to provide a material credit concern in the future, and if so what steps are being taken to reduce your exposure?

CAPITAL, LIQUIDITY AND FUNDING

20. Please discuss the Bank's current BIS ratios (Tier I and Total Capital).

21. Please provide an outline of the capital requirements of the Bank.

22. Barclays has been active in securitisation recently. Please outline Barclays' plans for future securitisation.

23. Please comment on Barclays' asset and liability management procedures and any significant mis-matching and management of such.

24. Please comment on recent changes if any in funding sources.

LEGAL, REGULATORY, ACCOUNTING AND RATING AGENCY ISSUES

25. Are there any material regulatory changes that the Group is experiencing difficulty implementing?

26. Are there any other actions (legal, regulatory, tax or accounting) or issues not yet discussed which could have a material impact on the Bank or Group's financial performance or condition?

27. Are you aware of any legislative or regulatory changes, planned or proposed and that are likely to be implemented, that could have a material effect on the Bank or the Group?

28. Is there any outstanding, pending or, to the knowledge of management, threatened material litigation or regulatory action involving Barclays or any of its subsidiaries or its directors or officers? If so, please provide details and the potential material impact, if any, on the Bank's financial position and ability to conduct its business. Has Barclays entered into any settlement agreement that could have a material impact on its financial condition or business?

29. Are there any outstanding material judgements, decrees or orders affecting the Group's operations?

30. Any issues we should discuss regarding Anti-Money Laundering, regulatory sanctions compliance or the Foreign Corrupt Practices Act?

31. Please provide an update regarding recent discussions with, and any reports issued by, the rating agencies with respect to Barclays (including those in connection with the Barclays Capital Trading Statement of November 15, 2007).

GENERAL

32. Please discuss any other risks or concerns to which Barclays is, or may be, exposed in the future that have not otherwise been addressed in the above questions.

33. Are there any off-balance sheet vehicles (e.g., SIVs) that the Bank is contemplating moving on to the balance sheet?

34. Please discuss whether Barclays has begun the process of complying with SFAS 157, in particular whether Barclays have identified the split between level 1, level 2 and level 3.

35. Please discuss your risk management experience in the past six months in Barclays Capital.

What improvements would you make, if any?

36. Please discuss the role of PricewaterhouseCoopers in deriving the information contained in the Barclays Capital Trading Statement of November 15, 2007.

Confidential

BARCLAYS BANK PLC

BUSINESS DUE DILIGENCE

November 2007

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BUSINESS DUE DILIGENCE

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BARCLAYS

15th November 2007

BARCLAYS PLC

OCTOBER YEAR TO DATE TRADING PERFORMANCE AT BARCLAYS CAPITAL AHEAD OF RECORD PRIOR YEAR PERIOD

"This announcement briefs stakeholders on the performance of Barclays Capital during the first ten months of the year. It continues a pattern of performance commentary that we have given during the last three months. Today's extensive disclosure demonstrates the strength and resilience of our performance during the year and in particular during the turbulent month of October."

John Varley, Group Chief Executive

Barclays today issues the following update on its capital markets trading performance and exposures:

- Net income and profit before tax for the ten months to 31st October 2007 ahead of record prior year period
- Strength and diversity of income generation enabling absorption of write downs
- Significant reduction in exposures through proactive risk management

"The diversity of our business, our strong risk management and our focus on execution and clients has allowed Barclays Capital to deliver year to date performance in 2007 ahead of last year's record October year to date profits."

Robert E Diamond Jr, President

Barclays Capital – October 2007 year to date

Barclays Capital's net income and profit before tax for the ten months ended 31st October 2007 exceeded the record net income and profits of the equivalent prior year period. Profit before tax of £1.9bn for the period was after booking credit, mortgage and leveraged finance related charges and write downs of £0.5bn net of hedging in the third quarter (reflected in our previous statements to the market); and an additional £0.8bn net charges and write downs in October. The charges and write downs are stated net of a gain of £0.2bn in each of the third quarter and October arising from the fair valuation of notes issued by Barclays Capital. The October charges and write downs reflected the impact of rating agency downgrades on a broad range of CDOs and the subsequent market downturn.

The overall performance reflected the benefit of proactive risk management throughout 2007 and Barclays Capital's diverse revenue base, with strong growth across commodity, equity, currency and interest rate products; and excellent contributions from continental Europe and Asia and good results in the UK markets.

Sub Prime ABS Positions

Barclays Capital's involvement in the US sub-prime sector comprises liquidity facilities to CDOs and other structures, now held as ABS CDO Super Senior exposure; and other exposures consisting of warehouse lines provided to third-party originators, whole loan purchases, and ABS and CDO trading positions.

ABS CDO Super Senior Exposure
Liquidity facilities to CDOs and other structures primarily held on our banking book were principally in support of CDO high grade and mezzanine structures originated by Barclays Capital. The liquidity facilities have now been drawn and Barclays Capital consequently holds ABS CDO super senior exposure. The CDO structures were originated between 2005 and the first half of 2007, with the older structures benefiting from better performing collateral. Over half of the collateral underlying these structures was 2005 or earlier vintages and more than three quarters was originated prior to the second half of 2006.

Prior to October, we used cash flow analysis to estimate impairment for the originated high grade and mezzanine ABS CDO positions in the banking book. To do this, we considered observable data for relevant benchmark instruments, implied cumulative losses in mortgage pools and the likelihood of events of default in underlying ABS CDO collateral. For the trading book, we assessed fair value with reference to observable market benchmarks, including the ABX indices.

In October, further to the rating agency downgrades and subsequent market downturns, we valued the following collateral underlying our ABS CDO super senior exposures as follows:

- all RMBS backed CDO collateral written down to zero, only retaining valuation in expected interest payments where appropriate
- all second lien collateral written down to zero.

In October, we also assessed additional impairment on mezzanine transactions in the banking book using projected cash flows, as calculated for the trading book and the potential for these structures to hit default triggers by the end of 2008.

Write downs, charges, hedges and subordination provide protection against loss levels of 65% of sub prime collateral across both high grade and mezzanine transactions.

At 31st October 2007, Barclays Capital's high grade exposure net of hedges and subordination was £3.8bn (30th June 2007: £5.8bn) after charges and write downs net of hedges in the third quarter of £0.3bn and a further £0.4bn in October 2007. At 31st October 2007, Barclays Capital's mezzanine exposure net of hedges and subordination was £1.2bn (30th June 2007: £1.6bn) after charges and write downs net of hedges in the third quarter of £0.1bn and a further £0.3bn in October 2007.

Other US Sub Prime Exposure
Barclays Capital provided secured financing lines to third-party mortgage originators in advance of securitisations, and also purchased pools of mortgages ("whole loans") for Barclays Capital's own account in anticipation of its own securitisations. At the end of March 2007, we acquired EquiFirst, a mortgage originator, who, from that point, originated the large majority of the whole loans we have acquired. Excluding the whole loans we originated through EquiFirst, at the beginning of January 2007 our warehouse and whole loan positions totalled £4.3bn and we had reduced these positions to £0.8bn by 30th June 2007 and £0.4bn at 31st October 2007.

Since acquiring EquiFirst, we have progressively tightened underwriting criteria, and our EquiFirst mortgage origination has been at an average LTV of 82%, with only 4% of origination above a 95% LTV. In addition, 99% of the exposure was first lien. Whole loan inventory is held in a trading book at fair value determined with reference to current market parameters for the underlying mortgage pools.

ABS and CDO positions held on the trading book were acquired for market-making, ABS and CDO structuring purposes. These positions, which include ABS bonds, CDOs and sub prime residuals, are valued by reference to observable transactions including the level of the ABX indices and on a pool-by-pool basis, implied cumulative loss projections. RMBS backed CDOs have been valued consistently to the ABS CDO super senior exposure as noted above.

Whole loan and trading book valuations gave rise to a £0.2bn write down net of hedges in the third quarter and a further £0.2bn write down net of hedges in the month of October. At 31st October 2007, Barclays Capital's whole loan and trading book net exposure was £5.4bn (30th June 2007: £6.0bn).

SIVs and SIV-lites

Our trading book inventory at 31st October 2007 included £0.2bn of assets from the drawdown of SIV-lite liquidity facilities (30th June 2007: £0.7bn). Our exposure to SIVs was £0.7bn comprising derivative exposures, undrawn CP backstop facilities and bonds held in our trading book (30th June 2007: £0.9bn). We have no further undrawn backup liquidity facilities for SIVs or SIV-lites. Cumulative write downs on SIVs and SIV-lites to 31st October 2007 were £70m.

Leveraged Finance and Own Credit

October year to date income was also impacted by reduced demand for leveraged finance. At 31st October 2007, Barclays Capital had £7.3bn in exposure from unsold underwriting positions down from a peak exposure of £9.0bn during September (30th June 2007: £7.3bn), and less than £20m exposure to equity bridges (30th June 2007: £82m). We have performed a detailed analysis of the unsold underwriting positions in the portfolio with reference to both credit quality and observable market transactions. As a result of this exercise, we have written down the carrying value of the exposures by £190m, which after fees of £130m produced a provision of £60m.

The general widening of credit spreads that contributed to the leveraged finance write-downs also reduced the carrying value of the £55bn traded debt held on Barclays Capital's balance sheet. We have therefore recognised gains of £0.2bn in each of the third quarter and October 2007.

Other capital markets business

Barclays other business with significant capital markets presence is Barclays Global Investors, which has continued to perform well in the third quarter and in October.

Liquidity and Funding

Barclays liquidity position remains very strong both for its own paper and paper issued by its sponsored conduits. We have benefited from significant inflows of deposits, increased credit lines from counterparties, increased client flows across many businesses and continued full funding of our conduits.

Barclays exposure to its own conduits through undrawn backstop liquidity facilities was £19.0bn as at 31st October 2007 (30th June 2007: £21.7bn). The Barclays-sponsored vehicles are long established and are fully funded through CP issuance. All are fully consolidated on the Barclays balance sheet on an available-for-sale basis at fair value.

Barclays will provide its normal scheduled trading update on 27th November 2007.

Summary of Barclays Capital net charges and write downs

£bn	Net charges and write downs		Comments
	Q3 2007	Oct 2007	
ABS CDO Super Senior			
High Grade	(0.3)	(0.4)	- All RMBS CDO principal valued at zero - All second lien collateral valued at zero - Sub Prime collateral marked down 50%
Mezzanine	(0.1)	(0.3)	- As above - Used fair value with impairment horizon to 2008
Other US Subprime			
Whole loans and trading book positions	(0.2)	(0.2)	- Trading book assessed at fair value based on current market parameters
SIVs/SIV-lites	(0.1)	0.0	- Minimal sub prime exposure in SIVs - No undrawn SIV-lite facilities
Leveraged Finance / Own Credit	0.2	0.1	
Net Charges and Write Downs in the period	**(0.5)**	**(0.8)**	

Barclays Capital Trading Update conference call and webcast details

The briefing will be available as a live conference call at 08.30 (GMT) on Thursday, 15th November 2007. The telephone number for UK callers is 0845 301 4070 (+44 (0) 20 8322 2723 for all other locations), with the access code 'Barclays Update'. The briefing will also be available as a live audio webcast on the Investor Relations website at: www.investorrelations.barclays.com and a recording will be posted on the website later.

For further information please contact

Barclays:

Investor Relations

Mark Merson	John McIvor
+44 (0) 20 7116 5752	+44 (0) 20 7116 2929

Media Relations

Alistair Smith	Robin Tozer
+44 (0) 20 7116 6132	+44 (0) 20 7116 6586

Barclays Capital:

Siobhan Loftus	Simon Eaton
+44 (0) 20 7773 7371	+44 (0) 20 313 42111

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. Examples of 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 International Financial Reporting Standards (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, the success of future acquisitions and other strategic transactions 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.

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27th November 2007

BARCLAYS PLC

TRADING UPDATE

"The diversification of our profits in recent years, together with the investments we have made in businesses both inside and outside the UK, is serving us well in 2007. Our performance in the nine months to the end of September was supported by good underlying growth in Global Retail and Commercial Banking, and by resilience in Investment Banking and Investment Management in the face of turbulent market conditions in the second half."

John Varley, Group Chief Executive

Business Commentary

Global Retail and Commercial Banking

In **UK Retail Banking** we have delivered good growth in profit before tax after excluding the impact of settlements on overdraft fees from prior years, reflecting good growth in mortgages and customer deposits. Impairment performance in unsecured credit continued to improve and charges remained negligible in mortgages. **Barclays Commercial Bank** (formerly UK Business Banking) also saw good growth in profit before tax. This was driven by good growth in income, with expenses growing broadly in line with income and impairment rising at a slower rate than in the first half. **UK Banking** remains on course to achieve its targeted full year cost:income ratio improvement of two percentage points, excluding the impact of settlements on overdraft fees.

Profit before tax at **Barclaycard** grew strongly, excluding the loss on the Monument credit card disposal in 2007 and property gains in 2006. Income and expense trends were broadly in line with the first half of 2007 and impairment charges continued to improve. Barclaycard US performed well and is on track to be profitable in 2007.

Income growth in **International Retail and Commercial Banking – excluding Absa** was very strong. We continued to invest in the expansion of the distribution network and in infrastructure. Good profit growth in Western Europe and Emerging Markets was offset by the impact of the disposal of FirstCaribbean International Bank and property gains in 2006, and further investment in infrastructure. **International Retail and Commercial Banking - Absa** reported strong growth in profit before tax in Rand terms, driven by very strong growth in loans and good deposit growth. There was a decline in profit before tax in Sterling due to Rand depreciation.

Investment Banking and Investment Management

We provided a trading update in respect of the performance of **Barclays Capital** for the ten months ended 31st October 2007 on 15th November 2007.

At **Barclays Global Investors** strong growth in income and profit before tax in US Dollars translated into good growth in profit before tax in Sterling terms. We continued to invest in people and infrastructure.

Excellent profit growth at **Barclays Wealth** was driven by higher transactional income and strong inflows of client deposits and invested assets. We continued to invest in client facing staff and related infrastructure to support future growth.

Capital

We continue to buy back shares to neutralise the dilutive effect of share issuance in August 2007. As at close of business 26th November 2007, we had purchased for cancellation 280m shares at an average price of 603p per share. We expect the year end Tier 1 ratio to be in line with our target of 7.25%. Barclays liquidity remains strong and we continue to see good inflows of deposits.

2007 outlook

Barclays expects 2007 earnings per share to be broadly in line with the current market consensus.

– ENDS –

Notes

1. Key trends in the income statement set out above, unless stated otherwise, relate to the nine months to 30th September 2007, and are compared to the corresponding nine months of 2006. Balance sheet references relate to 30th September 2007 and are compared to the balance sheet as at 31st December 2006.
2. Trends in income are expressed after the deduction of 'net claims and benefits on insurance contracts'.
3. UK Business Banking has been renamed Barclays Commercial Bank.
4. As at close of business 26th November 2007, the market consensus derived by Barclays Investor Relations for 2007 PBT was £7,099m and for 2007 earnings per share was 68.8p.

Trading Update conference call and webcast details

The Group Finance Director's briefing will be available as a live conference call at 09.00 (GMT) on Tuesday, 27th November 2007. The telephone number for UK callers is 0845 301 4070 (+44 (0) 20 8322 2723 for all other locations), with the access code 'Barclays Results'. The briefing will also be available as a live audio webcast on the Investor Relations website at: www.investorrelations.barclays.com and a recording will be posted on the website later.

Timetable

2007 Preliminary Results Announcement	Tuesday, 19th February 2008
Ex Dividend Date	Wednesday, 5th March 2008
Dividend Record Date	Friday, 7th March 2008
2008 Annual General Meeting	Thursday, 24th April 2008
Dividend Payment Date	Friday 25th April 2008

All dates are provisional and subject to change.

For further information please contact

Investor Relations
Mark Merson/John McIvor
+44 (0) 20 7116 5752/2929

Media Relations
Alistair Smith/Robin Tozer
+44 (0) 20 7116 6132/6586

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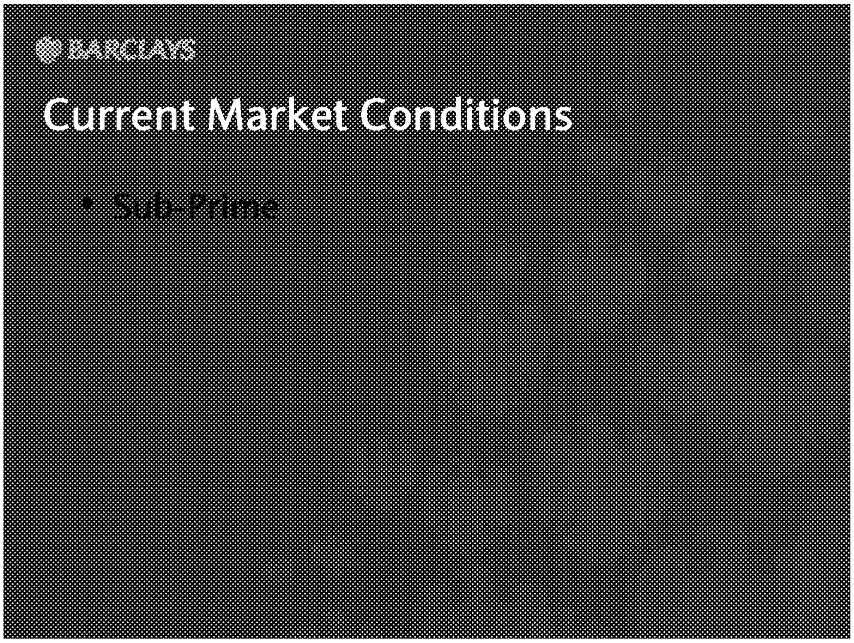
- Good morning
  - pleasure to be here
  - like to thank Lehman Brothers, for opportunity to speak today

- Going to focus today on Investment Banking and Investment Management
  - which comprises Barclays Capital, Barclays Global Investors and Barclays Wealth
  - it's the part of the business which has been under most scrutiny in recent weeks of market turmoil

- Three things I'm going to talk about
  - our view of what's happening in the markets;
  - what our position is and how our performance has been
  - and what makes us confident that we're well positioned for future growth despite the market turbulence

- I'm going to start with the four market areas where there's been the most interest, starting with sub prime



- Instability in the sub prime markets has been caused by:
  - extremes in issuance,
  - mispricing as a result of incorrect default assumptions,
  - and significant leverage,
  - exacerbated by broad distribution of the products around the globe.
  - it's going to take considerable time to work through the excesses
  - because asset value deterioration in this market is real,
  - it's not coming back.

- The Mortgage and Asset-Backed business has been a good growth area for Barclays Capital,
  - but it's a small proportion of our overall business
  - less than 5% of our revenue, based on our first half results

- sub prime is an even smaller piece of this,
- representing a very small proportion of our trading and loan book

- Barclays Capital is committed to building a strong business in the US to originate, securitize and service mortgages
  - we've acquired Equifirst, a leading wholesale originator of subprime mortgages,
  - and HomeEq, a leading mortgage servicer,
  - investing less than $100 million in total
  - and creating a top 5 position in the market.

