UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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| IN RE BARCLAYS BANK PLC SECURITIES LITIGATION | Master File No. 1:09-cv-01989-PAC |
| | ECF Case |
| This Document Relates to: All Actions | |

**DECLARATION OF JACK D. MCSPADDEN**

I, Jack D. McSpadden, declare and state as follows:

1. I am a Managing Director in charge of the Transaction Execution Group at Citigroup Global Markets Inc. ("Citi"). I have held this position since January 1, 2006. I submit this declaration in support of the Underwriter Defendants' Motion for Summary Judgment.

2. Citi provides investment banking and financial advisory services, including underwriting, firm offer equity and debt financings, asset transactions, private equity, institutional sales and trading and mergers and acquisitions advisory services, among other services.

3. Citi served as lead underwriter in connection with the April 2008 offering by Barclays Bank Plc ("Barclays") of $2.5 billion of 8.125% non-cumulative callable dollar preference shares, Series 5 (the "Series 5 Offering").[1] I was directly involved in Citi's due diligence activities in connection with the Series 5 Offering. The facts set forth herein are based on my personal knowledge and review of relevant information relating

[1] In connection with the Series 5 Offering, Barclays granted the underwriters an option to purchase, on or prior to April 22, 2008, up to an additional 15 million preference shares to cover over-allotments, if any. This over-allotment or "greenshoe" option was exercised in the amount of 6 million preference shares at $25 per preference share.

to Citi's role as lead underwriter in the Series 5 Offering, and are true and correct to the best of my recollection.

## I. Citi Has a Longstanding Relationship with Barclays

4. Prior to the Series 5 Offering, Citi served as an underwriter on numerous securities offerings by Barclays. The recent offerings included:

- an offering of 100,000 US Dollar 6.278% non-cumulative callable preference shares of $100 each in June 2005 (the "Series 1 Offering");
- an offering of 30 million US Dollar 6.625% non-cumulative callable preference shares of $25 each in April 2006 (the "Series 2 Offering");
- an offering of 55 million US Dollar 7.1% non-cumulative callable preference shares of $25 each in September 2007 (the "Series 3 Offering");
- an offering of 46 million US Dollar 7.75% non-cumulative callable preference shares of $25 each in December 2007 (the "Series 4 Offering");
- an offering of $750 million floating rate subordinated step-up callable notes due 2016 in June 2006
- an offering of $1.35 billion 5.926% step-up callable perpetual reserve capital instruments in September 2006
- an offering of $2.05 billion 5.450% senior notes due 2012 in September 2007;
- an offering of $700 million floating rate notes due 2009 in September 2007;
- an offering of $1.25 billion 7.434% step-up callable perpetual reserve capital instruments in September 2007; and
- an offering of $1.25 billion 6.050% subordinated lower tier 2 debt in November 2007

5. The due diligence activities undertaken and institutional knowledge gained by one business group at Citi are often leveraged by other business groups to enhance Citi's reservoir of knowledge on its client. In addition to acting as an underwriter on offerings of securities made by Barclays, Citi provides and provided at the time of the Series 5 Offering additional investment banking and commercial lending services to

Barclays and affiliated entities. For example, at the time of the Series 5 Offering, Citi provided numerous credit facilities to Barclays. As another example, in 2007, Citi provided advisory services to Barclays in connection with a bid made by Barclays for ABN AMRO. In addition, Citi performs and performed at the time of the Series 5 Offering extensive "know your customer" diligence on Barclays. These additional contact points between Citi and Barclays provided Citi with additional institutional knowledge relating to Barclays and its business

6. In addition to the transactional due diligence performed in connection with the prior offerings listed above, Citi conducts, and conducted at the time of the Series 5 Offering, regular and continuous due diligence on Barclays and its business. The nature of this continuous due diligence includes, for example, examining periodic and other filings made by Barclays with the SEC, monitoring media reports, market alerts and news reports relating to Barclays, reviewing credit agency reports covering Barclays and circulating internal updates covering Barclays. Citi also prepares and prepared at the time of the Series 5 Offering periodic research reports covering Barclays. As an example, Citi prepared a February 20, 2008 equity research report covering Barclays (the "February 20, 2008 Research Report"). Attached hereto as Exhibit 1 is a true and correct copy an April 3, 2008 e-mail from my colleague Bogdan Ciobanu to me attaching a copy of the February 20, 2008 Research Report, which was made and kept in the regular course of business at Citi.