- We don't hold inventory for long periods, and we've been proactive in our risk management;
  - by May of this year we'd reduced our sub-prime warehousing limits by more than half
  - and we're using less than 10% of those limits

- Loan exposure to sub prime mortgages is 97% first lien
  - and we're using about half our limits,
  - the vast majority of which is financing Equifirst origination

- Today's credit spread VaR, despite increased volatility, is below the average for 2006
  - so we're comfortable with our model, our positions and our ability to repackage and distribute risk in this market

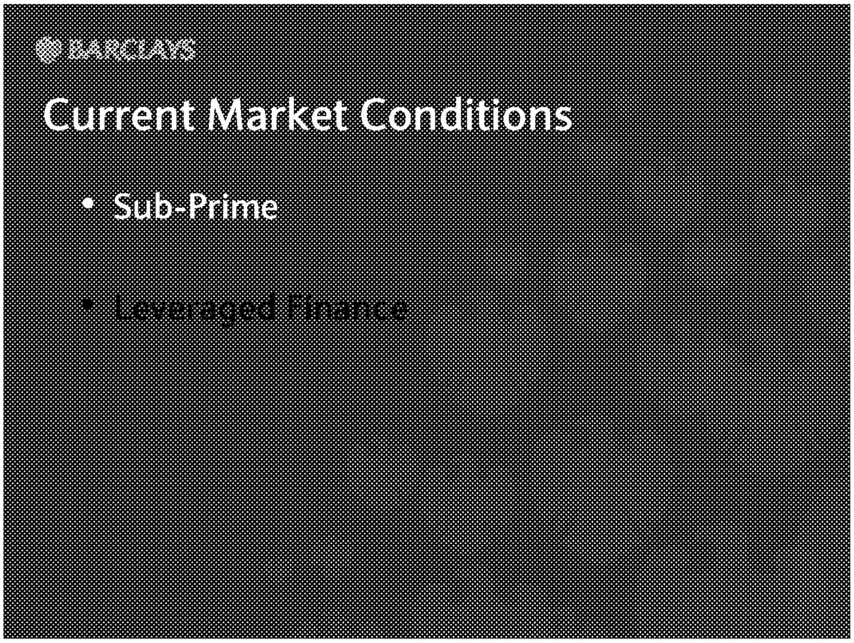
- SIV Lites have attracted a disproportionate amount of press coverage recently and I want to put that into context

- Barclays Capital has structured 4 SIV lites for managers looking to increase their exposure to credit
- it's important to remember we neither select the assets or manage them
- that's what the manager does
- as liquidity in the short term debt markets has tightened and asset prices have declined we've been working with our clients to restructure these vehicles

- For example, we've worked with Cairn and with the mezzanine and cap note holders of Cairn High Grade Funding
    - all the mezzanine and cap note investors have agreed to convert the deal
    - from a market value deal with triggers to a cash flow transaction
    - this restructuring is recognized now as a model

- Let me just remind you - these are not bailouts
    - we're being paid market prices for providing liquidity
    - and there's complete credit protection, paid for by the mezzanine and cap note holders

- It's also worth noting that SIV lites constitute in total about $10 billion of a market in asset-backed commercial paper worth $1.2 trillion
    - our exposures are collateralised
    - and the majority of our exposure is super-senior and pari passu with Commercial Paper investors

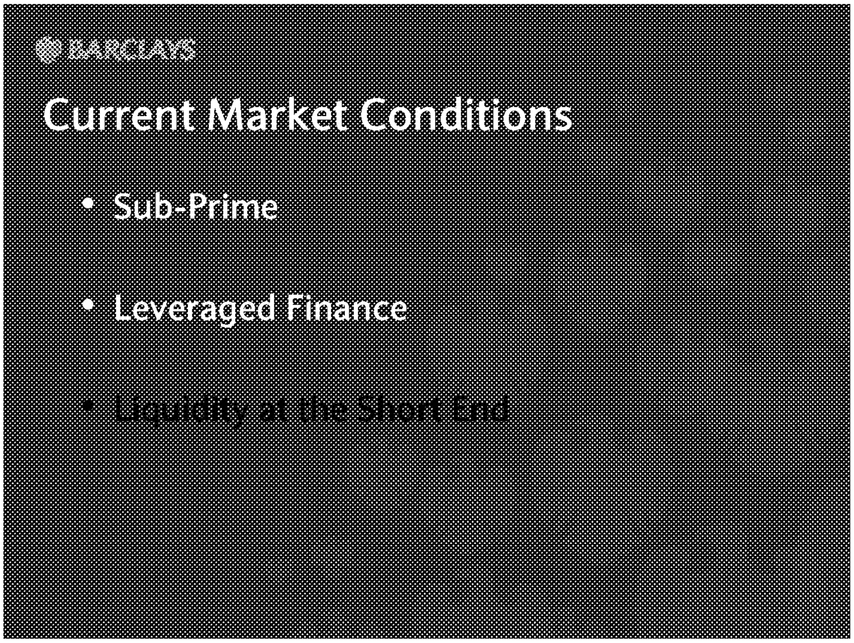


- In Leveraged Finance
  - we're seeing a healthy rebalancing of supply and demand between private equity and fixed income investors
  - resulting in stronger covenants, lower levels of leverage, better pricing of deals
  - underlying fundamentals of the corporate credit market remain strong
  - and we expect to see the market back to more normalized issuance levels in 2008
  - so it's a very different picture from sub-prime

- Barclays Capital is a very strong player in the European leveraged finance markets and over the last 3 years we've been building an important presence in the US

- Our current exposure and track record relates primarily to Europe:

- we've executed over 175 transactions raising more than £80 billion of debt over the past decade
- strong record of syndication sell-down – we've met every single one of our sell down targets
- and we've experienced just £5m of credit losses in that time
- currently, we have about 2% of what we've originated on our balance sheet and 98% of that is senior debt



- With the exception of sub prime, what's happening in the money markets is not so much about credit as liquidity
  - 90-day CP is moving to one-week CP,
  - 30 day CP is moving to 1-day CP
  - and 6-month deposits are moving to 5-day deposits
  - we need more liquidity in the short end of the curve which is down to confidence
  - and we've seen thoughtful interventions from the Fed, the Bank of England, and the ECB to help alleviate the problem

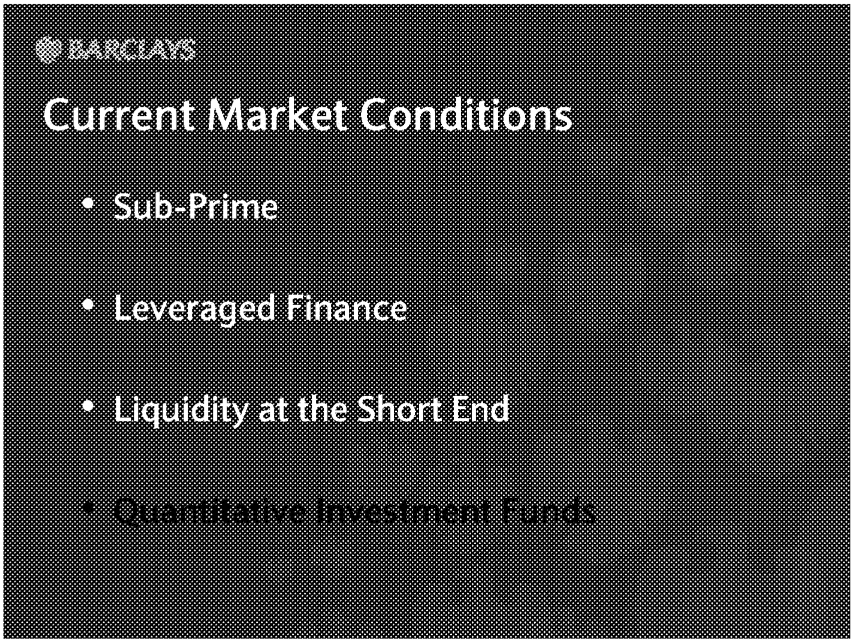
- There's been speculation about two short term loans Barclays made from the Bank of England sterling standby facility
  - both of which were normal money market operations
  - the ECB standby facility for example
  - which by the way is the model for the sterling standby facility

- was drawn 17 times during 23 working days in August
- and in 3 cases for more than 1bn Euros

- I find it amazing there was any question about a bank the size and quality of Barclays to fund itself

  In fact, as in previous times of market turbulence,

  we've been net recipients of liquidity as a haven in rough seas.



- The fourth area I want to address is Quantitative Active Investment Funds

- The challenges faced by some Quant Funds were related to the issues in sub-prime, leveraged finance and liquidity
  - investors holding falling sub-prime instruments and other credit products were forced to meet margin calls
  - to meet these calls, they started selling liquid securities in their portfolio
  - US equities took the most direct hit initially – tend to be the most liquid assets in many portfolios
  - this forced liquidation caused significant drops in fundamentally strong stocks over a very short period which Quant Fund computer models didn't anticipate
  - the result – significant losses to those funds

- BGI's performance held up very well during this period because of our unique scientific investing process
  - it differs from a purely quantitative approach because we complement our investment algorithms with fundamental insights
  - we also have a truly global investment process, allowing us to source alpha from across the globe;
  - and we believe that a significantly higher percentage of our alpha comes from markets outside the US than any of our competitors
  - our investment philosophy has always been focussed on balancing risk, return and cost
  - and markets like this reinforce our belief that this is a superior approach to achieving long term investment success
- Across our long/short and market neutral strategies, public information suggests that we've fared well relative to many of our competitors in this space
  - we've experienced insignificant withdrawals
  - and most mandates and client assets across BGI have been comparatively insulated from the increase in volatility
  - in fact, most of our flagship funds have shown strong alpha performance over this period
- I'm pleased to add that we're planning to invest along-side clients in a number of our high performing strategies.

- So in the four areas of market turbulence we're managing well
  - and we believe we'll benefit in this environment
  - because when markets are turbulent there's always a flight to quality
  - and an opportunity to capture market share from less well positioned competitors

- In this context our strong balance sheet,
  - AA credit rating,
  - sophisticated technology platform
  - and highly regarded client service are a real advantage.

- In Barclays Capital for example, we've seen strong growth in our core asset classes such as commodities and Equity Derivatives through to August

- Also been capturing share in our flow businesses

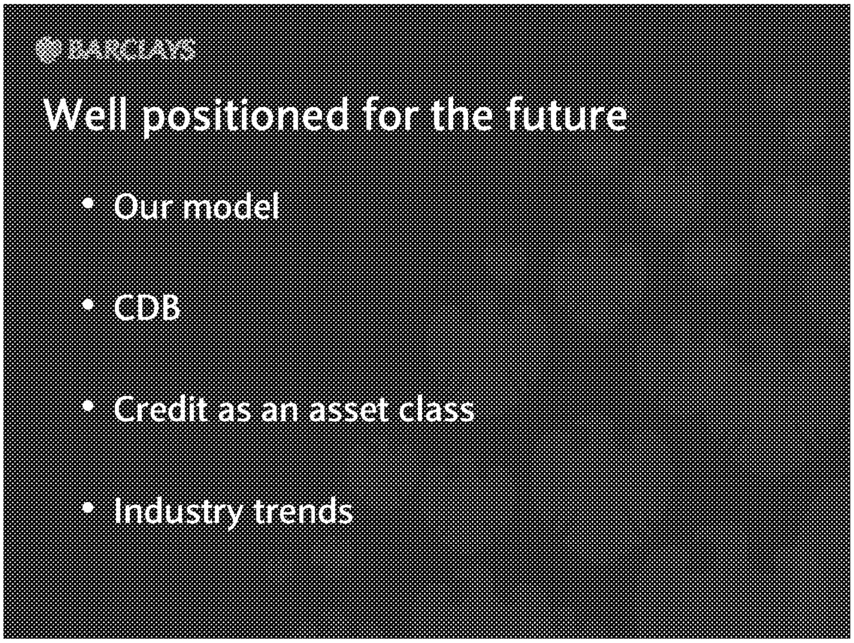
- In Foreign Exchange:
  - total monthly trade volumes in August were more than treble those in August 2006

- In Prime Brokerage we recently won a number of significant new mandates, as hedge funds and institutions worry about counterparty risk issues.

- And in government bonds and swaps
  - July and August volumes were up 60% on last year
  - and they were our most profitable months ever in this business

- So our platform is broad
  - and while we've experienced pain in some areas, we've benefited in others

- The results are born out in our recent performance
- In line with other investment banks, we suffered pain in July and August
  - but notwithstanding the difficult market conditions our income in July was ahead of July 2006
  - we were profitable in August
  - and year to date, profits are well ahead of the same period in 2006
- Both BGI and Wealth performed well through July and August.
- I've talked about current market conditions and their impact on our performance this year
  - I'm sure the other question on your mind is whether market turbulence has altered our outlook
  - and the answer to that is no
  - we feel confident these businesses will continue to grow at the rate we've always projected



- The first reason for that confidence is the strategy we set out with ten years ago when we founded Barclays Capital
  - which has never been more important than today
  - we set out then to create an integrated bank
  - because we believe the Universal Banking Model is the natural model for clients and customers
  - one which was prevented in the US by Glass Steagall

- The universal banking model gives us more than just a balance sheet
  - as part of Barclays we also have a 320 year history of lending to corporate clients
  - and a 320 year history of managing the risk associated with that

That means Barclays Capital is in a better position now than many of the stand alone investment banks

- they've been lending as though they do have balance sheets
- primarily through bridge loans, to fund M&A
- total equity bridge exposure now is estimated to be about $12 billion globally
- much of it held by the US bulge bracket firms
- by contrast, our exposure is less than $100 million

CDB

- The second reason for confidence is our unprecedented access to China, one of the fastest growing markets

- Back in July we announced strategic investments from China Development Bank and Temasek,
  - along with a strategic partnership with CDB
  - to jointly develop business opportunities in China

- This is an exciting opportunity, independent of the outcome with ABN

- We've identified a number of opportunities, which we've already started to execute on:
  - the best example is commodities
  - where we already have the number 1 franchise in Europe and top 3 franchise globally
  - China's commodities import bill is estimated to grow from $120bn in 2006 to $218bn by 2011 (13% CAGR)
  - this partnership will make us number 1 in the single most strategic market in the world for commodities

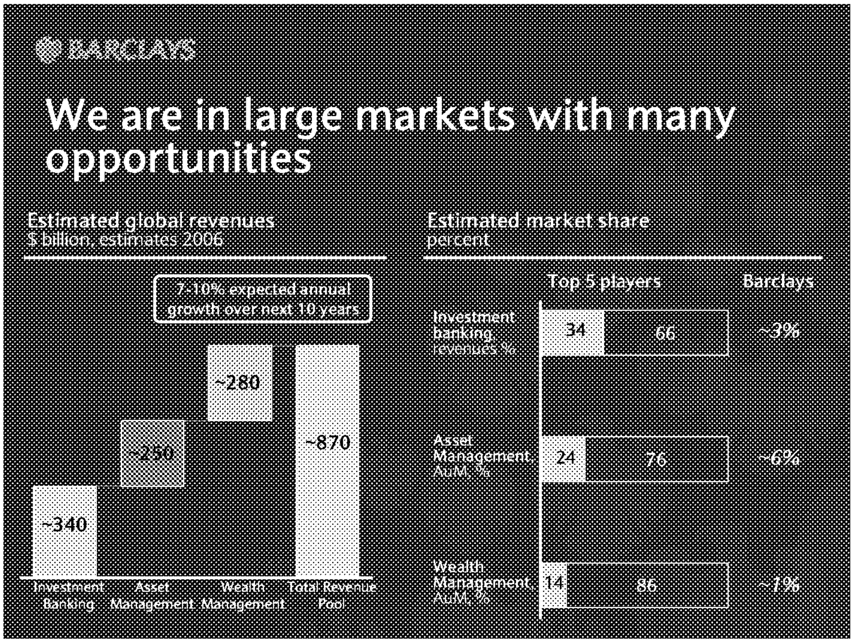
- So we're very excited about our relationship with CDB which represents a great opportunity for us

Credit as an asset class

- We also continue to see strong growth prospects for credit as an asset class
- Let's not forget that the underlying fundamentals in corporate credit remain sound - both for investment grade and high yield
  - balance sheets are still flush with cash
  - default rates are low
  - and corporates are relatively under-leveraged suggesting potential for continued borrowing

- So let's not allow sub prime as a small part of the credit markets blur the overall picture
  - debt issuance accounts for 85% of all capital raising and has an average maturity of around 3 years
  - in August this year we had one of our most successful months ever in US investment grade issuance
    - Comcast's biggest debt offering ever - $3billion
    - AT&T $2bn 30 year issuance
    - Cap One's largest deal ever ($1.5bn)

- Estimates of market growth reinforce this view
  - our view, shared by industry analysts, is that the compound annual growth rate in credit will above 10% over the next few years
  - in other words a higher growth rate than capital markets as a whole
  - so sub prime has not killed credit as an asset class



- Another reason to have confidence in our growth trajectory is the underlying industry dynamics
  - where we continue to see strong growth over the next 5 years

- This slide shows the size of the markets for Investment Banking, Asset and Wealth Management in 2006
  - they generated revenues of almost $1 trillion last year
  - we hit new record at Barclays Capital with $12 billion of revenues that year
  - but the global pool for investment banking was $340 billion
  - so you can see the size of the opportunity

- More importantly, we expect an annual rate of growth in these markets of 7 to 10% - double the rate of GDP globally

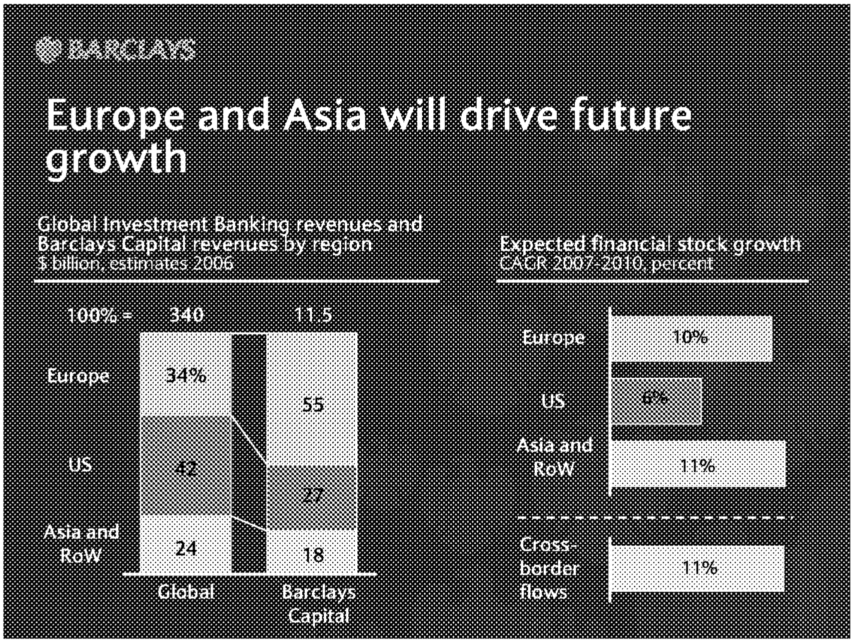
- These markets are also very fragmented

- In Investment banking the top 5 players have only a third of total market share
  - Barclays Capital is just outside the top 5

- In asset management just a quarter of assets under management are with the top 5
  - we're number 1 with BGI in terms of AUM

- Wealth is the most fragmented market of all
  - we have a weaker position just outside the Top 10
  - good news - the most fragmented market - we have a bit more time

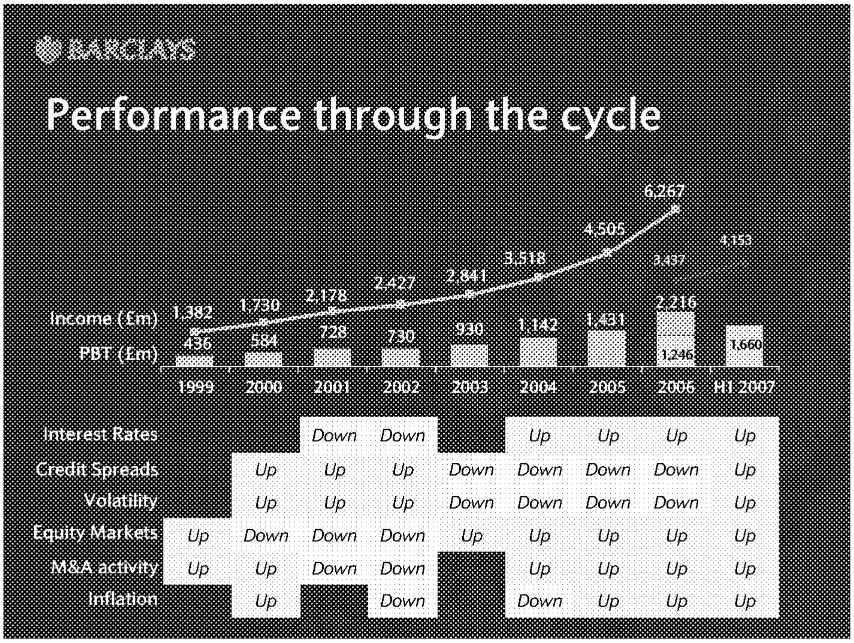
- What does this tell me? It's never been more important to be in the Top 5
  - market's starting to consolidate
  - top 5 players win disproportionate share of growth
  - and as the distinction between these activities is becoming blurred
  - the winners will be those that can be top 5 across all 3 areas



- What's most interesting thing here is that Europe and Asia are the areas growing most quickly
  - developing a US presence is still key to our success
  - but it's good to see the areas where Barclays has greatest strength - in both franchise and brand - have strongest growth

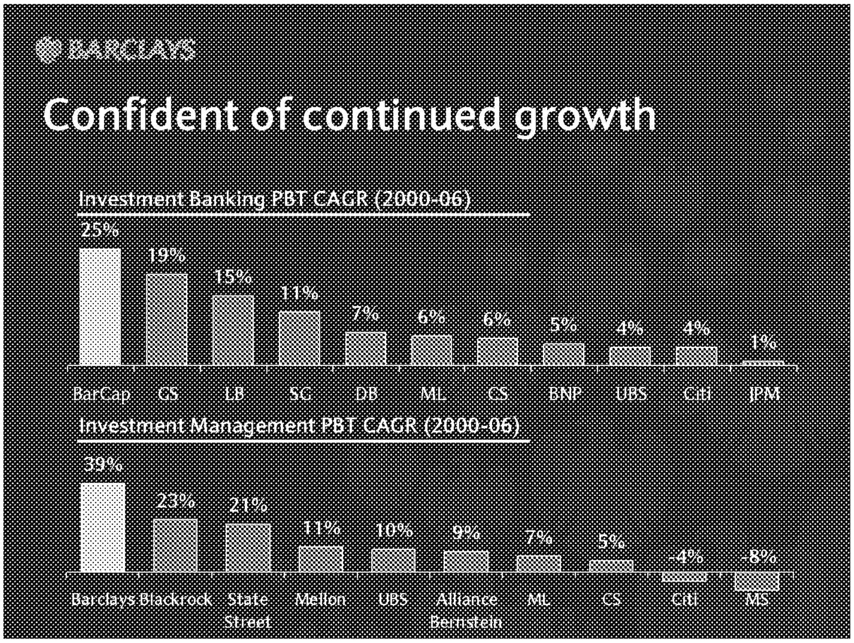
- Cross border flows are also growing at over 10% a year
  - double the rate ten years ago
  - seems unlikely that a domestic/ regional model can be successful in long term
  - have to be global to capture growth

- Why does this matter?
  - shows huge opportunity as markets grow
  - high growth is in areas where we have greatest strength
  - and capturing cross border flows – which we're well set up for – will be critical



- And finally, remember we have a track record of managing through different cycles
  - this shows our growth since we set out in a wide variety of market conditions
  - across loosening and tightening of interest rates
  - in periods of both widening and contracting credit spreads
  - across high and low market volatility
  - through bull markets and bear markets in equities
  - in active and quiet M&A markets
  - and throughout periods of increasing and falling inflation

- Over that time we've weathered a number of market crises
  - collapse of LTCM and the Russian default in 98
  - tech bubble bursting in 2001
  - the corporate credit crunch in 2002



- This decade Barclays has grown faster than any other institution in investment banking and investment management

  – Barclays Capital: PBT grown at **25%**

  – Investment Management (including both BGI and Wealth): PBT grown at **39%**

- There's been serious dislocation in the markets in the last few months

  - we're now seeing liquidations and de-leveraging,

  - so there are early signs that the healing process has begun,

  - but apart from sub prime, this is an issue of liquidity and confidence, not credit

  - so for the process to continue, the first priority is more liquidity in the short end of the curve.

- The markets need a term structure to short rates both to continue healing and to protect the real economy
    - and all participants - banks and regulators - are working towards a solution here
    - as and when we see the markets recover, it'll be clear that we've managed both our risks and our clients effectively through this period
    - and that we're well positioned, maybe even stronger going forward
    - so would I want to reiterate 15% growth over the cycle
    - you bet! .... We're open for business.

- Thanks very much – happy to take questions

BARCLAYS

SEC filings

In connection with the proposed business combination transaction between ABN AMRO Holding N.V. ("ABN AMRO") and Barclays PLC ("Barclays"), Barclays has filed with the U.S. Securities and Exchange Commission ("SEC") a Registration Statement on Form F-4 ("Form F-4"), which includes the Barclays offer document/prospectus. Barclays has also filed with the SEC a Statement on Schedule TO and other relevant materials. In addition, ABN AMRO has filed with the SEC a Recommendation Statement on Schedule 14D-9, and ABN AMRO has filed and will file other relevant materials. Barclays has mailed the offer document/prospectus to holders of ABN AMRO ordinary shares located in the United States and Canada and to holders of ABN AMRO ADSs located in certain jurisdictions worldwide.

INVESTORS ARE URGED TO READ THE OFFER DOCUMENT/PROSPECTUS AND ANY DOCUMENTS REGARDING THE POTENTIAL TRANSACTION IF AND WHEN THEY BECOME AVAILABLE, BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION.

Investors can obtain a free copy of the Form F-4, the offer document/prospectus and other filings without charge, at the SEC's website ([illegible]). Copies of such documents may also be obtained from ABN AMRO and Barclays without charge.

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From: Pass, Matthew (IBK EMEA)
Sent: Tuesday, April 08, 2008 9:44 AM
To: Davidson, AJ (IBK EMEA); Davidson, AJ (IBK EMEA)
Cc: Palmer, Robin (IBK EMEA); Palmer, Robin (IBK EMEA)
Subject: RE: Rimu - Draft US comfort letter

circa 10% drop is understandable.

Matt.

-----Original Message-----
From: Davidson, AJ (IBK EMEA)
Sent: 08 April 2008 11:59
To: Pass, Matthew (IBK EMEA)
Cc: Palmer, Robin (IBK EMEA)
Subject: FW: Rimu - Draft US comfort letter

Matt - please make sure that you have reviewed this and are comfortable with the 9.4% drop, as indicated below. Please confirm via email.

Thanks,

AJ
-----Original Message-----
From: Whittington, Sarah [mailto:sarah.whittington@linklaters.com]
Sent: 08 April 2008 11:57
To: raj.cheema@barcap.com; samantha.king@barcap.com; lucy.fyfe@barcap.com; kathryn.mcleland@barcap.com; yenal.ghori@barcap.com; tanja.gihr@barcap.com; simon.croxford@barcap.com; richard.d.johnson@barcap.com; belinda.vickery@barcap.com; mark.bamford@barcap.com; anne.daley@barcap.com; maureen.o'connor@barcap.com; mark.graham@barcap.com; bret.ganis@barcap.com; richard.smith3@barcap.com; peter.o.aherne@citi.com; leohendrik.greve@citi.com; peter.james.mason@citi.com; laura.drumm@citi.com; christopher.k.white@citi.com; derrick.deese@citi.com; john.w.dickey@citi.com; simon.mcgeary@citi.com; stanley.louie@citi.com; deborah.keat@citi.com; anastasia.letina@citi.com; laura.stephenson@citi.com; jakob.midander@citi.com; melissa.motherway@citi.com; matthew.r.land@citi.com; david.walker@citi.com; james.reid@citi.com; jack.d.mcspadden@citi.com; chandru.harjani@citi.com; bogdan.ciobanu@citi.com; alastair.rosesmith@citi.com; peter.siekel@citi.com; darrell.bridgers@citi.com; jane.pakenham@citi.com; Prasad, Siddharth (IBK EMEA); Pass, Matthew (IBK EMEA); Roman, Julien (IBK EMEA); Palmer, Robin (IBK EMEA); Wilson, Eric (FIG-CM&F-Americas); MacDonald, Christine (FIG-CM&F-Americas) ; Grennon, Lisa (GMI - NY Syndicate); Eighmey, Edward (GMI, NY Syndicate); Cote, Christopher (GMI, NY Syndicate); Camara, Alvaro (IBK EMEA); Davis, Sarah (IBK EMEA); Doyle, Richard N (IBK EMEA); Davidson, AJ (IBK EMEA); Dicapua, Joseph (OGC); gary.abrahams@ubs.com; ron.yanagi@ubs.com; sophia.vonta@ubs.com; andrew.templeton@ubs.com; john.corcoran@ubs.com; shameika.wade@ubs.com; vinod.vasan@ubs.com; glenn.goggins@ubs.com; Jason.Norton@ubs.com; monica.meo@ubs.com; michael.altschuler@ubs.com; bryant.h.owens@wachovia.com; stuart.aylward@wachovia.com; faye.thorogood@wachovia.com; ken.greer@wachovia.com; edward.boulderstone@wachovia.com; jeffrey.gass@wachovia.com; nancy.andes@wachovia.com; briane.smith@wachovia.com; john.papadopulos@wachovia.com; kristina.clark@wachovia.com; fleur.twohig@wachovia.com; kiley.knepp@wachovia.com; carolyn.coan@wachovia.com; laurie.watts@wachovia.com; melanie.panzone@wachovia.com; Mike.Borut@morganstanley.com; Victoria.Ortiz@morganstanley.com; Alex.MacMahon@morganstanley.com; Dominic.Trusted@morganstanley.com; Yurij.Slyz@morganstanley.com; Jennifer.Moreland@MorganStanley.com; andrew.r.karp@bankofamericasecurities.com; ken.harris@rbccm.com; shannon.dahl@rbccm.com; richard.bansa@rbccm.com; keith.deleon@db.com; steven.burwell@db.com; Bethany.bowman@suntrust.com; chris.grumboski@suntrust.com; donna_thacker@rhco.com; Michael.l.smith@wellsfargo.com;

Autumn.m.roth@wellsfargo.com; edwin.j.sondgroth@wellsfargo.com
Cc: Ludwick, David; van Amelsfort, Joost
Subject: Rimu - Draft US comfort letter

Dear managers -

Please find attached the revised comfort letter from PwC. We would draw your attention in particular to the decline in Group profit before tax of 9.4% (and issuer profit before tax of 9.9%) that PwC has indicated for January/February 2008 compared to the corresponding period in the prior year. We also note that PwC has indicated that for the stub period from January 1 2008 to April 4 2008, they expect to be able to give only directional comfort on the change, rather than a specific figure.

Kind regards,
Sarah

Sarah Whittington
U.S. Associate
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From: Palmer, Robin (IBK EMEA)
Sent: Thursday, April 03, 2008 10:32 AM
To: Doyle, Richard N (IBK EMEA); Davidson, AJ (IBK EMEA); Doyle, Richard N (IBK EMEA); Davidson, AJ (IBK EMEA)
Cc: Pass, Matthew (IBK EMEA); Roman, Julien (IBK EMEA); Pass, Matthew (IBK EMEA); Roman, Julien (IBK EMEA)
Subject: Barclays Equity Research

As discussed...

Barclays

Resilience proven but near-term growth uncertain

Earnings Review **BUY**

Equity | United Kingdom | Banks-Retail
20 February 2008

Merrill Lynch

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Results confound sceptics

Barclays results were modestly ahead of consensus but fractionally below ML estimates, despite taking an additional £300m of structured credit charges. Despite concerns over capital concerns, the need for more severe "marks" and sustainability of the dividend, Barclays robustly defended its position on capital and the validity of its valuation of structured finance positions and underscored this with a 10% increase in the dividend and message of long-term confidence.

Dull for now but cheap and the most likely UK bank to grow

The biggest risk we see to Barclays share price performance in the near-term is simply investor dis-interest which is likely to be a continuing theme within the UK Bank sector. With the main driver of recent years incremental profit growth, Barclays Capital, expected to offer a more muted outlook into 2008, the growth outlook for Barclays in the near-term looks to be rather dull, especially given that the environment for UK Retail banking remains subdued.

However, with the stock offering a yield of 7.6% for 2008 and 8% for 2009, with, in our view, significantly diminished risk of capital raising, we think investors are being well compensated to await an upturn in earning momentum in 2009/2010e. Applying a sum-of-parts analysis to our revised 2008 figures and incorporating a £1½bn adjustment to allow for the possibility of incremental write-downs, gives a fair value of 600p, giving 26% upside potential exclusive of the dividend yield.

Estimates (Dec)

(£)	2006A	2007A	2008E	2009E	2010E
	IFRS	IFRS	IFRS	IFRS	IFRS
Net Profit	4,577	4,417	4,188	4,677	5,417
EPS (Adjusted Diluted)	66.4	68.5	65.1	72.4	83.5
EPS Reported	71	69	65	72	84
Dividend / Share	31.0	34.0	36.0	38.0	42.0
Adjusted NAV PS	190	228	257	293	337
ADR EPS (Adjusted Diluted - US$)	4.88	5.48	5.08	5.65	6.52
ADR Dividend / Shares (US$)	2.28	2.72	2.81	2.97	3.28

Valuation (Dec)

	2006A	2007A	2008E	2009E	2010E
P/E	7.2x	7.0x	7.3x	6.6x	5.7x
EPS Change (YoY)	14.7%	3.17%	-4.94%	11.2%	15.4%
Price / BV	1.59x	1.35x	1.25x	1.14x	1.04x
Price / NAV	2.52x	2.10x	1.85x	1.63x	1.42x
Net Yield	6.50%	7.13%	7.55%	7.97%	8.81%
DPS Change (YoY)	16.5%	9.68%	5.88%	5.56%	10.5%
Price / GOP	3.43x	3.12x	3.29x	2.98x	2.71x

Stock Data

Price (Common / ADR)	477.00p / US$37.41
Price Objective	600.00p / US$52.58
Date Established	21-Jan-2008 / 20-Dec-2007
Investment Opinion	B-1-7 / B-1-7
Volatility Risk	MEDIUM / MEDIUM
52-Week Range	396.00p-794.00p
Market Value (mn)	£31,539
Shares Outstanding (mn)	6,612.0 / 1,653.0
Average Daily Volume	78,826,416
ML Symbol / Exchange	BCLYF / LSE
ML Symbol / Exchange	BCS / NYS
Bloomberg / Reuters	BARC LN / BARC.L
ROE (2008E)	17.3%
Total Dbt to Cap (Dec-2007A)	0%
Est. 5-Yr EPS / DPS Growth	12.0% / 10.0%
Free Float	100.0%

– Barclays FTSE ALL-SHARE INDEX

Refer to important disclosures on page 9 to 11. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

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iQprofile[SM] Barclays

Key Income Statement Data (Dec)	2006A	2007A	2008E	2009E	2010E
(£ Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
Net Interest Income	**9,149**	**9,610**	**10,431**	**11,214**	**12,086**
Net Fee Income	7,177	7,708	7,416	8,138	8,938
Securities Gains / (Losses)	3,614	3,759	1,519	1,823	2,188
Other Income	1,661	1,923	2,563	2,767	2,998
Total Non-Interest Income	**12,452**	**13,390**	**11,498**	**12,728**	**14,124**
Total Operating Income	**21,601**	**23,000**	**21,929**	**23,942**	**26,210**
Operating Expenses	(12,674)	(13,199)	(12,614)	(13,602)	(14,780)
Pre-Provision Profit	**8,927**	**9,801**	**9,315**	**10,340**	**11,429**
Provisions Expense	(2,154)	(2,795)	(2,416)	(2,674)	(2,730)
Operating Profit	**6,773**	**7,006**	**6,899**	**7,666**	**8,699**
Non-Operating Items	369	70.0	7.35	7.72	9.10
Pre-Tax Income	**7,142**	**7,076**	**6,907**	**7,674**	**8,708**
Net Income to sh/holders	4,577	4,417	4,188	4,677	5,417
Adjusted Cash Earnings	**4,254**	**4,389**	**4,188**	**4,677**	**5,417**
Key Balance Sheet Data					
Total Assets	996,787	1,227,361	1,016,824	1,022,527	1,028,567
Average Interest Earning Assets	294,177	312,614	333,913	357,646	383,223
Weighted Risk Assets	**297,791**	**353,432**	**379,986**	**403,780**	**429,704**
Total Gross Customer Loans	285,404	349,563	362,417	384,056	406,967
Total Customer Deposits	256,754	294,987	312,686	331,447	351,334
Tier 1 Capital	**23,005**	**27,436**	**29,950**	**33,066**	**36,778**
Tangible Equity	12,492	14,995	17,005	19,477	22,447
Common Shareholders' Equity	**19,799**	**23,291**	**25,185**	**27,657**	**30,627**
Key Metrics					
Net Interest Margin	3.11%	3.07%	3.12%	3.14%	3.15%
Tier 1 Ratio	**7.73%**	**7.76%**	**7.88%**	**8.19%**	**8.56%**
Effective Tax Rate	27.2%	28.0%	28.5%	28.5%	28.5%
Loan / Assets Ratio	28.3%	28.1%	35.2%	37.0%	39.0%
Loan / Deposit Ratio	**110%**	**117%**	**114%**	**114%**	**114%**
Oper Leverage (Inc Growth - Cost Growth)	2.37%	2.33%	-0.23%	1.35%	0.81%
Gearing (Assets / Equity)	50.3x	52.7x	40.4x	37.0x	33.6x
Tangible Equity / Assets	1.25%	1.22%	1.67%	1.90%	2.18%
Tangible Equity / WRAs	4.19%	4.24%	4.48%	4.82%	5.22%
Business Performance					
Revenue Growth	24.6%	6.48%	-4.66%	9.18%	9.47%
Operating Expense Growth	22.3%	4.14%	-4.43%	7.83%	8.67%
Provisions Expense Growth	37.1%	29.8%	-13.6%	10.7%	2.10%
Operating Revenue / Average Assets	0.71%	0.63%	0.61%	0.75%	0.85%
Operating Expenses / Average Assets	-1.32%	-1.19%	-1.12%	-1.33%	-1.44%
Pre-Provision ROA	**0.93%**	**0.88%**	**0.83%**	**1.01%**	**1.11%**
ROA	0.48%	0.40%	0.37%	0.46%	0.53%
Pre-Provision ROE	**48.0%**	**45.5%**	**38.4%**	**39.1%**	**39.2%**
ROE	24.6%	20.5%	17.3%	17.7%	18.6%
RoTE	37.6%	31.9%	26.2%	25.6%	25.8%
RoWRAs	1.50%	1.35%	1.14%	1.19%	1.30%
Dividend Payout Ratio	46.7%	49.7%	55.3%	52.5%	50.3%
Efficiency Ratio (Cost / Income Ratio)	**58.7%**	**57.4%**	**57.5%**	**56.8%**	**56.4%**
Quality of Earnings					
Total Non-Interest Inc / Operating Inc	**57.6%**	**58.2%**	**52.4%**	**53.2%**	**53.9%**
Market-Related Revenue / Total Revenues	16.7%	16.3%	6.93%	7.61%	8.35%
Provisioning Burden as % of PPP	24.1%	28.5%	25.9%	25.9%	23.9%
NPLs plus Foreclosed Real Estate / Loans	1.86%	1.61%	1.65%	1.65%	80.1%
Loan Loss Reserves / NPLs	**59.0%**	**75.0%**	**80.4%**	**87.1%**	**1.89%**
Loan Loss Reserves / Total Loans	1.10%	1.21%	1.32%	1.43%	1.51%
Provisions Expense / Average Loans	**0.78%**	**0.89%**	**0.69%**	**0.73%**	**0.70%**

Company Description

Barclays incorporates a wide range of banking activities including personal and corporate lending, leasing, insurance, personal financial services, private and investment banking, and asset management. Around 70% of group assets are UK based, with around 10% each in Europe, the US, and the rest of the world.

Stock Data

Shares / ADR	4.00
Price to Book Value	1.3x

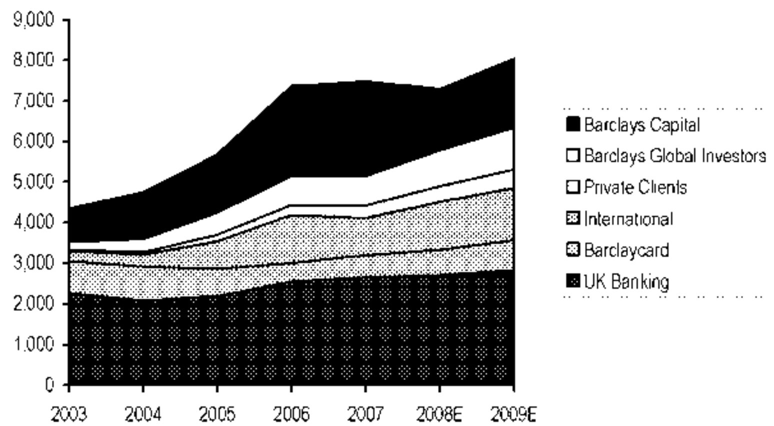
Resilience Proven But ...

After the considerable market debate, significant volatility and underperformance of the stock in recent months, Barclays delivered results largely in line with the consensus earnings figure that it guided the market to last November. In the event additional structured credit provisions of c.£300m were not our of line with our expectations and were largely offset by a further £200m of gains taken from fair value adjustments on own debt.

Earnings, Valuation

Our estimates for 2008 and 2009 are largely unchanged at 65p and 72p respectively. The biggest risk we see to Barclays share price performance in the near-term is not related to the risk of capital raising, dividend cut concerns or additional write-downs relating to Barclays Capital's portfolio of assets but more the risk of investor dis-interest. With the main driver of incremental profit growth in recent year, Barclays Capital, expected to offer a more muted outlook into 2008, the growth outlook for Barclays in the near-term looks to be rather dull.

Chart 1: Barclays Growth Constrained by Slower BarCap



Source: Merrill Lynch Estimates

In our opinion, the company has largely acknowledged this outcome by indicating that as far as Barclays Capital is concerned, 2008 will be a challenging year and that the environment for UK Retail banking remains subdued. However, with the stock offering a yield of 7.6% for 2008 and 8% for 2009, with, in our view, significantly diminished risk of capital raising, we think investors are being well compensated to await an upturn in earning momentum in 2009/2010e.

Applying a sum-of-parts analysis to our revised 2008 figures and incorporating a £1½bn adjustment to allow for the possibility of incremental write-downs, gives a fair value of 600p, giving 25% upside in the shares exclusive of the dividend yield.

Positives from the Results

Barclays Capital

Full year results from Barclays Capital were marginally ahead of our expectations, despite the division taking a net £100m of incremental structured finance impairment charges which were not incorporated within our estimates. Analysing the underlying revenue performance of Barclays Capital during the second half of 2008 is complicated by the number of one-off features within the results, including:

- The release of the balance sheet provision in respect of income generated on transactions that had been valued on the basis of unobservable inputs. This added £514m to revenues in the second half of 2007;
- Negative "marks" on structured credit positions reduced revenues by c.£800m in the second half of 2007;
- Revaluation of "own debt" boosted revenues by £658m in the same period.

Adjusting for these items suggests that underlying BarCap revenues were around £2.6bn in the second half of 2006. Within our forecasts for 2008, we assume a c.15% attrition from this run-rate in recognition of the fact that the last few months have witnessed significant market volatility which has been conducive to BarCap's trading performance and that this may not be sustained.

Similarly, Barclays Capital delivered a robust cost performance in the second half relative to the first, with the cost base down by c.£1bn in H2 relative to H1. Within this, we suspect that the timing of bonus accruals may have played a part. The strong revenue growth in H1 would have led to a commensurate bonus accrual which, in reality, may have proved to be more generous than necessary given the much weaker revenue environment in H2. The challenge will, therefore, be to maintain the cost discipline into 2008, if the revenue environment remains challenging, as expected.

UK Retail

The performance in the UK retail bank also surpassed our expectations with the division delivering profits some £40m (3%) ahead of our expectations. This reflected a good out-turn in both costs and impairment. The company also reaffirmed its expectation of improving productivity within the division by reducing the overall UK Banking cost:income ratio by 3% over the next three years. With the outlook for top-line growth in UK retail banking expected to be subdued over this period, we anticipate that the focus of delivery here will be on the cost line

Balance Sheet, Capital and Dividends

Despite much debate over the nature of Barclays balance sheet, the company adopted a robust line, emphasising a continued focus on the risk weighted balance sheet rather than a focus on the size of the nominal balance sheet in relation to its equity base. Reflecting this, dividend was raised by 10%

Overall capital ratios came in modestly ahead of our expectations both at the core equity Tier 1 and the Total Tier 1 level albeit that the latter was boosted by a preference issue late in the year. The group also produced an opening Basle II balance sheet which led to a modest improvement (from 5.0% to 5.1%) in the equity Tier 1 ratio and a modest decline (from 7.8% to 7.6%) in the Total Tier 1 ratio. We remain comfortable with the structure of Barclays balance sheet and do not foresee the need for substantial capital issues to recapitalise the balance sheet in the near-term. Notably, between end-June and end-December, the net increase in the balance sheet was wholly accounted for by the change in derivative balances, which is caught under a grossed up reporting due to the vagaries of IFRS. We also observe the contraction in trading portfolio assets which has been offset by increased loans and advances to customers.