7. At the time of the Series 5 Offering, my colleague David Walker in Citi's Corporate Bank in London served as Citi's primary relationship manager with Barclays. Mr. Walker was consulted in connection with the Series 5 Offering and was member of

Citi's Series 5 working group. Mr. Walker's involvement in the Series 5 Offering enhanced Citi's diligence in connection with the Series 5 Offering by allowing Citi to more readily draw upon its reservoir of institutional knowledge relating to Barclays.

8. Citi's due diligence in connection with the Series 5 Offering drew upon and was informed by Citi's ongoing due diligence of Barclays, its due diligence in connection with the prior offerings listed above and its institutional familiarity with Barclays.

9. For example, in September 2007, in connection with the Series 3 Offering, Citi performed due diligence concerning, among other things, Barclays' exposure to SIV's and sub-prime mortgage markets.

10. As part of this due diligence, Citi discussed and reviewed news reports covering Barclays' exposure to SIV's. Attached hereto as Exhibit 2 is a true and correct copy of a September 1, 2007 e-mail made and kept in the regular course of business at Citi from my colleague Chandru Harjani to me and my colleague Laura Drumm discussing coverage of Barclay's exposure to SIV's in the *Financial Times*.

11. In connection with the Series 3 Offering, Citi also prepared a due diligence questionnaire for a business due diligence call with Barclays that addressed, among other things, impairment charges taken and expected to be taken by Barclays in 2007, Barclays' exposure to sub-prime mortgage markets, Barclays' capital position and Barclays' profitability outlook. Attached hereto as Exhibit 3 is a true and correct copy of an August 17, 2007 e-mail made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu to me and other call participants attaching the business and accounting due diligence call questionnaires for the Series 3 Offering.

12. In November 2007, in connection with the Series 4 Offering, Citi performed due diligence concerning Barclays' sub-prime exposure and related write-downs announced by Barclays on November 15, 2007.

13. For example, Citi discussed and reviewed news reports covering Barclays' sub-prime exposure and the November 2007 writedown taken by Barclays. Attached hereto as Exhibit 4 is a true and correct copy of a November 12, 2007 e-mail made and kept in the regular course of business at Citi from me to several of my colleagues attaching an article from the *The Times* which discusses the extent Barclays' sub-prime exposure and Barclays' collaboration with its auditors, PwC, to provide clarity to investors regarding rumors of a coming writedown.

14. In connection with the Series 4 Offering, Citi prepared business and accounting due diligence questionnaires which addressed, among other things, writedowns and impairments taken by Barclays, Barclays' capital adequacy and Barclays' profitability outlook. Attached hereto as Exhibit 5 is a true and correct copy of a November 26, 2007 e-mail made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu to me and other call participants attaching the business and accounting due diligence call questionnaires for the Series 4 Offering.

15. Barclays' sub-prime exposure and a November 2007 writedown taken by Barclays on sub-prime related assets were also considered by Citi's commitment committee in advance of the Series 4 Offering. Attached hereto as Exhibit 6 is a true and correct copy of a November 20, 2007 e-mail made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu to me, members of Citi's commitment committee and others attaching a commitment committee transaction

summary for the Series 4 Offering. Noted as a "key issue" in the transaction summary was Barclays' November 15, 2007 writedown. Also attached to Mr. Ciobanu's e-mail was a copy of Barclays' November 15, 2007 trading update announcing this writedown. Attached hereto as Exhibit 7 is a true and correct copy of a November 21, 2007 e-mail made and kept in the regular course of business at Citi from Mr. Ciobanu to David Walker, copying me and others, requesting that Mr. Walker participate in a call with the commitment committee to discuss Citi's participation in the Series 4 Offering in light of the recent market environment and Barclays' writedown. The conference call contemplated in Mr. Ciobanu's email took place on November 26, 2007. Mr. Walker, members of the commitment committee and I, among others, participated in the call. Attached hereto as Exhibit 8 is a true and correct copy of a November 26, 2007 e-mail made and kept in the regular course of business at Citi from Mr. Ciobanu to me and the other participants in this call circulating a dial-in number for the call.