Table 1: Barclays Assets - June 2007 v December 2007

£m	H1	FY	Change
Assets			
Cash and balances at central banks	4,785	**5,801**	1,016
Items in the course of collection from other banks	2,533	**1,836**	-697
Trading portfolio assets	217,573	**193,691**	-23,882
Financial assets designated at fair value			0
- held on own account	46,171	**56,629**	10,458
- held in respect of linked liabilities to customers under investment contracts	92,194	**90,851**	-1,343
Derivative financial instruments	174,225	**248,088**	73,863
Loans and advances to banks	43,191	**40,120**	-3,071
Loans and advances to customers	321,243	**345,398**	24,155
Available for sale financial investments	47,764	**43,072**	-4,692
Reverse repurchase agreements and cash collateral on securities borrowed	190,546	**183,075**	-7,471
Other assets	6,289	**5,150**	-1,139
Current tax assets	345	**518**	173
Investments in associates and joint ventures	228	**377**	149
Goodwill	6,635	**7,014**	379
Intangible assets	1,228	**1,282**	54
Property, plant and equipment	2,538	**2,996**	458
Deferred tax assets	774	**1,463**	689
Total assets	1,158,262	**1,227,361**	69,099

Source: Company Accounts

Negatives from the Results

Moderate Earnings Momentum

The key negative from the results is Barclays earning momentum which was affirmed as relatively unexciting for the next 18 months or so with the first half acknowledged as being a particularly challenging period for Barclays Capital. We think that it will be 2009 before Barclays regains the earnings level seen in 2006/07. We also expect very modest incremental growth in the UK Banking operations over this period.

Risk of Further Write-downs

While the company mounted a robust defence of the mark-to-market positions it had taken on its structured finance portfolios, we are aware that some other financial institutions have taken what appear to be more conservative revaluations of their portfolios. If Barclays were to reserve along with the most conservative in the industry, we estimate that this could lead to incremental impairment of c.£3bn. We incorporate a negative £1½ bn hit within our Sum-of-parts analysis to reflect a 50% probability of such a hit being taken.

Table 2: Barclays - Summary Profit & Loss Statement

	1H07	2H07	1H08E	2H08E	2007	2008E	2009E	2010E
Net interest income	4,589	5,021	5,106	5,325	9,610	10,431	11,214	12,086
Net fees and commissions	3,422	3,501	3,625	3,791	7,708	7,416	8,138	8,938
Dealing income	2,804	951	596	931	3,759	1,519	1,823	2,188
Life insurance income	0	0	0	0	0	0	0	0
Other	1,087	1,661	1,289	1,339	1,923	2,563	2,767	2,998
Non-interest income	7,313	6,113	5,510	6,061	13,390	11,498	12,728	14,124
Total recurring revenues	11,902	11,134	10,616	11,386	23,000	21,929	23,942	26,210
Staff expenses	-4,581	-3,646	-3,680	-3,646	-8,227	-7,327	-7,978	-8,798
Other admin. expenses	-1,893	-2,718	-2,191	-2,718	-4,611	-4,909	-5,227	-5,565
Depreciation	-227	-133	-245	-133	-360	-378	-397	-417
Other costs	-146	146	-146	146	0	0	0	0
Operating expenses	-6,847	-6,352	-6,262	-6,352	-13,199	-12,614	-13,602	-14,780
Cost/income	57.5%	57.1%	59.0%	55.8%	57.4%	57.5%	56.8%	56.4%
JAWS	-1.1%	5.9%	-2.3%	2.3%	2.3%	-0.2%	1.4%	0.8%
Gross operating profit	5,055	4,782	4,354	5,034	9,801	9,315	10,340	11,429
Loan loss provisions	-959	-1,836	-1,218	-1,198	-2,795	-2,416	-2,675	-2,731
Provisions/Total loans	0.74%	1.39%	0.89%	0.85%	1.09%	0.89%	0.93%	0.89%
Other provisions and write-offs	0	0	0	0	0	0	0	0
Op. profit post provisions	4,096	2,946	3,136	3,837	7,006	6,899	7,666	8,699
Associate income	5	37	-30	37	42	7	8	9
Business-as-usual profit	4,101	2,983	3,106	3,874	7,048	6,907	7,674	8,708
Amortisation of goodwill	0	0	0	0	0	0	0	0
Exceptionals	0	28	-28	28	0	0	0	0
Statutory profit before tax	4,101	3,011	3,078	3,902	7,048	6,907	7,674	8,708
Tax	-1,158	-823	-1,145	-823	-1,981	-1,968	-2,187	-2,482
Tax Rate	28.2%	27.3%	37.2%	21.1%	28.1%	28.5%	28.5%	28.5%
Minorities	-309	-369	-381	-369	-678	-750	-810	-809
Net profit	2,634	1,819	1,552	2,710	4,389	4,188	4,677	5,417
Reported EPS (p)	40.8	28.1	37.0	28.1	68.9	65.1	72.4	83.5
Clean EPS (p)	40.8	28.1	37.0	28.1	68.9	65.1	72.4	83.5
DPS	11.5	22.5	12.3	23.8	34.0	36.0	38.0	42.0
Weighted Avg. share no	6,460	6,360	6,509	6,409	6,410	6,434	6,459	6,484

Source: Company Data, ML Estimates

Table 3: Barclays - Divisional P&L Summary

		1H07	2H07	1H08E	2H08E	2006	2007	2008E	2009E	2010E
UK Retail	Revenues	2,121	2,176	2.194	2.242	4,346	4.297	4.436	4.555	4.680
	Expenses	-1 194	-1,269	-1.225	-1 263	-2,532	-2.463	-2 488	-2 513	-2,563
	Operating profit	927	907	969	979	1,814	1.834	1.948	2.043	2.117
	Provisions	-277	-282	-305	-322	-635	-559	-627	-678	-711
	Associates & other	1	6	3	4	2	7	7	8	8
	PBT	**651**	**631**	**667**	**661**	**1,181**	**1,282**	**1,328**	**1,373**	**1,414**
UK Business	Revenues	1,251	1,303	1,329	1.350	2,395	2.554	2.679	2,851	3,037
	Expenses	-416	-491	-455	-479	-857	-907	-934	-972	-1.010
	Operating profit	835	812	874	870	1,538	1.647	1.744	1.880	2,026
	Provisions	-123	-167	-175	-188	-252	-290	-363	-417	-479
	Associates & other	0	0	0	0	3	0	0	0	0
	PBT	**712**	**645**	**699**	**683**	**1,365**	**1,371**	**1,382**	**1,463**	**1,547**
Barclaycard	Revenues	1,233	1,253	1,301	1 369	2,514	2 486	2.670	2.882	3,118
	Expenses	-516	-585	-560	-596	-981	-1,101	-1.156	-1.214	-1.275
	Operating profit	717	668	741	772	1,533	1.385	1.513	1,668	1,843
	Provisions	-443	-395	-430	-450	-1,067	-838	-880	-924	-970
	Associates & other	-2	-5	-2	-5	-8	-7	-7	-8	-8
	PBT	**272**	**268**	**309**	**317**	**458**	**540**	**626**	**736**	**865**
Barcap	Revenues	4.153	2,966	2,175	2 469	6,267	7 119	4 644	5.272	5,999
	Expenses	-2.483	-1,490	-1,400	-1 461	-4,009	-3,973	-2,861	-3,232	-3,717
	Operating profit	1 670	1,476	775	1 008	2,258	3 146	1 783	2.040	2,281
	Provisions	-10	-836	-180	-96	-42	-846	-276	-345	-259
	PBT	**1,660**	**675**	**595**	**912**	**2,216**	**2,335**	**1,507**	**1,695**	**2,026**
BGI	Revenues	943	983	1.061	1.108	1,665	1.926	2.169	2.441	2.747
	Expenses	-555	-637	-630	-649	-951	-1,192	-1 279	-1 407	-1,547
	Operating profit	388	346	431	459	714	734	890	1.034	1,200
	PBT	**388**	**346**	**431**	**459**	**714**	**734**	**890**	**1,034**	**1,200**
	AUM (£bn)	1 003	1,044	1,100	1 175	927	1 044	1.175	1.321	1,486
Int'l	Revenues	1,646	1,877	1.954	2.061	3,255	3.523	4.015	4.396	4.816
	Expenses	-1.107	-1,249	-1,250	-1 328	-2,196	-2,356	-2,578	-2,822	-3,088
	Operating profit	539	628	704	733	1,059	1.167	1.437	1.574	1.729
	Provisions	-93	-159	-125	-135	-167	-252	-260	-300	-299
	Associates & other	1	6	1	6	49	7	7	8	8
	PBT	**447**	**475**	**580**	**604**	**941**	**922**	**1,184**	**1,282**	**1,438**
	of which ABSA PBT	308	370	390	374	689	678	764	854	996
Wealth	Revenues	635	688	693	813	1.160	1.287	1.433	1.604	1.800
	Expenses	-460	-513	-500	-551	-913	-973	-1 051	-1 135	-1,226
	Operating profit	175	175	193	263	247	314	383	470	575
	Provisions	-2	-5	-2	-6	-2	-7	-8	-8	-9
	PBT	**173**	**170**	**191**	**257**	**245**	**307**	**375**	**461**	**566**

Source Company Data, ML Estimates

Price objective basis & risk

Barclays (BCLYF/BCS)

We rate Barclays a Buy with a 600p price objective. This price objective is determined by applying sector-consistent PER multiples to individual business lines within our sum-of-parts analysis. Notably, Barclays Capital is valued at 8x our revised 2008e earnings estimates.

Risks to attaining our price objective are derived from the likelihood of earnings falling short of expectations. This could arise from either weakness in the UK economy leading to higher impairment charges or weakness in capital markets revenues which would impact upon the investment bank, Barclays Capital.

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iQmethod[SM] Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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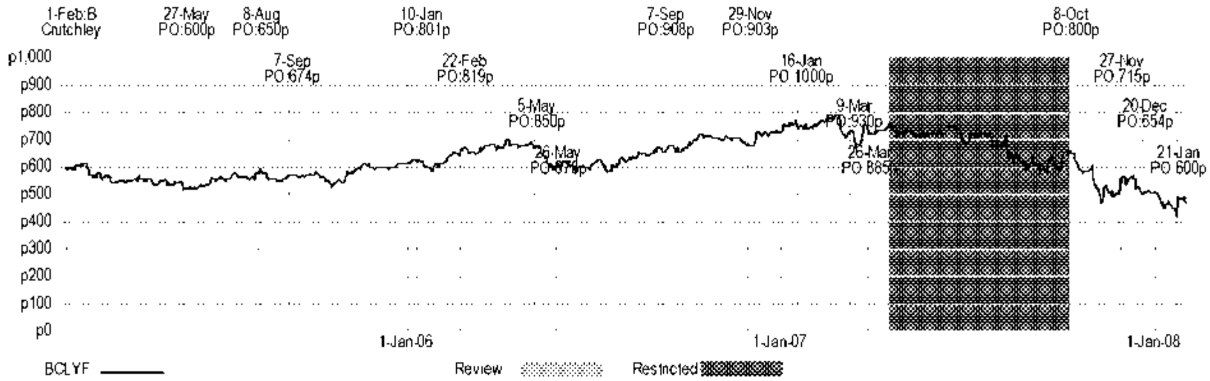

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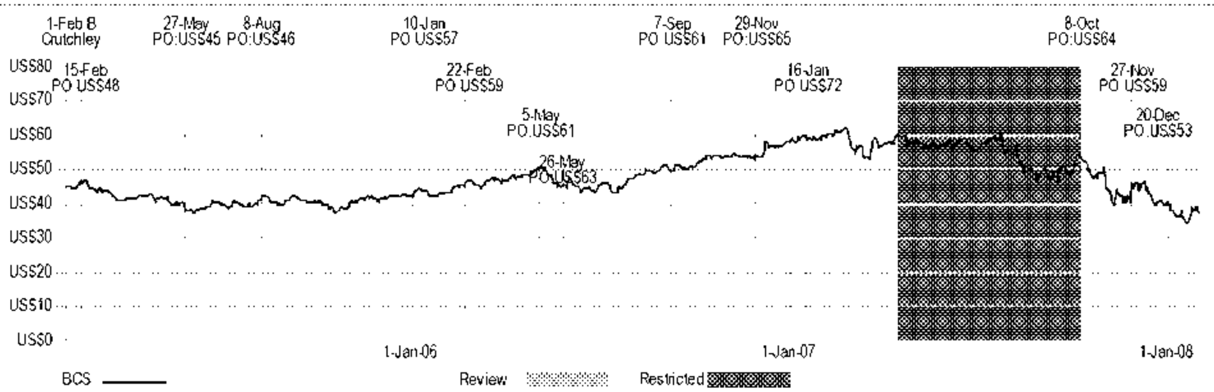
BCS Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	123	42.27%	Buy	49	49.00%
Neutral	129	44.33%	Neutral	63	57.27%
Sell	39	13.40%	Sell	25	67.57%

Investment Rating Distribution: Global Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1714	46.25%	Buy	445	29.10%
Neutral	1653	44.60%	Neutral	454	30.55%
Sell	339	9.15%	Sell	67	21.82%

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Industry Overview

Equity | Pan-Europe | Banks-Multinational/Universal
02 April 2008

UK Bank Mean Reversion Trade

Merrill Lynch

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Time to short Lloyds TSB against Barclays (or RBS)?

An expectation of mean reversion in the UK would argue for a long Barclays (or RBS) position relative to Lloyds TSB. We have a 12-month fundamental Neutral rating on Lloyds TSB. Barclays is our only buy within the UK domestic banks as we believe that concerns over capital and dividend are overdone and that the long-term growth rate of the business will be higher than its more domestic peers.

Industry update reassuring

The main UK clearing banks all presented at a competitor conference yesterday. Feedback suggests that while each was aware of the challenges facing the UK banking industry over the next 12 months, they were confident of their ability to manage through these headwinds. The first day of Q2 also saw considerable additional write-downs from UBS and, to a lesser extent DBK, but neither of Barclays or RBS felt the need to update the market on significant impairments.

While we understand the capital market environment was tough in March, additional structured credit write-downs look likely to be a fraction of the Q4 level rather than a multiple and may well be partially offset by gains elsewhere in the business. If this is the case then, it is our expectation that the UK banks will not be compelled to raise additional capital for balance sheet repair. Against this background, it is interesting to look at the relative performance amongst the UK clearing banks. Lloyds TSB has significantly outperformed both Barclays (by c.20%) and RBS (by c.30%) since the credit crisis began last August.

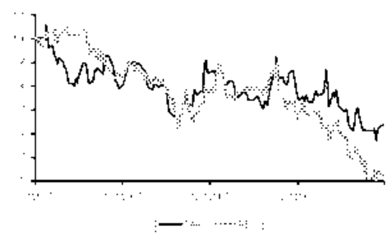
Reasons for Lloyds TSB's outperformance might unwind

Lloyds TSB has been supported by its perceived balance sheet defensiveness with a low loan to deposit ratio and capital strength. As the relative benefit of this begins to diminish, we see scope for mean reversion to unwind a degree of the out-performance that Lloyds TSB has enjoyed. In particular, we note that:

- The share prices of Lloyds TSB and Barclays are practically equal at 480p. Despite this, consensus earnings are around 52p for Lloyds TSB in 2008 compared to 67p at Barclays, a difference of 29%.
- The earnings expectations for Lloyds TSB and RBS are broadly similar in 2008/09 (after integration costs at RBS) with 50p and 61p at RBS contrasting with 52p and 57p at Lloyds TSB. However, in share price terms, Lloyds TSB costs 33% more than RBS.

Lloyds TSB has historically traded at a 10% premium to RBS and Barclays. Mean reversion gives scope for up to 20% of relative performance through this trade.

Chart 1: Barclays and RBS relative to Lloyds TSB since August 2007



Source: Datastream

Lloyds TSB LLDTF, A-2-7, 451p
Barclays BCLYF, B-1-7, 453p
Royal Bank of Scotland RBSPF, A-2-7, 337.3p

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2. 10711212

Price objective basis & risk

Barclays (BCLYF/BCS)

We rate Barclays a Buy with a 600p price objective. This price objective is determined by applying sector-consistent PER multiples to individual business lines within our sum-of-parts analysis. Notably, Barclays Capital is valued at 8x our revised 2008e earnings estimates.

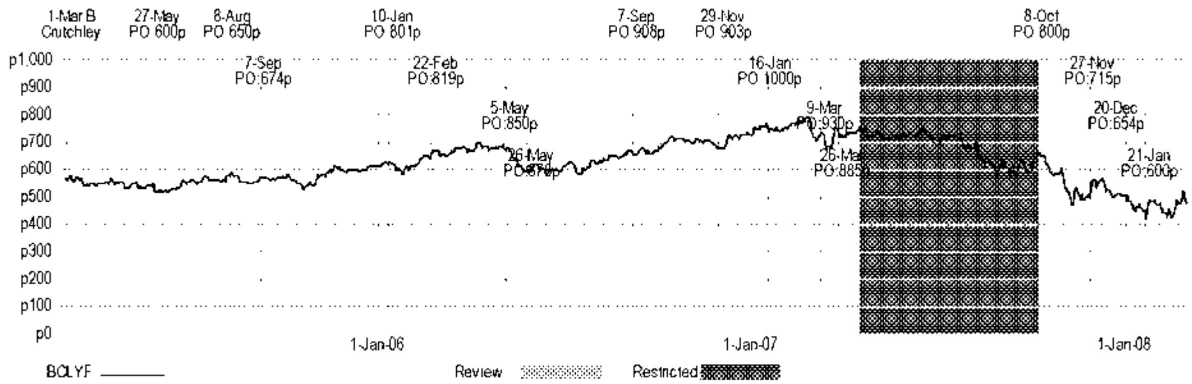
Risks to attaining our price objective are derived from the likelihood of earnings falling short of expectations. This could arise from either weakness in the UK economy leading to higher impairment charges or weakness in capital markets revenues which would impact upon the investment bank, Barclays Capital.

Analyst Certification

I, John-Paul Crutchley, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Important Disclosures

BCLYF Price Chart



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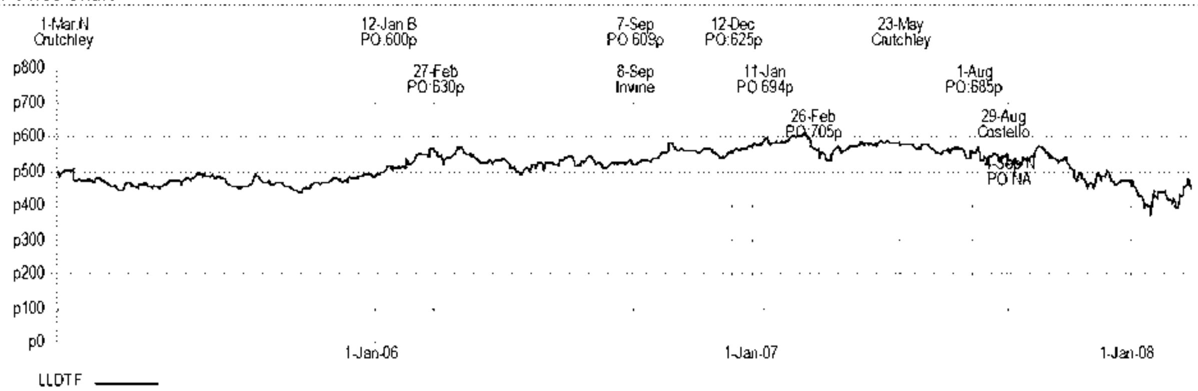
LLDTF Price Chart



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Investment Rating Distribution: Banks Group (as of 01 Apr 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	121	42.01%	Buy	47	47 96%
Neutral	116	40.28%	Neutral	54	55 10%
Sell	51	17 71%	Sell	29	60 42%

Investment Rating Distribution: Global Group (as of 01 Apr 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1696	46 36%	Buy	420	27 80%
Neutral	1600	43 74%	Neutral	417	28 92%
Sell	362	9 90%	Sell	79	23 80%

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Barclays

Looking Beyond BarCap

Price Objective Change **BUY**

Equity | United Kingdom | Banks-Retail
28 November 2007

Merrill Lynch

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Reassuring update

Barclays trading update provided reassurance that while the Barclays share price has been almost wholly driven by sentiment towards BarCap over recent months, the rest of the business continues to make good progress. Following this trading update and the previous guidance on BarCap, we have modestly (-0.8%) downgraded this year's EPS estimate and modestly upgraded (+0.5%) our 2008 EPS forecasts. Against this, the precipitous decline in Barclays share price in recent months and concern over profit warnings, with hindsight, look overdone.

Lowering price objective on lower market valuations

While we realise the argument can be sometimes circular, we are trimming a number of our target multiples within our SOTP to reflect the lower market ratings across the European banks sector. We have reduced the target multiple on Commercial Banking and Barclaycard to 9x, in line with Retail Banking. We previously gave Commercial Banking a higher multiple to reflect a higher growth expectation and Barclaycard a higher multiple to reflect cyclically depressed earnings. Given the uncertainties in the UK bank sector outlook for 2008, we feel it unlikely that the market will differentiate and hence the harmonisation of ratings across the business. We have also reduced the BarCap multiple to 8.4x 2008e. As before, we use the market multiple on Deutsche as our proxy for BarCap. Our new price objective is 715p, offering near 40% upside potential.