## II. Due Diligence Performed by Citi in Connection with the Series 5 Offering

### A. *Citi's Participation in the Series 5 Offering was Contingent on Internal Commitment Committee Approval*

16. Citi's participation in the Series 5 Offering was reviewed and approved by an internal commitment committee. The commitment committee review process at Citi entails consideration of risks associated with a particular securities issuance and securities issuer for purposes of determining whether or not Citi should participate in a particular securities offering. As part of Citi's commitment committee review process, a transaction summary and a final approval memorandum are prepared that outline, among other things, information concerning the securities issuance in question, background on the securities issuer and a discussion of the risk factors considered by the commitment

committee. Citi's participation in the Series 5 Offering was approved by its commitment committee. Attached hereto as Exhibit 9 is a true and correct copy of a March 31, 2008 e-mail made and kept in the regular course of business at Citi from my colleague Michele Clemente to me and others attaching the transaction summary and final approval memorandum prepared in connection with the Series 5 Offering.

17. Noted as "key issues" in the transaction summary for consideration by the commitment committee were, among other things, the adequacy of Barclays' capitalization expressed in terms of equity to assets and the possibility of future impairments if economic conditions were to worsen. In their review of the Series 5 Offering, the commitment committee also considered risks associated with Barclays' exposure to sub-prime mortgage markets and writedowns taken by Barclays on sub-prime mortgage related assets in the context of ongoing turmoil in financial markets. Attached hereto as Exhibit 10 is a true and correct copy of a March 14, 2008 e-mail chain discussing these risks. I was included on this e-mail chain along with colleagues in the Transaction Execution Group and members of the commitment committee. This e-mail chain was made and kept in the regular course of business at Citi.

B. *Citi Adequately Staffed the Series 5 Offering*

18. Citi assembled a team of individuals familiar with Barclays and its business to participate in the Series 5 Offering. Below are the individuals at Citi who participated in the Series 5 Offering. The chart indicates in the columns labeled "Series 4" and "Series 3" whether each individual was also staffed on the Series 4 Offering and/or Series 3 Offering, respectively. Citi's staffing of the Series 5 Offering with personnel that worked on these prior offerings enhanced Citi's due diligence in connection with the

Series 5 Offering, allowing Citi to more readily build upon its prior due diligence for purposes of the Series 5 Offering.

| Name | Title | Series 4 | Series 3 |
|---|---|---|---|
| **Fixed Income Capital Markets – FIG (New York & Europe)** | | | |
| Peter Aherne | Managing Director, Head Of North American Fixed Income Capital Markets | X | X |
| Leo-Hendrik Greve | Managing Director, Head Of Northern European Financial Institutions | X | X |
| Peter J. Mason | Director, Financial Institutions Capital Markets | X | X |
| Laura Drumm | VP, Financial Institutions Capital Markets | X | X |
| Chris K. White | Analyst | X | X |
| Derrick Deese | Analyst, Financial Institutions North America | X | |
| **New Products Group (New York & London)** | | | |
| John Dickey | Managing Director, Head Of Global Markets | X | X |
| Simon McGeary | Managing Director, New Products Group Europe, Head Of Financial Institutions | X | X |
| Stanley Louie | Director | | |
| Deborah Anne Keat | Vice President | | |
| Anastasia Letina | Associate | X | X |
| Laura Stephenson | Analyst | X | X |
| Jakob Midander | Analyst | | |
| **Syndicate (New York)** | | | |
| Melissa Motherway | Managing Director, Head Of US Retail Syndicate | X | X |
| Matt Land | Associate, US Retail Syndicate | X | X |
| **Corporate Bank (London)** | | | |
| David Walker | Managing Director | | |
| James Reid | Analyst | | |
| **Transaction Execution Group (New York)** | | | |