Estimates (Dec)

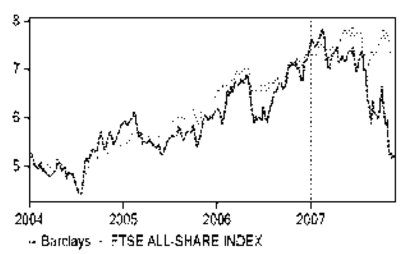
(£)	2005A	2006A	2007E	2008E	2009E
	IFRS	IFRS	IFRS	IFRS	IFRS
Net Profit	3,447	4,625	4,437	5,002	5,666
EPS (Adjusted Diluted)	57.9	67.7	69.5	78.1	88.1
EPS Reported	54	73	70	78	88
Dividend / Share	26.6	31.0	34.5	39.0	44.0
Adjusted NAV PS	156	192	229	270	316
ADR EPS (Adjusted Diluted - US$)	4.21	4.98	5.75	6.46	7.29
ADR Dividend / Shares (US$)	1.93	2.28	2.85	3.23	3.64

Valuation (Dec)

	2005A	2006A	2007E	2008E	2009E
P/E	9.1x	7.7x	7.5x	6.7x	5.9x
EPS Change (YoY)	4.81%	17.0%	2.73%	12.3%	12.9%
Price / BV	1.95x	1.72x	1.48x	1.33x	1.19x
Price / NAV	3.35x	2.72x	2.29x	1.94x	1.66x
Net Yield	5.08%	5.92%	6.58%	7.44%	8.40%
DPS Change (YoY)	10.8%	16.5%	11.3%	13.0%	12.8%
Price / GOP	4.71x	3.71x	3.41x	3.35x	3.06x

Stock Data

Price (Common / ADR)	524.00p / US$40.38
Price Objective	800.00p to 715.00p / US$64.00 to US$58.60
Date Established	28-Nov-2007 / 28-Nov-2007
Investment Opinion	A-1-7 / A-1-7
Volatility Risk	LOW / LOW
52-Week Range	442.00p-794.00p
Market Value (mn)	£34,228
Shares Outstanding (mn)	6,532.0 / 1,633.0
Average Daily Volume	86,673,096
ML Symbol / Exchange	BCLYF / LSE
ML Symbol / Exchange	BCS / NYS
Bloomberg / Reuters	BARC LN / BARC.L
ROE (2007E)	20.7%
Total Dbt to Cap (Dec-2006A)	0%
Est. 5-Yr EPS / DPS Growth	12.0% / 10.0%
Free Float	100.0%



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iQprofile℠ Barclays

Key Income Statement Data (Dec) (£ Millions)	2005A IFRS	2006A IFRS	2007E IFRS	2008E IFRS	2009E IFRS
Net Interest Income	**8,075**	**9,149**	**9,456**	**10,280**	**11,149**
Net Fee Income	5,705	7,177	6,936	7,704	8,510
Securities Gains / (Losses)	2,321	3,614	5,521	3,837	4,221
Other Income	1,232	1,743	1,603	2,284	2,419
Total Non-Interest Income	**9,258**	**12,534**	**14,060**	**13,826**	**15,150**
Total Operating Income	**17,333**	**21,683**	**23,515**	**24,105**	**26,299**
Operating Expenses	(10,367)	(12,708)	(13,707)	(14,097)	(15,279)
Pre-Provision Profit	**6,966**	**8,975**	**9,808**	**10,008**	**11,020**
Provisions Expense	(1,571)	(2,154)	(2,622)	(1,962)	(1,960)
Operating Profit	**5,395**	**6,821**	**7,186**	**8,047**	**9,060**
Non-Operating Items	(115)	369	(2.15)	(2.26)	(2.37)
Pre-Tax Income	**5,280**	**7,190**	**7,184**	**8,044**	**9,058**
Net Income to sh/holders	3,447	4,625	4,437	5,002	5,666
Adjusted Cash Earnings	**3,666**	**4,302**	**4,437**	**5,002**	**5,666**
Key Balance Sheet Data					
Total Assets	924,357	996,787	1,193,372	1,265,189	1,341,640
Average Interest Earning Assets	274,845	294,177	312,614	333,913	357,646
Weighted Risk Assets	**269,148**	**305,891**	**370,681**	**410,949**	**455,935**
Total Gross Customer Loans	271,471	285,404	341,967	362,417	384,056
Total Customer Deposits	238,684	256,754	272,159	288,489	305,798
Tier 1 Capital	**15,444**	**18,895**	**23,005**	**26,911**	**30,224**
Tangible Equity	10,135	12,523	14,952	17,705	20,824
Common Shareholders' Equity	**17,426**	**19,830**	**23,132**	**25,885**	**29,004**
Key Metrics					
Net Interest Margin	2.94%	3.11%	3.02%	3.08%	3.12%
Tier 1 Ratio	**5.74%**	**6.18%**	**6.21%**	**6.55%**	**6.63%**
Effective Tax Rate	27.3%	27.0%	28.5%	28.5%	28.5%
Loan / Assets Ratio	29.1%	28.3%	28.3%	28.3%	28.3%
Loan / Deposit Ratio	**113%**	**110%**	**124%**	**124%**	**124%**
Oper Leverage (Inc Growth - Cost Growth)	0.14%	2.52%	0.59%	-0.33%	0.72%
Gearing (Assets / Equity)	53.0x	50.3x	51.6x	48.9x	46.3x
Tangible Equity / Assets	1.10%	1.26%	1.25%	1.40%	1.55%
Tangible Equity / WRAs	3.77%	4.09%	4.03%	4.31%	4.57%
Business Performance					
Revenue Growth	24.3%	25.1%	8.45%	2.51%	9.10%
Operating Expense Growth	24.2%	22.6%	7.86%	2.84%	8.38%
Provisions Expense Growth	43.7%	37.1%	21.7%	-25.2%	-0.08%
Operating Revenue / Average Assets	0.75%	0.71%	0.66%	0.65%	0.70%
Operating Expenses / Average Assets	-1.43%	-1.32%	-1.25%	-1.15%	-1.17%
Pre-Provision ROA	**0.96%**	**0.93%**	**0.90%**	**0.81%**	**0.85%**
ROA	0.48%	0.48%	0.41%	0.41%	0.43%
Pre-Provision ROE	**40.0%**	**48.2%**	**45.7%**	**40.8%**	**40.2%**
ROE	19.8%	24.8%	20.7%	20.4%	20.6%
RoTE	31.5%	38.0%	32.3%	30.6%	29.4%
RoWRAs	1.50%	1.50%	1.31%	1.28%	1.31%
Dividend Payout Ratio	46.0%	45.8%	49.6%	49.9%	49.9%
Efficiency Ratio (Cost / Income Ratio)	**59.4%**	**58.6%**	**58.3%**	**58.5%**	**58.1%**
Quality of Earnings					
Total Non-Interest Inc / Operating Inc	**53.4%**	**57.8%**	**59.8%**	**57.4%**	**57.6%**
Market-Related Revenue / Total Revenues	13.4%	16.7%	23.5%	15.9%	16.0%
Provisioning Burden as % of PPP	22.5%	24.0%	26.7%	19.6%	17.8%
NPLs plus Foreclosed Real Estate / Loans	1.91%	1.86%	1.64%	1.64%	1.64%
Loan Loss Reserves / NPLs	**50.2%**	**59.0%**	**71.9%**	**69.7%**	**65.6%**
Loan Loss Reserves / Total Loans	0.96%	1.10%	1.18%	1.15%	1.08%
Provisions Expense / Average Loans	**0.68%**	**0.78%**	**0.85%**	**0.56%**	**0.53%**

Company Description

Barclays incorporates a wide range of banking activities including personal and corporate lending, leasing, insurance, personal financial services, private and investment banking, and asset management. Around 70% of group assets are UK based, with around 10% each in Europe, the US, and the rest of the world.

Stock Data

Shares / ADR	4.00
Price to Book Value	1.5x

Reassuring Update

Barclays trading update provided reassurance that while the Barclays share price has been almost wholly driven by sentiment towards BarCap over recent months, the rest of the business continues to make good progress.

Perhaps, the biggest positive surprise in the trading update was the tone of the message on unsecured consumer quality. Given the uncertain outlook for the UK consumer into 2008, we would not have been surprised to hear a more cautious message on the trends in the consumer finance books. However, the indication that delinquency trends continue to improve and that the flow into various collection buckets continues to trend down suggests a more benign outcome.

Capital strength remains a market concern. The Tier 1 has fallen since the first half (was 7.7% and now guiding to 7.25% by year-end). There appears to many moving parts but based on the call this principally reflects a spike in risk assets in H2 driven by three factors:

- They have retained some assets that they had intended to sell - keeping because they don't want to sell at "uneconomic" levels.
- Some markets which they would have used to distribute assets e.g. securitisation are closed.
- There has been a FX translation impact on rand and euro lending due to recent strength in these currencies relative to £.

Tier 1 capital has been boosted by £400m net gain from issuing 335m shares at around 720p to Temasek and Chinese and then buying back at lower levels. In the second half they have also issued c.£1.3bn of non equity tier 1 (pref and RCI).

The Group appears sensitive to the market's obsession with equity to asset ratios (which is optically very low at Barclays), but do not believe there is any long term correlation between balance sheet and rating and appear willing to keep this under review. We remain comfortable with overall capital ratios and suspect that a greater degree of capital tension in the business will focus the group on the capital allocation/return trade-off in 2008.

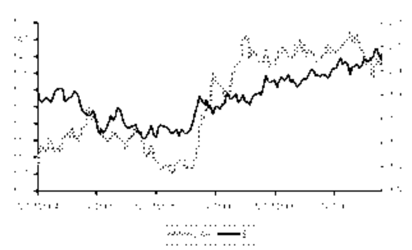
Momentum underpins 2008 delivery

The trading statement was peppered with positive superlatives to describe the momentum within the business; including

- "excellent" profit growth at Barclays Wealth;
- "good growth" in UK banking PBT;
- "strong" PBT growth in Barclaycard and BGI;
- "very strong" revenue growth in International Retail Banking.

While there are headwinds to overall EPS delivery in 2007 of which the most significant is the BarCap securities write-downs, the group has also had to contend with the impact of US$ and Rand currency depreciation which has reduced the contribution from BGI and ABSA (when compared with H2 2006) respectively.

Chart 1: US$ and ZAR Fx v £



Source: Datastream

EPS forecasts largely unchanged, BarCap still the question in 2008

Within our forecasts, the hardest call is on the outlook for BarCap in 2008. Our thinking here is conditioned by the following points;

- BarCap will not be immune from industry trends which we expect to remain challenging in 2008;
- Barcap clearly delivered extraordinarily good revenues in H2 prior to the securities write-downs. A rough estimate suggests that pre-writedowns BarCap is on track to deliver H2 PBT of c.£1.8bn which would have surpassed the record £1.66bn seen in H1.However, a degree of this H2 profit will be due to the extreme volatility of recent months which may not be repeated in 2008.

As a consequence, our working assumption, at this stage, is that BarCap delivers a 30% fall in trading revenues in 2008 which together with a reduced cost base reflecting a lower bonus accrual delivers a net 4% increase in BarCap PBT in 2008 once the impact of securities write-downs falls away.

Following this trading update and the previous guidance on BarCap, we have modestly (-0.8%) downgraded to this years EPS estimate and modestly upgraded (+0.5%) our 2008 EPS forecasts. Against this, the precipitous decline in Barclays share price in recent months and concern over profit warnings, with hindsight, looks overdone.

Lowering price objective on lower market valuations but still significant upside

While we realise the argument can be sometimes circular, we are trimming a number of our target multiples within our SOTP to reflect the lower market ratings across the European banks sector.

We have reduced the target multiple on Commercial Banking and Barclaycard to 9x, in line with Retail Banking. We previously gave Commercial Banking a higher multiple to reflect a higher growth expectation and Barclaycard a higher multiple to reflect cyclically depressed earnings. Given the uncertainties in the UK bank sector outlook for 2008, we feel it unlikely that the market will be unlikely to differentiate. We have also reduced the BarCap multiple to 8.4x. As before, we use the market multiple on Deutsche as our proxy for BarCap. Our new price objective is 715p, offering near 40% upside potential.

Chart 2: Replace this text

Business unit	Allocated Tangible Equity 08E	% of Group	RoAdjE 08E	2008 Net income	of group	P/E (X)	P/B (X)	(£ mn)	share (p)	of group
UK Retail Banking	2439	12%	45.5%	938	19%	9.0	3.5	8446	131.8	18%
UK Business Banking	2968	15%	37.4%	930	19%	9.0	2.8	8373	130.7	18%
Barclaycard	1510	8%	41.9%	526	11%	9.0	3.1	4738	74.0	10%
International	2799	14%	17.2%	398	8%	10.0	1.4	3975	62.1	9%
Wealth	386	2%	77.1%	242	5%	10.0	6.3	2423	37.8	5%
Barclays Global Investors	326	2%	216.8%	578	12%	12.0	21.3	6937	108.3	15%
Barclays Capital	10232	52%	17.0%	1425	28%	8.4	1.2	11967	186.8	26%
Surplus capital	-1149	-6%	4.0%	-36	-1%	NM	1.0	-1149	-17.9	-3%
ML total	19,512	100%	29.6%	5,002	100%	9.1	2.3	45,710	714	100%
Adjustments	3,620			0						
Exceptional items	NM			0						
IAS 19 pension deficit								0	0	
Group reported	23,132			5,002	100%	9.1	2.0	45,710	714	100%

Current share price (p)	520
Year end share number	6357
Market cap	33056
Implied upside / downside (12-month)	37.2%

Source: Replace this text

Table 1: Summary Profit & Loss Statement

	1H06	2H06	1H07	2H07E	2005	2006	2007E	2008E
Net interest income	4 404	4,745	4,589	4 867	8.075	9,149	9 456	10,280
Net fees and commissions	3 209	3,195	3,422	3 514	5 705	7,177	6 936	7,704
Dealing income	2.209	1.414	2.804	2 789	2.321	3.614	5 521	3.837
Life insurance income	0	0	0	0	0	0	0	0
Other	1 147	1,360	1,087	488	1.232	1,743	1 603	2,284
Non-interest income	6 565	5,969	7,313	6 791	9 258	12,534	14 060	13,826
Total recurring revenues	10.969	10,714	11,902	11 657	17.333	21,683	23 515	24,105
Staff expenses	-4.147	-4,022	-4,581	-4 155	-6.318	-8,169	-8 736	-8.809
Other admin expenses	-1 916	-2,416	-1,893	-2 718	-3,768	-4,332	-4 611	-4,909
Depreciation	-207	-136	-227	-133	-312	-343	-360	-378
Other costs	25	111	-146	146	110	136	0	0
Operating expenses	-6 245	-6,463	-6,847	-6 860	-10,288	-12 708	-13,707	-14.097
Cost/income	56 9%	60 3%	57 5%	58 9%	59 4%	58.6%	58.3%	58 5%
JAWS	0 5%	1 7%	-1 1%	2.7%	-3 5%	1 6%	0.6%	-0 3%
Gross operating profit	4.724	4.251	5,055	4 797	7,045	8,975	9 808	10.008
Loan loss provisions	-1.057	-1.097	-959	-1 663	-1.571	-2.154	-2 622	-1.962
Provisions/Total loans	0 86%	0 88%	0.74%	1.26%	0 73%	0.88%	1.02%	0 72%
Other provisions and write-offs	0	0	0	0	0	0	0	0
Op. profit post provisions	3,667	3,154	4,096	3 134	5 474	6,821	7 186	8,047
Associate income	30	16	5	-7	45	46	-2	-2
Business-as-usual profit	3.697	3.170	4,101	3 127	5.519	6,867	7 184	8.044
Amortisation of goodwill	0	0	0	0	-79	0	0	0
Exceptionals	-23	346	0	0	-160	323	0	0
Statutory profit before tax	3 674	3,516	4,101	3 127	5 280	7,190	7 184	8,044
Tax	-1 072	-869	-1,158	-889	-1.439	-1,941	-2 047	-2,293
Tax Rate	29 2%	24 7%	28 2%	28 4%	27 3%	27.0%	28 5%	28 5%
Minorities	-294	-330	-309	-391	-394	-624	-700	-750
Net profit	2.308	2.317	2.634	1 847	3.447	4.625	4 437	5.002
Reported EPS (p)	36.3	36.4	41 1	28 4	54.4	72 8	69.5	78.1
Clean EPS (p)	36 6	31.7	41 1	28 4	57.8	68 3	69.5	78.1
DPS	10 5	20 5	11 5	23 0	26 6	31 0	34.5	39.0
Weighted Avg share no	6.354	6.360	6.403	6 360	6.337	6.357	6 381	6.406

Source Company Data, ML Estimates

Table 2: Divisional P&L Summary

		1H06	2H06	1H07	2H07E	2006	2007E	2008E
UK Retail	Revenues	2,109	2,237	2,121	2,175	4,346	4,296	4,607
	Expenses	-1,203	-1,329	-1,194	-1,338	-2,532	-2,532	-2,608
	Operating profit	906	908	927	837	1,814	1,764	1,999
	Provisions	-306	-329	-277	-248	-635	-525	-528
	Associates & other	0	2	1	1	2	2	2
	PBT	**600**	**581**	**651**	**591**	**1,181**	**1,242**	**1,473**
UK Business	Revenues	1,154	1,241	1,251	1,314	2,395	2,565	2,760
	Expenses	-402	-455	-416	-492	-857	-908	-972
	Operating profit	752	786	835	821	1,538	1,656	1,788
	Provisions	-100	-152	-123	-159	-252	-282	-296
	Associates & other	2	1	0	3	3	3	3
	PBT	**654**	**635**	**712**	**665**	**1,365**	**1,377**	**1,495**
Barclaycard	Revenues	1,258	1,256	1,233	1,331	2,514	2,564	2,820
	Expenses	-445	-536	-516	-563	-981	-1,079	-1,187
	Operating profit	813	720	717	768	1,533	1,485	1,633
	Provisions	-488	-579	-443	-421	-1,067	-864	-778
	Associates & other	1	-9	-2	-6	-8	-8	-9
	PBT	**326**	**132**	**272**	**340**	**458**	**612**	**846**
Barcap	Revenues	3,437	2,830	4,153	3,232	6,267	7,385	6,475
	Expenses	-2,121	-1,888	-2,483	-1,967	-4,009	-4,450	-4,094
	Operating profit	1,316	942	1,670	1,265	2,258	2,935	2,381
	Provisions	-70	28	-10	-724	-42	-734	-92
	PBT	**1,246**	**970**	**1,660**	**541**	**2,216**	**2,201**	**2,289**
BGI	Revenues	845	820	943	966	1,665	1,909	2,176
	Expenses	-481	-470	-555	-539	-951	-1,094	-1,247
	Operating profit	364	350	388	428	714	816	929
	PBT	**364**	**350**	**388**	**428**	**714**	**816**	**929**
	AUM (£bn)	877	927	1,003	1,057	927	1,057	1,205
Int'l	Revenues	1,611	1,726	1,646	1,894	3,337	3,540	3,850
	Expenses	-1,058	-1,138	-1,107	-1,255	-2,196	-2,362	-2,584
	Operating profit	553	588	539	638	1,141	1,177	1,266
	Provisions	-68	-99	-93	-117	-167	-210	-260
	Associates & other	27	22	1	0	49	1	1
	PBT	**512**	**511**	**447**	**521**	**1,023**	**968**	**1,007**
	of which ABSA PBT	311	378	308	335	689	644	694
Wealth	Revenues	578	582	635	718	1,160	1,309	1,456
	Expenses	-448	-465	-460	-526	-913	-986	-1,065
	Operating profit	130	117	175	192	247	323	391
	Provisions	-1	-1	-2	0	-2	-2	-2
	PBT	**129**	**116**	**173**	**192**	**245**	**321**	**389**

Source: Company Data, ML Estimates

Table 3: Key Data

	1H06	2H06	1H07	2H07E	2005	2006E	2007E	2008E	2009E
Margins & returns									
Domestic margin	3.66%	3.71%	3.50%	3.71%	3.60%	3.69%	3.61%	3.66%	3.70%
International margin	1.70%	1.99%	1.90%	1.66%	0.87%	0.89%	0.89%	0.89%	0.89%
Group net interest margin	2.89%	3.16%	2.87%	2.86%	2.83%	3.02%	2.93%	2.98%	3.01%
% change YoY	12.0%	2.7%	-0.8%	-9.4%	9.1%	6.9%	-3.0%	1.6%	1.2%
Risk adjusted margin	2.19%	2.43%	2.27%	1.88%	2.28%	2.31%	2.12%	2.41%	2.48%
% change YoY	5.1%	-1.5%	3.3%	-22.5%	4.5%	1.5%	-8.3%	13.7%	3.1%
RoRWAs	1.66%	1.35%	1.64%	1.07%	1.51%	1.51%	1.31%	1.28%	1.31%
ROAs	0.49%	0.41%	0.49%	0.31%	0.45%	0.45%	0.41%	0.41%	0.43%
Volumes									
Total assets (£bn)	986.1	996.8	1,158.3	1,193.4	924.4	996.8	1,193.4	1,265.2	1,341.6
Total loans (£bn)	282.1	282.3	321.2	338.0	268.9	282.3	338.0	358.3	380.0
% change YoY	19.0%	5.0%	13.9%	19.7%	27.5%	5.0%	19.7%	6.0%	6.0%
Total RWAs (£bn)	290.9	305.9	318.0	370.7	269.1	305.9	370.7	410.9	455.9
% change YoY	20.0%	13.7%	9.3%	21.2%	23.9%	13.7%	21.2%	10.9%	10.9%
Total deposits (£bn)	253.2	256.8	292.4	272.2	238.7	256.8	272.2	288.5	305.8
AIEA (£bn)	305.0	300.3	320.2	340.1	285.7	302.7	322.6	345.3	370.0
Reported Equity	17,988	19,830	20,973	23,132	17,426	19,830	23,132	25,885	29,004
Asset Quality									
NPLs	5,198	5,261	5,407	5,554	5,135	5,261	5,554	5,886	6,236
NPLs/Loans	1.84%	1.86%	1.68%	1.64%	1.91%	1.86%	1.64%	1.64%	1.64%
Annualised charge/Loans	0.86%	0.88%	0.74%	1.26%	0.73%	0.88%	1.02%	0.72%	0.68%
Balance sheet provisions	2,840	3,104	3,548	3,992	2,575	3,104	3,992	4,103	4,090
Provisions/NPLs	55%	59%	66%	72%	50%	59%	72%	70%	66%
Capital									
Tier 1 capital	21,017	23,005	24,469	26,911	18,895	23,005	26,911	30,224	33,988
Tier 1 ratio	7.2%	7.5%	7.7%	7.3%	7.0%	7.5%	7.3%	7.4%	7.5%
Total BIS Capital	33,715	34,711	37,442	40,778	30,502	34,711	40,778	44,635	48,963
BIS total capital ratio	11.6%	11.3%	11.8%	11.0%	11.3%	11.3%	11.0%	10.9%	10.7%
Pref as % of Tier 1	25.5%	31.0%	21.9%	30.6%	30.8%	31.0%	30.6%	27.2%	24.2%
EV as % of Tier 1	0.0%	0.0%	100.0%	200.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Core Equity Tier 1 ratio	5.4%	5.2%	6.0%	5.0%	4.9%	5.2%	5.0%	5.4%	5.7%
Mortgage data									
Net lending	-300	2,800	1,500	2,000	-2,100	1,000	2,500	3,500	3,500
Stock	59,300	63,100	64,600	70,100	59,600	60,600	63,100	66,600	70,100
Net lending mkt. Share	-0.8%	7.5%	4.0%	5.3%	-2.3%	1.3%	3.2%	4.3%	4.3%
Stock mkt. Share	5.9%	6.1%	6.0%	6.3%	6.2%	5.8%	5.6%	5.5%	5.8%

Source: Company Data, ML Estimates

Price objective basis & risk

Barclays (BCLYF/BCS)

We rate Barclays a Buy with a 715p (US$58.60/ADR) price objective. This price objective is determined by applying sector-consistent PER multiples to individual business lines within our sum-of-parts analysis. At 800p Barclays dividend yield would be 5% for 2008e, which is consistent with current money market rates, long-term trends and expected growth.

Risks to attaining our price objective are derived from the likelihood of earnings falling short of expectations. This could arise from either weakness in the UK economy leading to higher impairment charges or weakness in capital markets revenues which would impact upon the investment bank, Barclays Capital.

Analyst Certification

I, John-Paul Crutchley, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

iQmethod SM Measures Definitions

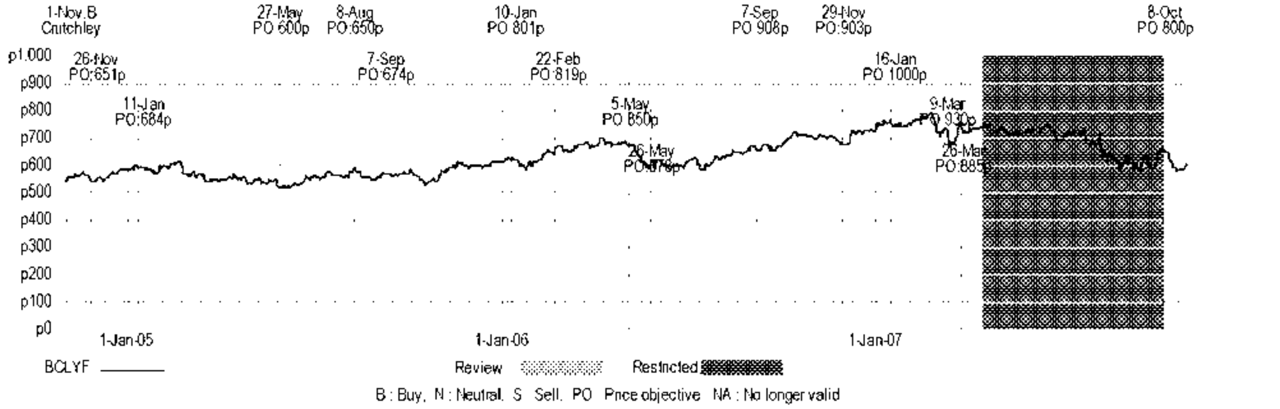
Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod SM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings Business Performance, Quality of Earnings, and validations The key features of iQmethod are A consistently structured, detailed, and transparent methodology Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls

iQdatabase ® is our real-time global research database that is sourced directly from our equity analysts earnings models and includes forecasted as well as historical data for income statements balance sheets, and cash flow statements for companies covered by Merrill Lynch

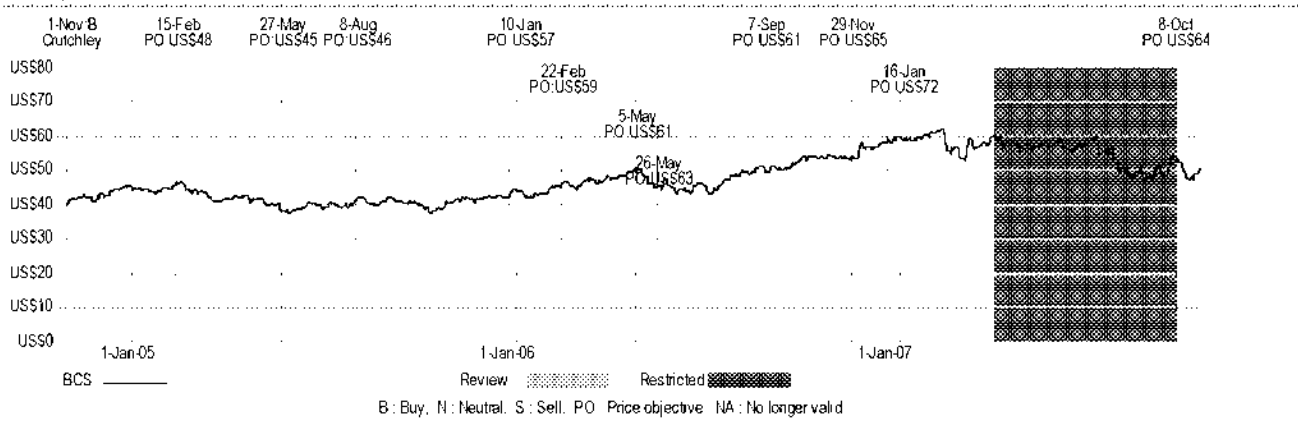
Important Disclosures

BCLYF Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key" Dark Grey shading indicates the security is restricted with the opinion suspended Light Grey shading indicates the security is under review with the opinion withdrawn Chart current as of October 31, 2007 or such later date as indicated.

BCS Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key" Dark Grey shading indicates the security is restricted with the opinion suspended Light Grey shading indicates the security is under review with the opinion withdrawn Chart current as of October 31, 2007 or such later date as indicated.

Investment Rating Distribution: Banks Group (as of 01 Oct 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	130	45.94%	Buy	55	52 88%
Neutral	121	42 76%	Neutral	60	57 14%
Sell	32	11.31%	Sell	19	63 33%

Investment Rating Distribution: Global Group (as of 01 Oct 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1701	47 03%	Buy	437	29 15%
Neutral	1611	44 54%	Neutral	425	29 11%
Sell	305	8 43%	Sell	58	21 09%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

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From: Doyle, Richard N (IBK EMEA) [richard_doyle@ml.com]
Sent: Thursday, April 3, 2008 2:09 PM
To: jack.d.mcspadden@citi.com
Cc: Davidson, AJ (IBK EMEA); Pass, Matthew (IBK EMEA)
Subject: FW: Barclays - DD
Attachments: Barclays - Citi quity research.pdf

Jack - thanks. We also were just looking at a similar analysis put together for Matt King's November 6th report - obviously before the full storm.
AJ Davidson with our bankers will be on the call and will ask.

Are the US counsels also listening passively?

RD

-----Original Message-----
From: Mcspadden, Jack D [mailto:jack.d.mcspadden@citi.com]
Sent: Thursday, April 03, 2008 2:41 PM
To: Doyle, Richard N (IBK EMEA)
Subject: Barclays

Rick

Attached is the research report we were discussing. Table in question is on the bottom of page 5. Thanks for acting as point on these questions. Lets hope they give a bit of clarity.

Jack

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Company Focus

20 February 2008 | 20 pages

Barclays PLC (BARC.L)

Estimate change ☑

Relief Rally Overdone

- **No new black holes discovered** — New disclosure and the apparent absence of new problem areas has injected a degree of confidence that further credit market related losses will remain manageable. Although this may yet prove optimistic, with significant 'Alt A' and other US subprime-related exposures remaining on balance sheet, we do not view this as the single most pressing issue facing the group.

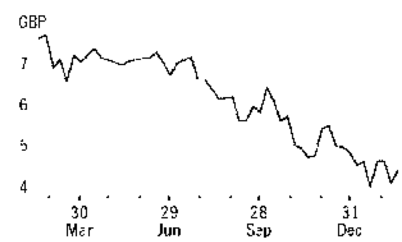
- **Lack of revenue growth drivers a major concern** — We estimate that underlying revenue growth in 2H07 at Barclays Capital fell to c2% yoy and would not expect conditions to significantly ease in 2008, despite an expectation of lower credit related write-downs overall. We struggle to see where the lost ground can be meaningfully recovered, with both domestic and international businesses currently facing headwinds elsewhere in the group

- **Balance sheet leverage unresolved** — While raising additional non equity capital has increased the Tier 1 ratio to 7.8%, well ahead of the company's targeted 7.25%, has also increased balance sheet gearing with non equity instruments now constituting 35% of Tier 1 capital. In addition we expect organic capital rebuild to be limited with the Equity Tier 1 ratio rising from 5.1% to only 5.3% by 2010E, a factor we expect to remain a drag on the group's rating.

- **400p target price unchanged, retain Sell** — We have cut underlying EPS by 1% to 64.5p in 2008E. Our new estimates for both tNAV (259p) and EPS lead us to maintain our target price at 400p and we retain our Sell (3M) recommendation.

Sell/Medium Risk	**3M**
Price (19 Feb 08)	£4.77
Target price	£4.00
Expected share price return	-16.1%
Expected dividend yield	7.7%
Expected total return	**-8.4%**
Market Cap	£31,367M
	US$61,237M

Price Performance (RIC: BARC.L, BB: BARC LN)



	2008E			2009E			2010E		
£m, unless stated	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	24,467	24,037	2%	26,050	25,445	2%	27,855	26,934	3%
Costs	(14,635)	(14,277)	-2%	(16,063)	(15,607)	-3%	(17,172)	(16,680)	-3%
Operating Profit	9,831	9,759	-1%	9,987	9,837	-2%	10,683	10,254	-4%
Impairment losses	(2,812)	(2,747)	-2%	(2,463)	(2,674)	9%	(2,611)	(2,754)	5%
Pre-Tax Profit	7,038	7,055	0%	7,544	7,208	-4%	8,093	7,546	-7%
EPS (p) Reported	67.3p	66.7p	-1%	72.2p	67.5p	-7%	77.1p	70.3p	-9%
EPS (p) Underlying	**65.1p**	**64.5p**	**-1%**	**69.9p**	**65.3p**	**-7%**	**74.7p**	**68.0p**	**-9%**
DPS (p)	38.0p	39.5p	4%	41.0p	39.0p	5%	44.0p	42.0p	5%
Cost Income Ratio (%)	59.8%	59.4%	-42bp	61.7%	61.3%	-32bp	61.6%	61.9%	26bp
Equity Tier 1 Ratio(%)	5.4%	5.1%	-33bp	5.7%	5.2%	-52bp	6.1%	5.3%	-73bp
Tier 1 Ratio (%)	7.8%	7.5%	-25bp	8.0%	7.5%	-51bp	8.3%	7.5%	-77bp

Source: Company Information and Citi Investment Research

See Appendix A-1 for Analyst Certification and important disclosures.

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Fiscal year end 31 Dec	2006	2007	2008E	2009E	2010E
Valuation Ratios					
P/E adjusted (x)	8.0	7.5	7.4	7.3	7.0
P/E reported (x)	6.8	7.2	7.4	7.3	7.0
P/BV (x)	1.6	1.4	1.3	1.2	1.1
P/Adjusted BV diluted (x)	1.6	1.4	1.3	1.2	1.1
Dividend yield (%)	6.5	7.1	7.7	8.2	8.8
Per Share Data (p)					
EPS adjusted	60.0	64.0	64.5	65.3	68.0
EPS reported	69.8	66.7	64.5	65.3	68.0
BVPS	303.0	352.9	380.2	405.6	430.8
Tangible BVPS	191.4	242.2	255.8	285.4	314.7
Adjusted BVPS diluted	296.2	343.7	370.2	395.1	419.6
DPS	31.0	34.0	36.5	39.0	42.0
Profit & Loss (£M)					
Net interest income	9,143	9,610	10,313	10,802	11,307
Fees and commissions	7,177	7,824	8,215	8,790	9,406
Other operating Income	5,275	5,682	5,509	5,852	6,221
Total operating income	**21,595**	**23,116**	**24,037**	**25,445**	**26,934**
Total operating expenses	-12,949	-13,322	-14,075	-15,405	-16,478
Oper. profit bef. provisions	**8,646**	**9,794**	**9,961**	**10,039**	**10,456**
Bad debt provisions	-2,154	-2,795	-2,747	-2,674	-2,754
Non-operating/exceptionals	644	77	-159	-157	-156
Pre-tax profit	**7,136**	**7,076**	**7,055**	**7,208**	**7,546**
Tax	-1,941	-1,981	-1,975	-2,018	-2,113
Extraord./Min. Int./Pref. Div.	-624	-678	-763	-776	-793
Attributable profit	**4,571**	**4,417**	**4,317**	**4,414**	**4,640**
Adjusted earnings	3,934	4,239	4,317	4,414	4,640
Growth Rates (%)					
EPS adjusted	11.9	6.6	0.8	1.3	4.2
Oper. profit bef. prov.	23.9	13.3	1.7	0.8	4.1
Balance Sheet (£M)					
Total assets	**996,787**	**1,227,361**	**1,318,778**	**1,422,474**	**1,506,763**
Avg interest earning assets	347,374	380,284	423,130	465,696	495,929
Customer loans	285,631	349,167	375,174	398,293	421,894
Gross NPLs	5,849	11,438	8,479	9,001	9,535
Liab. & shar. funds	**996,787**	**1,227,361**	**1,318,778**	**1,422,474**	**1,506,763**
Total customer deposits	256,754	294,987	316,958	336,490	356,429
Reserve for loan losses	3,069	3,265	3,467	3,681	3,908
Shareholders' equity	**19,799**	**23,291**	**25,347**	**27,309**	**29,291**
Profitability/Solvency Ratios (%)					
ROE adjusted	21.1	19.7	17.8	16.8	16.4
Net interest margin	2.63	2.53	2.44	2.32	2.28
Cost/income ratio	60.0	57.6	58.6	60.5	61.2
Cash cost/average assets	1.3	1.2	1.1	1.1	1.1
NPLs/customer loans	2.0	3.3	2.3	2.3	2.3
Reserve for loan losses/NPLs	52.5	28.5	40.9	40.9	41.0
Bad debt prov./avg. cust. loans	0.8	0.9	0.8	0.7	0.7
Loans/deposit ratio	111.2	118.4	118.4	118.4	118.4
Tier 1 capital ratio	7.7	7.8	7.5	7.5	7.5
Total capital ratio	11.7	12.1	11.4	11.1	10.9

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Barclays' full-year 2007 results provided additional disclosure on a range of financial exposures and increased its write-downs from £1.7bn to £2.3bn. We estimate additional losses of £1.5bn to be taken through the course of 2008. A more pressing issue appears to be the lack of revenue momentum across the group. With Barclays Capital's revenue boosted by a number of 'one-off' items in 2H07, we would expect any further write-downs in 2008 to represent a big drag on growth. It would also appear unlikely that the same degree of cost control can be maintained with the prospect of further headcount expansion into 2008. With BarCap needing to overcome weaker operating conditions and headwinds apparent in other business lines, we believe Barclays group will struggle to deliver meaningful earnings growth in 2008. On broadly unchanged estimates we retain our 400p target price and Sell (3M) recommendation.

The BarCap engine splutters

Figure 1 shows our estimated revenue breakdown for BarCap on a product-by-product basis, excluding £658m of fair value gains in 2H07. It can be seen that the 2H07 performance was particularly weak in Credit Products and Mortgages & ABS, where financial write-downs have been taken. This was partly off-set by stronger performance in Interest Rate Products, Currency Products and Emerging Markets.

Figure 1. Barclays Capital Composition of Revenues

£m, unless stated	1H06	2H06	FY06	1H07	2H07	FY07	1H07 vs. 1H06	2H07 vs. 2H06	2H07 vs. 1H07
Credit Products	975	765	1,740	1,160	-280	**880**	19%	-137%	**-124%**
Interest Rate Products	715	300	1,015	765	1,020	**1,785**	7%	240%	**33%**
Equity Products	575	385	960	675	545	**1,220**	17%	42%	**-19%**
Commodities	285	435	720	570	355	**925**	100%	-18%	**-38%**
Currency Products	340	180	520	395	455	**850**	16%	153%	**15%**
Emerging Markets	250	250	500	320	360	**680**	28%	44%	**13%**
Private Equity	155	330	485	95	430	**525**	-39%	30%	**353%**
Mortgages & ABS	140	185	325	175	-575	**-400**	25%	-411%	**-429%**
TOTAL	**3,437**	**2,830**	**6,267**	**4,153**	**2,308**	**6,461**	**21%**	**-18%**	**-44%**

Source: Company information and Citi Investment Research estimates

Figure 2 shows that we believe there are a number of other adjustments that can be made to derive a better measure of underlying revenue growth. The adjustments we make are subjective and the rationale is explained below.

Figure 2. Reconciling underlying estimates for Barclays Capital

£m, unless stated	1H06	2H06	2006	1H07	2H07	2007
Reported revenue	**3,437**	**2,830**	**6,267**	**4,153**	**2,966**	**7,119**
Write-downs taken to revenue	-	-	-	-	*1,453*	*1,453*
Gains on own debt	-	-	-	-	*(658)*	*(658)*
Net write downs to revenue	-	-	-	-	795	795
Net investment income	(277)	(295)	(573)	(206)	(747)	(953)
Fair value adjustment of financial instruments	-	(85)	(85)	-	(514)	(514)
Underlying revenue	**3,160**	**2,449**	**5,609**	**3,947**	**2,500**	**6,447**
yoy growth	56.4%	18.3%	37.1%	24.9%	2.1%	14.9%

Source: Citi Investment Research

- **Write-downs taken to revenue**

These reflect a variety of write-downs against the credit market portfolio. Of the £1.5bn, £690m is against ABS CDO exposure, with the remainder against a range of other exposures. We have added these back to revenue for comparison purposes, although note that we assume further hits to revenue will occur in 2008 in relation to the residual exposures shown in Figure 4.

- **Gains on own debt**

This reflects the IFRS accounting treatment where a company's own debt is revalued and if found to have fallen in value generates a gain that is taken in the P&L. We believe it is fair to net these gains against other losses as it is arguably the result of the same weak conditions in the marketplace.

- **Net investment income**

We have fully deducted this line for comparison purposes, although note that in recent times there has been a consistent £200-300m of such gains. In 2H07 this jumped to a surprisingly high level of £747m on the back of private equity realisations, disposal gains in Asia, and structured credit transactions. Although we do not deduct this from our estimate of underlying EPS, we believe that 2H07 was significantly flattered by these gains.

- **Fair value adjustment on financial instruments**

These gains arise when financial assets or liabilities, primarily derivatives contracts, have to be initially valued at the transaction price as there are not enough observable inputs to use other fair value techniques. When such inputs do arise, the unrealised gain can be recognised as revenue. In 2007 BarCap recognised £514m of such gains compared to £85m in 2006. Assuming no significant further additions the end 2007 unrecognised figure of £154m implies a significant drop in the level of such revenue contributions.

Cost growth falls sharply but difficult to sustain

Figure 3 shows that costs were tightly controlled in 2H07, helping offset the weaker underlying revenue performance. We note that performance-related costs fell by 78% in 2H07, suggesting that this bore the brunt of the sizeable write-downs. We believe that the cost income ratio was flattered by the fact that a large chunk of the 'one-off' revenue gains will have generated little in the way of extra cost.