| Name | Title | Series 4 | Series 3 |
|---|---|---|---|
| Jack D. McSpadden | Managing Director, Head of Transaction Execution Group | X | X |
| Chandru Harjani | Vice President | X | X |
| Bogdan Ciobanu | Analyst | X | X |
| **Transaction Execution Group (London)** | | | |
| Alastair Rose-Smith | Vice President | | |
| Peter Siekel | Associate | | |
| **Legal** | | | |
| Darrell Bridgers | Senior Vice President | X | X |
| Jane Pakenham | Paralegal | X | X |

C. *Citi Collaborated with Underwriters' Counsel, Issuer's Counsel, Barclays' Auditors and Other Underwriters in Performing its Due Diligence*

19. Citi's due diligence efforts in connection with the Series 5 Offering were undertaken in collaboration with numerous other parties familiar with Barclays and its business. These other parties included Linklaters LLP ("Linklaters"), who served as designated counsel to the underwriters; Sullivan & Cromwell LLP ("S&C"), who served as United States counsel to Barclays; Clifford Chance LLP ("Clifford Chance"), who served as English counsel to Barclays; PricewaterhouseCoopers LLP ("PwC"), who served as Barclays' independent auditors; and the other members of the underwriting syndicate management team. In addition to Citi, the other managers of this transaction included Barclays Capital Securities Limited ("BCSL"), Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), UBS Securities LLC ("UBS"), Wachovia Capital Markets, LLC ("Wachovia"), Morgan Stanley & Co., Incorporated ("Morgan Stanley"), Banc of America Securities LLC ("Banc of America"), RBC Capital Markets Corporation ("RBC"), Deutsche Bank Securities Inc., SunTrust Robinson Humphrey, Inc.

and Wells Fargo Securities, LLC. In addition to the managers who were also underwriters, there were 36 other investment banking firms in the underwriting syndicate.

20. Attached hereto as Exhibit 11 is a true and correct copy made and kept in the regular course of business at Citi of an April 4, 2008 e-mail from my colleague Bogdan Ciobanu to S&C and Linklaters, on which I was copied as a recipient, outlining the majority of the underwriter management team for the Series 5 Offering and attaching a working group list for the Series 5 Offering.

21. Attached hereto as Exhibit 12 is a true and correct copy made and kept in the regular course of business at Citi of an April 3, 2008 e-mail from Sarah Whittington at Linklaters to the underwriter management team, on which I was included as a recipient, attaching an executed version of the underwriting agreement for the Series 5 Offering.

D. *Citi Participated in a "Kick-Off" and Update Calls*

22. On March 5, 2008, Citi participated in a "kick-off" call with representatives from Barclays Treasury, Barclays Tax, Barclays Legal, PwC, BCSL, Linklaters, S&C and Clifford Chance. Attached hereto as Exhibit 13 is a true and correct copy of a March 5, 2008 e-mail made and kept in the regular course of business at Citi to my colleague Laura Drumm from Barclays circulating a dial-in number for the call. This e-mail was sent to and kept by Ms. Drumm consistent with the normal practices of Citi in connection with Citi's due diligence of securities issuers.

23. On March 17, 2008, Citi participated in an update call with representatives from Barclays, BCSL, Linklaters, S&C and Clifford Chance. Attached hereto as Exhibit 14 is a true and correct copy of a March 17, 2008 e-mail made and kept in the regular

course of business at Citi from my colleague Bogdan Ciobanu to me and other call participants circulating a dial-in number and attaching an agenda for the call.

24. On March 20, 2008, Citi participated in an update call with representatives from Barclays, BCSL, Linklaters, S&C and Clifford Chance. Attached hereto as Exhibit 15 is a true and correct copy of a March 19, 2008 e-mail made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu to me and other call participants circulating a dial-in number and attaching an agenda for the call.