Figure 3. Barclays Capital Composition of Costs

£m, unless stated	1H05	2H05	1H06	2H06	1H07	2H07	FY05	FY06	FY07
New Investment	55	93	85	116	99	99	148	200	199
Performance Related	524	572	997	647	1 167	144	1.096	1.644	1.311
Contractors	55	63	64	97	74	84	119	160	159
Core Costs	745	855	976	1.029	1 142	1.162	1.600	2.005	2.304
Total Costs	**1,379**	**1,584**	**2,121**	**1,888**	**2,483**	**1,490**	**2,963**	**4,009**	**3,973**

	YoY (%)				YoY (%)	
	1H06	2H06	1H07	2H07	FY06	FY07
New Investment	54%	24%	17%	-14%	35%	-1%
Performance Related	**90%**	**13%**	**17%**	**-78%**	**50%**	**-20%**
Contractors	15%	53%	17%	-13%	35%	-1%
Core Costs	31%	20%	17%	13%	25%	15%
Total Costs	**54%**	**19%**	**17%**	**-21%**	**35%**	**-1%**

Source: Company information and Citi Investment Research estimates

We question whether this performance can be maintained in 2008 when the management guidance is that it is preparing to increase investment and headcount in different parts of the business. Figure 14 gives a full breakdown of our divisional forecasts, showing that we expect BarCap PBT to fall in 2008E.

Further credit market write-downs expected

Figure 4 shows Barclays latest disclosure of its trading exposure, which includes 'Alt A', Monoline Insurers and Commercial Mortgages. Although necessarily subjective, we show the extent of write-downs we expect to be incurred in 2008E.

Figure 4. Credit Market Write-Downs

		2007 Write-downs					2008E Cumulative Write-downs			
Barclays (£m)	Dec 07 Pre Write-Down	Revenue	Impairment	Total	Dec 07 Post Write-Down	% Write-Down	Revenue	Impairment	Total	
ABS CDO (net of hedging)	**6.083**	**(690)**	**(722)**	**(1,412)**	**4,671**	**-23%**	**(892)**	**(933)**	**(1,825)**	**-30%**
Other US sub prime[1]	-	-	-	-	5.037	-	-	-	-	-
Alt A	-	-	-	-	4.916	-	-	-	-	-
Monoline Insurers	-	-	-	-	1.335	-	-	-	-	-
Commercial Mortgages	-	-	-	-	12,399	-	-	-	-	-
SIVs & SIV Lites	-	-	-	-	742	-	-	-	-	-
Other Structured Credit	**25,252**	**(763)**	**(60)**	**(823)**	**24,429**	**-3%**	**(1,639)**	**(129)**	**(1,768)**	**-7%**
Leveraged Loans	7.296	0	(58)	(58)	7,238	-1%	0	(219)	(219)	-3%
Credit Market positions	**38,631**	**(1,453)**	**(840)**	**(2,293)**	**36,338**	**-6%**	**(2,531)**	**(1,281)**	**(3,811)**	**-10%**
Annual movement	-	(1,453)	(840)	(2.293)	-	-	(1.078)	(441)	(1,518)	-

[1] Whole loan and trading positions

Source: Company reports and Citi Investment Research

Forecast Changes

We have reduced our 2008E and 2009E underlying EPS estimates by 1% and 7% respectively. Stronger volume growth, particularly in UK Retail Banking and IRCB is largely offset by weaker margins, resulting in a 1% increase in net interest income in 2008E and 2% in 2009E. However, this is more than offset at the total income level where we have reduced forecasts by 2% in both years primarily as a result of increased fair value adjustments in BarCap's Credit Markets portfolio, which further depresses trading income. We expect Barclays to continue to focus on cost control, although this is limited by expansion plans in BarCap and IRCB. Although we anticipate a more rapid deterioration in credit quality in a number of divisions, we have reduced our 2008E impairment charge forecast by 2% reflecting a changing mix in BarCap write-downs with the majority expected to be accounted as fair value adjustments through the revenue line. We have amended our dividend forecasts to approximate growth of 7% given management's medium-term expectation of 5%-10% growth in economic profit.

Figure 5. Summary Forecast Changes — Barclays

	2008E			2009E			2010E		
£m, unless stated	**Old**	**New**	**% Chg**	**Old**	**New**	**% Chg**	**Old**	**New**	**% Chg**
PROFIT & LOSS ITEMS									
Customer Advances	330,938	375,174	13%	349,483	398,293	14%	370,079	421,894	14%
AIEA	424,957	450,106	6%	448,085	481,285	7%	473,969	510,573	8%
Net Interest Margin	**2.39%**	**2.29%**	**-4%**	**2.37%**	**2.24%**	**-5%**	**2.36%**	**2.21%**	**-6%**
Net Interest Income	10,162	10,313	1%	10,639	10,802	2%	11,198	11,307	1%
Non Interest Income	14,305	13,724	-4%	15,411	14,643	-5%	16,656	15,626	-6%
o/w Trading Income	4,444	3,571	-20%	4,844	3,857	-20%	5,328	4,155	-22%
Total Income	**24,467**	**24,037**	**-2%**	**26,050**	**25,445**	**-2%**	**27,855**	**26,934**	**-3%**
Total Costs	(14,635)	(14,277)	-2%	(15,063)	(15,607)	-3%	(17,172)	(16,680)	-3%
Cost Income Ratio (%)	59.8%	59.4%	-0.4%	61.7%	61.3%	-0.3%	61.6%	61.9%	0.3%
Operating Profit	**9,831**	**9,759**	**-1%**	**9,987**	**9,837**	**-2%**	**10,683**	**10,254**	**-4%**
Impairment Losses	(2,812)	(2,747)	-2%	(2,463)	(2,674)	9%	(2,611)	(2,754)	5%
- o/w UK Banking	(855)	(957)	12%	(923)	(1,039)	13%	(941)	(1,041)	11%
- o/w International Retail & Commercial Banking	(325)	(440)	35%	(402)	(554)	38%	(475)	(596)	25%
- o/w Barclaycard	(877)	(896)	2%	(872)	(955)	9%	(915)	(984)	7%
- o/w Barclays Capital	(750)	(440)	-41%	(262)	(110)	-58%	(276)	(115)	-58%
- o/w Other	(5)	(15)	223%	(4)	(15)	273%	(5)	(17)	243%
Impairments as % Average Loans & Advances	1.20%	1.11%	-9bp	1.00%	1.01%	1bp	1.00%	0.98%	-2bp
- o/w UK Banking	0.61%	0.67%	6bp	0.63%	0.69%	6bp	0.61%	0.66%	5bp
- Retail Banking	0.65%	0.65%	-	0.65%	0.62%	-3bp	0.62%	0.60%	-2bp
- Business Banking	0.55%	0.70%	15bp	0.60%	0.80%	20bp	0.60%	0.75%	15bp
- o/w International Retail & Commercial Banking	0.50%	0.61%	12bp	0.57%	0.71%	14bp	0.63%	0.72%	9bp
- o/w Barclaycard	4.50%	3.75%	-75bp	4.30%	3.60%	-70bp	4.30%	3.50%	-80bp
Pre-Tax Profit Underlying	**7,038**	**7,055**	**0%**	**7,544**	**7,208**	**-4%**	**8,093**	**7,546**	**-7%**
EPS (p) Underlying (fully diluted)	**65.1p**	**64.5p**	**-1%**	**69.9p**	**65.3p**	**-7%**	**74.7p**	**68.0p**	**-9%**
DPS (p)	**38.0p**	**36.5p**	**-4%**	**41.0p**	**39.0p**	**-5%**	**44.0p**	**42.0p**	**-5%**
GROWTH RATES (% yoy)									
Loan Growth	5.2%	7.4%		5.6%	6.2%		5.9%	5.9%	
AIEA Growth	7.7%	13.6%		5.4%	6.9%		5.8%	6.1%	
Net Interest Income	5.5%	7.3%		4.7%	4.7%		5.3%	4.7%	
Non Interest Income	5.5%	1.6%		7.7%	6.7%		8.1%	6.7%	
Total Income	5.5%	4.0%		6.5%	5.9%		6.9%	5.9%	
Total Costs	6.1%	5.6%		9.8%	9.3%		6.9%	6.9%	
Operating Profit	4.6%	1.7%		1.6%	0.8%		7.0%	4.2%	
Impairment Losses	5.4%	-1.7%		-12.4%	-2.7%		6.0%	3.0%	
Pre-Tax Profit Underlying	4.3%	3.2%		7.2%	2.2%		7.3%	4.7%	
EPS (p) Underlying (fully diluted)	3.2%	0.8%		7.4%	1.3%		6.8%	4.2%	
DPS (p)	8.6%	7.4%		7.9%	6.8%		7.3%	7.7%	

Source: Citi Investment Research

'Underlyingitis' Monitor

Total revenues (net of insurance claims) in 2007 were reported as £23,000m, a 6.5% increase vs. 2006 (Figure 6). We adjust the 2007 reported revenues by adding back the pensions mis-selling provision in Barclays Wealth (£19m in 2007, £67m in 2006), the settlements on overdraft fees (£116m in 2007, £nil in 2006), the loss on disposal of part of the monument card portfolio (£27m in 2007, £nil in 2006) and also the write-downs related to credit market exposures (£1,453m in 2007, £nil in 2006). We deduct the fair value measurement of financial instruments (£514m in 2007, £85m in 2006) and also the gains arising from the fair valuation of notes issued by Barclay Capital (£658m in 2007, £nil in 2006). We do not adjust for net investment income within BarCap, although note that in 2H07 this appeared to be c£450m ahead of normal run-rate. Following these adjustments, we estimate underlying revenue growth on a Citi basis to be +8.6% in 2007 vs. 2006. The company makes no adjustments to reported revenues.

Figure 6. Barclays – Underlying Revenue Growth, FY06 – FY07

£m	FY06	FY07	% Change
Reported Revenues	**21,595**	**23,000**	**+6.5%**
add back mis-selling provision	67	19	
add back settlements on overdraft fees	-	116	
add back loss on disposal of Monument card portfolio	-	27	
add back write-downs related to credit market exposures	-	1,453	
less fair value measurement of financial instruments	-85	-514	
less gains arising from fair valuation of own debt	-	-658	
Citi Underlying Revenue Growth	**21,577**	**23,443**	**+8.6%**

Source: Company Reports and Citi Investment Research

Figure 7 shows the reconciliation between reported and underlying cost growth. We deduct the benefit of the £267m Sale & Leaseback gain in 2007 (£432m in 2006) and the £58m break fee relating to the ABN Amro transaction (£nil in 2006). These adjustments reduce statutory cost growth of 4.1% to an underlying 3.2% (Citi basis). The company makes no adjustments to the costs.

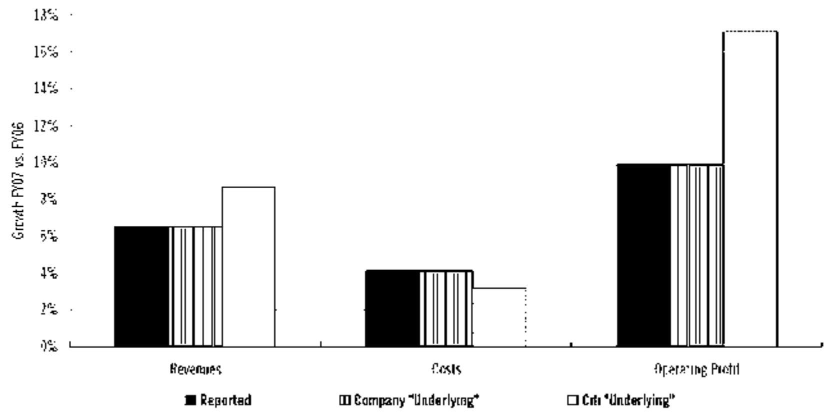
Figure 7. Barclays – Underlying Cost Growth, FY06 – FY07

£m	FY06	FY07	% Change
Reported Costs	**12,674**	**13,199**	**+4.1%**
less Sale & Leaseback Disposals	432	267	
less break fee relating to ABN Amro transaction	-	58	
Citi Underlying Cost Growth	**13,106**	**13,524**	**+3.2%**

Source: Company Reports and Citi Investment Research

Figure 8 shows that on a Citi basis, the growth in pre-provision profit growth was 17.1%. This compares to 9.9% on a statutory (and company) basis.

Figure 8. Barclays — Underlyingitis (Growth), FY06 – FY07



Source: Company Reports and Citi Investment Research

Figure 9. Underlyingitis Monitor — FY07 Results to Date

Year-on-Year Growth (CIR basis)	Results Date	Underlying Income	Underlying Cost	Underlying Operating Profit
Barclays	**19th February 2008**	**+8.6%**	**+3.2%**	**+17.1%**
Bradford & Bingley	13th February 2008	-1.7%	+3.2%	-5.5%

Source: Citi Investment Research

Valuation

Price to book target range

Figure 10 shows the theoretical price to book valuation based on a range of RoE and long term growth assumptions and a 12.0% cost of equity. Figure 11 shows the implied target price based on these multiples and our 2008E tNAV per share estimate of 259p. We have indicated the range that we believe to be most applicable for Barclays in the current environment.

Figure 10. Theoretical Price to Book Multiple based on range of RoE and Growth assumptions (Cost of Equity 12.0%)

	Return on Equity										
Long term growth	14.0%	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	21.0%	22.0%	23.0%	24.0%
0.0%	1.17	1.25	1.34	1.42	1.50	1.59	1.67	1.75	1.84	1.92	2.00
0.5%	1.18	1.26	1.35	1.44	1.52	1.61	1.70	1.79	1.87	1.96	2.05
1.0%	1.18	1.28	1.37	1.46	1.55	1.64	1.73	1.82	1.91	2.00	2.10
1.5%	1.19	1.29	1.38	1.48	1.57	1.67	1.77	1.86	1.96	2.05	2.15
2.0%	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20
2.5%	1.21	1.32	1.42	1.53	1.64	1.74	1.85	1.95	2.06	2.16	2.27
3.0%	1.23	1.34	1.45	1.56	1.67	1.78	1.89	2.00	2.12	2.23	2.34
3.5%	1.24	1.36	1.47	1.59	1.71	1.83	1.95	2.06	2.18	2.30	2.42
4.0%	1.25	1.38	1.50	1.63	1.75	1.88	2.01	2.13	2.26	2.38	2.51
4.5%	1.27	1.40	1.54	1.67	1.81	1.94	2.07	2.21	2.34	2.47	2.61
5.0%	1.29	1.43	1.58	1.72	1.86	2.01	2.15	2.29	2.44	2.58	2.72

Source: Citi Investment Research

Figure 11. Barclays Target Price based on Theoretical Price to Book Multiple (2008E tNAV per share 259p)

	Return on Equity										
Long term growth	14.0%	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	21.0%	22.0%	23.0%	24.0%
0.0%	303	324	346	367	389	411	432	454	475	497	519
0.5%	304	327	350	372	395	417	440	462	485	507	530
1.0%	306	330	354	377	401	424	448	472	495	519	542
1.5%	309	333	358	383	408	432	457	482	506	531	556
2.0%	311	337	363	389	415	441	467	493	519	545	571
2.5%	314	341	369	396	423	451	478	505	532	560	587
3.0%	317	346	375	404	432	461	490	519	548	577	605
3.5%	321	351	382	412	443	473	504	534	565	595	626
4.0%	324	357	389	422	454	487	519	551	584	616	649
4.5%	329	363	398	433	467	502	536	571	605	640	675
5.0%	334	371	408	445	482	519	556	593	631	668	705

Source: Citi Investment Research

Figure 12. Barclays — Profit and Loss Account, 2006A-10E (Pounds in Millions)

	2006		2007		2007		2008E		2009E		2010E	
	1H	FY	1H	% Chg	FY	% Chg	FY	% Chg	FY	% Chg	FY	% Chg
Net Interest Income	4,404	9,143	4,589	4.2%	9,610	5.1%	10,313	7.3%	10,802	4.7%	11,307	4.7%
Net fees and commissions	3,652	7,177	3,899	6.8%	7,824	9.0%	8,215	5.0%	8,790	7.0%	9,405	7.0%
Net trading income	2,201	3,614	2,811	27.7%	3,759	4.0%	3,571	(5.0%)	3,857	8.0%	4,165	8.0%
Net insurance income	651	1,447	590	(9.4%)	1,735	19.9%	1,787	3.0%	1,841	3.0%	1,896	3.0%
Other	61	214	127	108.2%	188	(12.1%)	150	(20.0%)	155	3.0%	160	3.0%
Total Other Income	6,565	12,452	7,427	13.1%	13,506	8.5%	13,724	1.6%	14,643	6.7%	15,626	6.7%
Total Income	**10,969**	**21,595**	**12,016**	**9.5%**	**23,116**	**7.0%**	**24,037**	**4.0%**	**25,445**	**5.9%**	**26,934**	**5.9%**
Staff Costs	4,147	8,159	4,581	10.5%	8,405	2.9%	8,993	7.0%	10,071	12.0%	10,876	8.0%
Other Administrative	1,916	3,980	1,893	(1.2%)	4,036	1.4%	4,157	3.0%	4,363	5.0%	4,581	5.0%
Depreciation	707	455	727	9.7%	467	2.6%	490	5.0%	515	5.0%	541	5.0%
Amortisation of intangibles	69	157	89		202		202					
Operating Lease rental	168	345	204		414		435		457		479	
Total Costs	**6,507**	**13,106**	**6,994**	**7.5%**	**13,524**	**3.2%**	**14,277**	**5.6%**	**15,607**	**9.3%**	**16,680**	**6.9%**
Operating Profit	**4,462**	**8,489**	**5,022**	**12.6%**	**9,592**	**13.0%**	**9,759**	**1.7%**	**9,837**	**0.8%**	**10,254**	**4.2%**
Impairment loss	1,057	2,154	959	(9.3%)	2,795	29.8%	2,747	(1.7%)	2,674	(2.7%)	2,754	3.0%
Exceptionals	238	755	38		237		0		0		0	
Associates	30	45	0		42		43		45	3.0%	45	3.0%
PBT	**3,673**	**7,136**	**4,101**	**11.7%**	**7,076**	**(0.8%)**	**7,055**	**(0.3%)**	**7,208**	**2.2%**	**7,546**	**4.7%**
Taxation	(1,072)	(1,941)	(1,158)		(1,981)		(1,975)		(2,018)		(2,113)	
Minorities - equity	(155)	(342)	(167)		(377)		(380)		(393)		(409)	
Minorities - non equity	(139)	(282)	(142)		(301)		(383)		(383)		(383)	
Attributable Profit	**2,387**	**4,571**	**2,634**	**14.2%**	**4,417**	**(3.4%)**	**4,317**	**(2.3%)**	**4,414**	**2.2%**	**4,640**	**5.1%**
Dividends	1,105	1,771	1,311	18.6%	2,079	17.4%	2,325	11.8%	2,516	8.2%	2,723	8.2%
Retained Profit	**1,282**	**2,800**	**1,323**		**2,338**		**1,992**		**1,897**	**0.0%**	**1,917**	**0.0%**
EPS (Reported)	36.3p	71.9p	41.4p	14.1%	68.9p	(4.2%)	66.7p	(3.2%)	67.5p	1.2%	70.3p	4.1%
EPS (Fully Diluted Basis)	35.1p	69.3p	40.1p	14.4%	66.7p	(4.5%)	64.5p	(3.3%)	65.3p	1.3%	68.0p	4.2%
Dividend per share	**10.5p**	**31.0p**	**11.5p**	**9.5%**	**34.0p**	**9.7%**	**36.5p**	**7.4%**	**39.0p**	**6.8%**	**42.0p**	**7.7%**
Underlying Adjustments												
PBT	3,673	7,136	4,101	11.7%	7,076	(0.8%)	7,055	(0.3%)	7,208	2.2%	7,546	4.7%
minus exceptional items	(238)	(323)	109		30		0		0		0	
minus Sale & Leaseback Gain	0	(432)	(147)		(267)		0		0		0	
Underlying cash PBT	**3,435**	**6,381**	**4,063**	**18.3%**	**6,839**	**7.2%**	**7,055**	**3.2%**	**7,208**	**2.2%**	**7,546**	**4.7%**
EPS (Fully Diluted Basis)	35.1p	69.3p	40.1p		66.7p		64.5p		65.3p		68.0p	
less exceptional items	(2.6p)	(9.8p)	(0.4p)		(2.7p)		0.0p		0.0p		0.0p	
Underlying Cash EPS (Fully Diluted Basis)	**32.5p**	**60.0p**	**39.7p**	**22.2%**	**64.0p**	**6.6%**	**64.5p**	**0.8%**	**65.3p**	**1.3%**	**68.0p**	**4.2%**
Summary Balance Sheet (£m)												
Customer Advances	285,497	285,631	324,517	13.7%	349,167	22.2%	375,174	7.4%	398,293	6.2%	421,894	5.9%
RWA	290,924	297,833	318,043	9.3%	353,476	18.7%	390,806	10.6%	419,256	7.3%	444,098	5.9%
Intangible Assets	7,093	7,307	7,863	10.9%	8,296	13.5%	8,094	-2.4%	7,892	-2.5%	7,690	-2.6%
Balance Sheet Assets	986,124	996,787	1,158,262	17.5%	1,227,361	23.1%	1,318,778	7.4%	1,422,474	7.9%	1,506,763	5.9%
Customer Deposits	253,200	256,754	292,444	15.5%	294,987	14.9%	316,958	7.4%	336,490	6.2%	356,429	5.9%
Equity	17,988	19,799	20,973	16.6%	23,291	17.6%	25,347	8.8%	27,309	7.7%	29,291	7.3%
Tier 1 Capital	21,017	23,005	24,469	16.4%	27,408	19.1%	29,428	7.4%	31,325	6.4%	33,242	6.1%
Loan to Deposit Ratio	113%	111%	111%		118%		118%		118%		118%	
Tangible Equity/Assets Ratio	1.32%	1.25%	1.13%		1.22%		1.31%		1.36%		1.43%	
Reported NAV (p)	**276p**	**303p**	**321p**	**16.1%**	**353p**	**16.5%**	**380p**	**7.7%**	**406p**	**6.7%**	**431p**	**6.2%**
Tangible NAV (p)	**167p**	**191p**	**201p**	**19.9%**	**227p**	**18.9%**	**259p**	**13.9%**	**288p**	**11.4%**	**318p**	**10.1%**
Equity Tier 1 Ratio	**4.9%**	**5.3%**	**5.3%**		**5.1%**		**5.1%**		**5.2%**		**5.3%**	
Tier 1 Ratio	7.2%	7.7%	7.7%		7.8%		7.5%		7.5%		7.5%	
Total Capital Ratio	11.1%	11.7%	11.8%		12.1%		11.4%		11.1%		10.9%	

Please note profit and loss account continues overleaf.
Source: Company reports and Citi Investment Research estimates.