25. On March 28, 2008, Citi participated in a an update call with representatives from Barclays, BCSL, Linklaters, S&C and Clifford Chance. Attached hereto as Exhibit 16 is a true and correct copy of a March 27, 2008 e-mail made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu to me and other call participants circulating a dial-in number and attaching an agenda for the call.

26. On April 3, 2008, Citi participated in an update call with representatives from Barclays, BCSL, Linklaters, S&C and Clifford Chance. Attached hereto as Exhibit 17 is a true and correct copy of an April 2, 2008 e-mail made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu to me and other call participants circulating a dial-in number and attaching an agenda for the call.

27. On April 4, 2008, Citi participated in an update call with representatives from Barclays, BCSL, Linklaters, S&C and Clifford Chance. Attached hereto as Exhibit 18 is a true and correct copy of an April 3, 2008 e-mail made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu to me and other call participants circulating a dial-in number for the call.

E. *Citi Participated in Due Diligence Calls*

28. In connection with the Series 5 Offering, Citi participated in a series of six due diligence calls. On April 3, 2008 Citi participated in a business due diligence call with representatives of Barclays' management team (the "Business Due Diligence Call"). Also on April 3, 2008, Citi participated in an accounting due diligence call with Barclays' auditors, PwC (the "Accounting Due Diligence Call"). On April 8, 2008, Citi participated in a pre-pricing bring down due diligence call with representatives of Barclays' management team (the "Pre-Pricing Due Diligence Call"). On April 8, 2008, Citi participated in a financial due diligence call with Jonathan Britton, Global Controller and Head of Treasury at Barclays (the "Financial Due Diligence Call"). On April 11, 2008, Citi participated in a pre-settlement bring down due diligence call with representatives of Barclays' management team (the "Pre-Settlement Due Diligence Call"). On April 22, 2008, Citi participated in a Greenshoe pre-settlement bring down due diligence call with representatives of Barclays' management team (the "Greenshoe Pre-Settlement Due Diligence Call").

29. Citi was satisfied with the responses provided on each of the due diligence calls. None of the responses provided during the course of these due diligence calls caused Citi to believe that additional due diligence was necessary or that Barclays' public disclosures in connection with the Series 5 Offering were misleading or incomplete.

F. *Citi Drafted and Circulated Due Diligence Questionnaires in Advance of the Due Diligence Calls*

30. On March 18, 2008, Citi circulated by e-mail draft questionnaires for the Business Due Diligence Call and Accounting Due Diligence Call to BCSL and Linklaters. Attached hereto as Exhibit 19 is a true and correct copy of this e-mail, on

which I was copied. The e-mail was made and kept in the regular course of business at Citi and sent by my colleague Bogdan Ciobanu.

31. On March 20, 2008, my colleague Bogdan Ciobanu received sign-off from David Walker on the business and accounting due diligence questionnaires prepared by Citi in connection with the Series 5 Offering. Attached hereto as Exhibit 20 is a true and correct copy made and kept in the regular course of business at Citi of a March 20, 2008 e-mail to Mr. Ciobanu indicating the same. This e-mail was circulated consistent with the normal practices of Citi in connection with Citi's due diligence of securities issuers.

32. On March 20, 2008 Citi circulated draft questionnaires for the Business Due Diligence Call and Accounting Due Diligence Call to BCSL, Merrill Lynch, UBS, Wachovia and Linklaters. Attached hereto as Exhibit 21 is a true and correct copy of this e-mail, on which I was copied. The e-mail was made and kept in the regular course of business at Citi and sent by my colleague Bogdan Ciobanu.

33. On April 1, 2008, Citi circulated by e-mail a final draft of the Business Due Diligence Call questionnaire to the parties participating in the call. Attached hereto as Exhibit 22 is a true and correct copy of this e-mail, on which I was copied. The e-mail was made and kept in the regular course of business at Citi and sent by my colleague Bogdan Ciobanu.