Figure 13. Barclays — Profit and Loss Account, 2006A-10E (Pounds in Millions)

	2006	2006	2007	2007	2008E	2009E	20010E
Performance Ratios	1H	FY	1H	FY	FY	FY	FY
Margin (Divisional Basis)							
UK Retail Banking	3.74%	3.76%	3.70%	3.64%	3.50%	3.45%	3.40%
UK Business Banking	3.24%	3.27%	3.33%	3.24%	3.05%	3.00%	3.00%
UK Banking	3.54%	3.56%	3.55%	3.48%	3.32%	3.27%	3.24%
Wealth Management	7.35%	7.07%	6.40%	5.82%	5.00%	4.75%	4.60%
Barclaycard	7.85%	7.72%	7.52%	7.26%	6.75%	6.60%	6.50%
International ex Absa	2.27%	2.22%	2.18%	2.26%	2.20%	2.20%	2.20%
International	3.39%	3.20%	3.05%	3.18%	3.19%	3.10%	3.08%
Dealing Income as % of Total Income	20.1%	15.7%	23.4%	15.3%	14.9%	15.2%	15.5%
Non Interest Income/Total Income	59.9%	57.7%	61.8%	58.4%	57.1%	57.5%	58.0%
Cost Measures							
Cost/Income ratio	59.3%	60.7%	58.2%	58.5%	59.4%	61.3%	61.9%
Provision as % average balances							
UK Retail Banking	0.84%	0.86%	0.73%	0.71%	0.65%	0.62%	0.60%
UK Business Banking	0.39%	0.48%	0.47%	0.54%	0.70%	0.80%	0.75%
UK Banking	0.56%	0.71%	0.62%	0.64%	0.67%	0.69%	0.66%
Wealth Management	0.04%	0.04%	0.06%	0.09%	0.15%	0.15%	0.15%
Barclaycard	5.55%	5.95%	4.75%	4.37%	3.75%	3.60%	3.50%
International ex Absa	0.12%	0.15%	0.15%	0.24%	0.40%	0.50%	0.50%
International	0.27%	0.32%	0.34%	0.42%	0.61%	0.71%	0.72%
Total	**1.08%**	**1.07%**	**0.92%**	**1.28%**	**1.11%**	**1.01%**	**0.98%**
Tax Rate	**29.2%**	**27.2%**	**28.2%**	**28.0%**	**28.0%**	**28.0%**	**28.0%**
Returns							
Return on Equity (reported)	27.9%	25.2%	28.0%	21.0%	18.2%	17.2%	16.8%
Return on Equity (underlying)	24.4%	20.5%	26.1%	19.0%	18.2%	17.2%	16.8%
Return on RWA	1.55%	1.35%	1.65%	1.26%	1.12%	1.05%	1.04%
Dividends							
Conventional Dividend Cover	2.1x	2.6x	2.0x	2.1x	1.9x	1.8x	1.7x
Underlying Dividend Cover	3.1x	1.9x	3.5x	1.9x	1.8x	1.7x	1.6x

Please note profit and loss account continues overleaf.

Source: Company reports and Citi Investment Research estimates.

Figure 14. Barclays — Divisional Forecasts, 2006A-10E (Pounds in Millions)

	2006		2007		2007		2008E		2009E		2010E	
	1H	FY	1H	% Chg	FY	% Chg	FY	% Chg	FY	% Chg	FY	% Chg
UK Retail Banking												
Net Interest Income	1,358	2,765	1,407	4%	2,858	3%	2,964	4%	3,097	4%	3,235	4%
Other Income	751	1,581	801	7%	1,555	-2%	1,585	2%	1,618	2%	1,666	3%
Total Income	2,109	4,346	2,208	5%	4,413	2%	4,550	3%	4,715	4%	4,902	4%
Costs	(1,319)	(2,785)	(1,307)	-1%	(2,656)	-5%	(2,603)	-2%	(2,681)	3%	(2,761)	3%
Operating Profit	790	1,561	901	14%	1,757	13%	1,947	11%	2,034	4%	2,140	5%
Impairment Losses	(306)	(635)	(277)	-9%	(559)	-12%	(551)	-2%	(557)	1%	(571)	3%
Associates	0	2	1	0%	7	250%	7	3%	7	3%	8	3%
Trading Profit	484	928	625	29%	1,205	30%	1,404	17%	1,485	6%	1,577	6%
Loans & advances	72,200	74,700	77,500	7%	82,000	10%	86,920	6%	92,135	6%	97,663	6%
Average balances	73,128	73,593	76,747	5%	78,502	7%	84,693	8%	89,774	6%	95,161	5%
Margin (based on loans)	3.7%	3.8%	3.7%		3.6%		3.5%		3.5%		3.4%	
Impairment losses as % ave balances	0.8%	0.9%	0.7%		0.7%		0.7%		0.6%		0.6%	
Cost/Income Ratio	62.5%	64.1%	59.2%		60.2%		57.2%		56.9%		56.3%	
Barclays Commercial Bank												
Net Interest Income	822	1,702	863	5%	1,738	2%	1,769	2%	1,810	2%	1,882	4%
Other Income	332	693	388	17%	816	18%	873	7%	917	5%	963	5%
Total Income	1,154	2,395	1,251	8%	2,554	7%	2,642	3%	2,727	3%	2,845	4%
Costs	(432)	(917)	(441)	2%	(940)	3%	(965)	2%	(994)	3%	(1,024)	3%
Operating Profit	722	1,478	810	12%	1,608	9%	1,677	4%	1,733	3%	1,821	5%
Impairment Losses	(100)	(252)	(123)	23%	(290)	15%	(406)	40%	(483)	19%	(471)	-3%
Associates	2	3	0	0%	0	-100%	0	0%	0	0%	0	0%
Trading Profit	624	1,229	687	10%	1,318	7%	1,271	-4%	1,250	-2%	1,351	8%
Cost/Income Ratio	37.4%	38.3%	35.3%		37.0%		36.5%		36.5%		36.0%	
UK BANKING												
Net Interest Income	2,180	4,467	2,270	4%	4,596	3%	4,733	3%	4,907	4%	5,118	4%
Other Income	1,083	2,274	1,189	10%	2,371	4%	2,459	4%	2,535	3%	2,629	4%
Total Income	3,263	6,741	3,459	6%	6,967	3%	7,193	3%	7,442	3%	7,747	4%
Costs	(1,751)	(3,702)	(1,748)	0%	(3,602)	-3%	(3,568)	-1%	(3,675)	3%	(3,785)	3%
Operating Profit	1,512	3,039	1,711	13%	3,365	11%	3,625	8%	3,767	4%	3,961	5%
Impairment Losses	(406)	(887)	(400)	-1%	(849)	-4%	(957)	13%	(1,039)	9%	(1,041)	0%
Associates	2	5	1		7	40%	7	3%	7	3%	8	3%
Trading Profit	1,108	2,157	1,312	18%	2,523	17%	2,675	6%	2,735	2%	2,928	7%
Cost/Income Ratio	53.7%	54.9%	50.5%		51.7%		49.6%		49.4%		48.9%	
Cost/Income Ratio (including property gains)	49.2%	50.3%	46.5%		47.9%							
Wealth Management												
Net Interest Income	192	392	205	7%	431	10%	481	12%	515	7%	543	6%
Other Income	386	768	430	11%	856	11%	942	10%	1,017	8%	1,098	8%
Total Income	578	1,160	635	10%	1,287	11%	1,423	11%	1,532	8%	1,641	7%
Costs	(448)	(913)	(460)	3%	(973)	7%	(1,041)	7%	(1,114)	7%	(1,192)	7%
Operating Profit	130	247	175	35%	314	27%	382	22%	418	9%	450	8%
Impairment Losses	(1)	(2)	(2)	0%	(7)		(14)		(16)		(18)	
Trading Profit	129	245	173	34%	307	25%	368	20%	401	9%	432	8%
Cost/Income Ratio	77.5%	78.7%	72.4%		75.6%		73.2%		72.7%		72.6%	
International Retail and Commercial Banking (IRCB)												
Net Interest Income	844	1,653	844	0%	1,890	14%	2,283	21%	2,404	5%	2,569	7%
Other Income	767	1,596	802	5%	1,633	2%	1,733	6%	1,867	8%	1,998	7%
Total Income	1,611	3,249	1,646	2%	3,523	8%	4,017	14%	4,271	6%	4,567	7%
Costs	(1,113)	(2,217)	(1,116)	0%	(2,379)	7%	(2,669)	12%	(2,857)	7%	(3,083)	8%
Operating Profit	498	1,032	530	6%	1,144	11%	1,348	18%	1,415	5%	1,484	5%
Impairment Losses	(68)	(167)	(93)	37%	(252)	51%	(440)	75%	(554)	26%	(596)	8%
Associates	27	49	1		7	-86%	7	3%	7	3%	8	3%
Trading Profit	457	914	438	-4%	899	-2%	915	2%	868	-5%	896	3%
Cost/Income Ratio	69.1%	68.2%	67.8%		67.5%		66.4%		66.9%		67.5%	
IRCB - ex Absa												
Net Interest Income	293	604	334	14%	753	25%	900	20%	976	9%	1,045	7%
Other Income	225	442	268	19%	586	33%	674	15%	755	12%	830	10%
Total Income	518	1,046	602	16%	1,339	28%	1,574	18%	1,731	10%	1,875	8%
Costs	(383)	(829)	(449)	17%	(1,046)	26%	(1,203)	15%	(1,383)	15%	(1,522)	10%
Operating Profit	135	217	153	13%	293	35%	371	27%	348	-6%	353	2%
Impairment Losses	(16)	(41)	(24)	50%	(79)	93%	(164)	107%	(222)	36%	(237)	7%
Associates	21	40	(1)	-105%	(4)	-110%	(4)	-7%	(4)	9%	(4)	9%
Trading Profit	140	216	128	-9%	210	-3%	204	-3%	122	-40%	111	-9%
Cost/Income Ratio	73.9%	79.3%	74.5%		78.1%		76.4%		79.9%		81.2%	

Barclays — Divisional Forecasts, 2006A-10E (Pounds in Millions) cont...

	2006		2007		2007		2008E		2009E		2010E	
	1H	FY	1H	% Chg	FY	% Chg	FY	% Chg	FY	% Chg	FY	% Chg
ABSA £												
Net Interest Income	551	1,049	510	-7%	1,137	8%	1,383	22%	1,428	3%	1,524	7%
Other Income	542	1,154	534	-1%	1,047	-9%	1,059	1%	1,112	5%	1,168	5%
Total Income	**1,093**	**2,203**	**1,044**	**-4%**	**2,184**	**-1%**	**2,443**	**12%**	**2,540**	**4%**	**2,692**	**6%**
Costs	(730)	(1,388)	(667)	-9%	(1,333)	-4%	(1,466)	10%	(1,473)	1%	(1,551)	6%
Operating Profit	**363**	**815**	**377**	**4%**	**851**	**4%**	**977**	**15%**	**1,067**	**9%**	**1,131**	**6%**
Impairment Losses	(52)	(126)	(69)	33%	(173)	37%	(277)	60%	(332)	20%	(359)	8%
Associates	6	9	9		11		11		11		0	0
Trading Profit	**317**	**698**	**310**	**-2%**	**689**	**-1%**	**711**	**3%**	**746**	**5%**	**784**	**5%**
Cost/Income Ratio	66.8%	63.0%	63.9%		61.0%		60.0%		58.0%		58.0%	
£:Rand - period end	13.19	13.71			13.64	-1%	14.92	9%	14.92	0%	14.92	0%
£:Rand - average	11.31	12.47			14.11	13%	14.92	6%	14.92	0%	14.92	0%
ABSA Rm												
Net Interest Income	6,231	13,081	7,196	15%	16,043	23%	20,639	29%	21,300	3%	22,736	7%
Other Income	6,130	14,390	7,535	23%	14,773	20%	15,807	7%	16,598	5%	17,428	5%
Total Income	**12,361**	**27,471**	**14,731**	**19%**	**30,816**	**12%**	**36,447**	**18%**	**37,897**	**4%**	**40,164**	**6%**
Costs	(8,256)	(17,308)	(9,411)	14%	(18,809)	9%	(21,868)	16%	(21,981)	1%	(23,295)	6%
Operating Profit	**4,105**	**10,163**	**5,319**	**30%**	**12,008**	**18%**	**14,579**	**21%**	**15,917**	**9%**	**16,869**	**6%**
Impairment Losses	(588)	(1,571)	(974)	66%	(2,441)	55%	(4,128)	69%	(4,953)	20%	(5,350)	8%
Associates	68	112	28	-58%	155	-50%	163	5%	171	5%	180	5%
Trading Profit	**3,585**	**8,704**	**4,374**	**22%**	**9,722**	**12%**	**10,614**	**9%**	**11,135**	**5%**	**11,699**	**5%**
Cost/Income Ratio	66.8%	63.0%	63.9%		61.0%		60.0%		58.0%		58.0%	
Loans & advances	308,659	331,787	369,944	20%	420,112	27%	496,299	18%	536,003	8%	578,883	8%
Average balances	274,000	304,118	350,380	28%	368,723	21%	458,652	24%	495,344	8%	534,971	8%
RWAs	272,688	284,181	307,519	13%	321,931	13%	380,313	18%	410,738	8%	443,597	8%
Average RWAs	249,577	264,006	295,850	19%	147,925	-44%	351,122	137%	395,526	13%	427,168	8%
Margin (based on ave loans)	4.59%	4.30%	4.14%		4.35%		4.50%		4.30%		4.25%	
Margin (based on ave RWAs)	5.03%	4.95%	4.91%		10.85%		5.88%		5.39%		5.32%	
Impairment losses as % ave balances	0.43%	0.52%	0.56%		0.66%		0.90%		1.00%		1.00%	
Barclaycard												
Net Interest Income	678	1,383	700	3%	1,394	1%	1,612	16%	1,750	9%	1,827	4%
Other Income	580	1,131	560	-3%	1,092	-3%	1,103	1%	1,136	3%	1,170	3%
Total Income	**1,258**	**2,514**	**1,260**	**0%**	**2,486**	**-1%**	**2,715**	**9%**	**2,886**	**6%**	**2,997**	**4%**
Costs	(483)	(1,019)	(516)	7%	(1,101)	8%	(1,211)	10%	(1,272)	5%	(1,335)	5%
Operating Profit	**775**	**1,495**	**744**	**-4%**	**1,385**	**-7%**	**1,504**	**9%**	**1,614**	**7%**	**1,662**	**3%**
Impairment Losses	(488)	(1,067)	(443)	-9%	(838)	-21%	(896)	7%	(955)	7%	(984)	3%
Associates	1	(8)	(2)		(7)	-13%	(7)	3%	(7)	3%	(8)	
Trading Profit	**288**	**420**	**299**	**4%**	**540**	**29%**	**601**	**11%**	**652**	**9%**	**670**	**3%**
Cost/Income Ratio	38.4%	40.5%	41.0%		44.3%		44.6%		44.1%		44.6%	
Loans & advances	17,400	18,700	18,300	5%	20,100	10%	23,115	15%	24,733	7%	25,970	5%
Average Balances	17,408	17,918	18,751	8%	19,191	7%	23,886	24%	26,514	11%	28,105	6%
Margin (based on ave loans)	15.698	17.035	17.053	9%	19.929	17%	22,520	13%	23.646	5%	24.355	3%
Impairment losses as % ave balances	7.85%	7.72%	7.52%		7.26%		6.75%		6.60%		6.50%	
Barclays Capital												
Net Interest Income	495	1,158	567	15%	1,179	2%	1,203	2%	1,227	2%	1,251	2%
Other Income	2,942	5,109	3,586	22%	5,940	16%	5,465	-8%	5,902	8%	6,492	10%
Total Income	**3,437**	**6,267**	**4,153**	**21%**	**7,119**	**14%**	**6,667**	**-6%**	**7,129**	**7%**	**7,743**	**9%**
Costs	(2,121)	(4,009)	(2,483)	17%	(3,973)	-1%	(4,092)	3%	(4,835)	18%	(5,313)	10%
Operating Profit	**1,316**	**2,258**	**1,670**	**27%**	**3,146**	**39%**	**2,575**	**-18%**	**2,294**	**-11%**	**2,431**	**6%**
Impairment Losses	(70)	(42)	(10)	-86%	(846)	1914%	(440)	-48%	(110)	-75%	(115)	5%
Trading Profit	**1,246**	**2,216**	**1,660**	**33%**	**2,335**	**5%**	**2,171**	**-7%**	**2,221**	**2%**	**2,354**	**6%**
Cost/Income Ratio	62%	64%	60%		56%		61%		68%		69%	
Staff numbers	10,500	13,200	13,200	33%	16,200	23%	17,334	7%	18,201	5%	18,747	3%
Average headcount	10,200	11,025	11,850	30%	14,700	33%	16,767	14%	17,767	6%	18,474	4%
BGI												
Net Interest Income	7	10	(2)	-129%	(8)	-180%	0	0%	0	0%	0	0%
Other Income	838	1,655	945	13%	1,934	17%	2,031	5%	2,132	5%	2,239	5%
Total Income	**845**	**1,665**	**943**	**12%**	**1,926**	**16%**	**2,031**	**5%**	**2,132**	**5%**	**2,239**	**5%**
Costs	(481)	(951)	(555)	15%	(1,192)	25%	(1,371)	15%	(1,508)	10%	(1,613)	7%
Operating Profit	**364**	**714**	**388**	**7%**	**734**	**3%**	**660**	**-10%**	**624**	**-5%**	**625**	**0%**
Cost/Income Ratio	56.9%	57.1%	58.9%		61.9%		67.5%		70.7%		72.1%	

Source: Company reports and Citi Investment Research

Figure 15. Barclays — What's Next

Date	Time	Event
05/03/2008	-	Final 2007 Ex-Dividend Date
07/03/2008	-	Final 2007 Dividend Record Date
24/04/2008	-	2008 Annual General Meeting
25/04/2008	-	Final 2007 Dividend Payment Date
15/05/2008	-	2008 First half Interim Management Statement
07/08/2008	-	2008 Half Yearly Financial Report Statement

Source: Citi Investment Research

Barclays PLC

Company description

Barclays is a UK-based financial services group with a significant international presence, particularly in Europe, the USA and Africa. It is engaged in retail and commercial banking, investment banking and investment management. In addition to servicing retail customers, high net worth individuals and businesses from SMEs to multinationals, three businesses operate globally providing credit cards, investment banking and risk management and asset management.

Investment strategy

We have a Sell/Medium Risk (3M) rating on Barclays' shares. Barclays' full year 2007 results provided more detailed disclosure on a range of financial exposures without suffering further material write downs. We estimate additional losses of £1.5bn to be taken through the course of 2008. A more pressing issue appears to be the lack of revenue momentum across the group. With Barclays Capital's revenue boosted by a number of 'one off' items in 2H07, we would expect any further write downs to represent a big drag on growth. It would also appear unlikely that the same degree of cost control can be maintained with the prospect of further headcount expansion into 2008. With BarCap needing to overcome weaker operating conditions and headwinds apparent in other business lines, we believe Barclays group will struggle to deliver meaningful earnings growth in 2008.

Valuation

With market volatility and liquidity constraints leading to considerable uncertainty on the earnings outlook, we prefer to use a price to book approach rather than earnings-based valuation tools. Based on our revised model we forecast this tangible net asset value at 259p per share in 2008E. We set our target price of 400p in line with the 1.5x book multiple suggested by our assumptions on the return on equity (17.0%), cost of equity (12.0%) and growth rate (2.0%) that the market is likely to discount.

Risks

We rate Barclays as Medium Risk because its exposure to higher risk banking activities, such as derivatives, is offset by its lower risk banking activities such as the UK mortgage market. There are a number of risks which could cause the share to deviate significantly from our target price, including a stronger-than-expected performance in fixed income and related capital market activities. A slowdown in the wider UK housing market could reduce demand for mortgages and result in borrowers getting into negative equity. Rising UK interest rates and a deterioration in economic conditions could increase arrears levels in the consumer and corporate businesses. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Likewise, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Appendix A-1

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Barclays PLC (BARC.L)

Ratings and Target Price History - Fundamental Research

Analyst: Tom Rayner (covered since June 13 2007)

#	Date	Rating	Target Price	Closing Price
1:	10 Feb 05	3M	*5.50	5.94
2:	16 May 05	3M	*5.00	5.39
3:	9 Jan 06	3M	*5.50	6.28
4:	21 Feb 06	3M	*5.75	6.46
5:	13 Oct 06	3M	*6.00	7.24
6:	20 Feb 07	3M	*6.60	7.85
7:	8 Oct 07	3M	*5.75	6.62
8:	28 Nov 07	3M	*5.00	5.54
9:	4 Jan 08	3M	*4.50	4.87
10:	29 Jan 08	3M	*4.00	4.91

*Indicates change.

—— Covered
······· Not covered

Rating/target price changes above reflect Eastern Standard Time

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