34. On April 2, 2008, Citi circulated by e-mail a final draft of the Accounting Due Diligence Call questionnaire to the parties participating in the call. Attached hereto as Exhibit 23 is a true and correct copy of this e-mail, on which I was copied. The e-mail was made and kept in the regular course of business at Citi and sent by my colleague Bogdan Ciobanu.

35. On April 8, 2008, Citi circulated by e-mail a final draft of the Pre-Pricing Due Diligence Call questionnaire to the parties participating in the call. Attached hereto as Exhibit 24 is a true and correct copy of this e-mail, on which I was copied. The e-mail was made and kept in the regular course of business at Citi and sent by my colleague Bogdan Ciobanu.

36. On April 8, 2008, Richard Johnson at BCSL e-mailed me, attaching the questionnaire for the Financial Due Diligence Call. David Ludwick at Linklaters prepared the questionnaire. I reviewed the questionnaire in advance of the Financial Due Diligence Call and was satisfied with the questions prepared by Mr. Ludwick. Attached hereto as Exhibit 25 is a true and correct copy of Mr. Johnson's e-mail and attachment, which was made and kept in the regular course of business at Citi. Attached hereto as Exhibit 26 is a true and correct copy of an April 8, 2008 email made and kept in the regular course of business at Citi from my colleague Bogdan Ciobanu, on which I was copied, to BCSL, Merrill Lynch, UBS, Wachovia, Linklaters and others circulating a dial-in for the Financial Due Diligence Call.

37. On April 10, 2008, Citi circulated by e-mail a final draft of the Pre-Settlement Due Diligence Call questionnaire to the parties participating in the call. Attached hereto as Exhibit 27 is a true and correct copy of this e-mail, on which I was copied. The e-mail was made and kept in the regular course of business at Citi and sent by my colleague Bogdan Ciobanu.

38. On April 21, 2008, Citi circulated by e-mail a final draft of the Greenshoe Pre-Settlement Due Diligence Call questionnaire to the parties participating in the call. Attached hereto as Exhibit 28 is a true and correct copy of this e-mail, on which I was

copied. The e-mail was made and kept in the regular course of business at Citi and sent by my colleague Bogdan Ciobanu.

G. *Citi Reviewed Interim and Final Drafts of the Prospectus Supplement*

39. S&C was responsible for preparing the prospectus supplement filed in connection with the Series 5 Offering (the "Prospectus Supplement"). As part of Citi's broader due diligence, Citi reviewed interim and final drafts of the Prospectus Supplement, base prospectus and any documents incorporated by reference therein.

40. On March 13, 2008, S&C circulated by e-mail a draft of the Prospectus Supplement to Citi, BCSL and others. Citi reviewed this draft. Attached hereto as Exhibit 29 is a true and correct copy of this e-mail, on which I was included as a recipient and which was made and kept in the regular course of business at Citi.

41. On March 28, 2008, S&C circulated by e-mail a revised draft of the Prospectus Supplement to Citi, BCSL, Linklaters and others. Citi reviewed this revised draft. Attached hereto as Exhibit 30 is a true and correct copy of this e-mail, on which I was included as a recipient and which was made and kept in the regular course of business at Citi.

42. On April 2, 2008, S&C circulated by e-mail a revised draft of the Prospectus Supplement to Citi, BCSL, Linklaters and others. Citi reviewed this revised draft. Attached hereto as Exhibit 31 is a true and correct copy of this e-mail, on which I was included as a recipient and which was made and kept in the regular course of business at Citi.

43. On April 4, 2008, S&C circulated by e-mail a revised draft of the Prospectus Supplement to Citi, BCSL, Linklaters and others. Citi reviewed this revised draft. Attached hereto as Exhibit 32 is a true and correct copy of this e-mail, on which I

was included as a recipient and which was made and kept in the regular course of business at Citi.

44. On April 5, 2008, S&C circulated by e-mail a revised draft of the Prospectus Supplement to Citi, BCSL, Merrill Lynch, UBS, Wachovia, Morgan Stanley, Linklaters and others. Citi reviewed this revised draft. Attached hereto as Exhibit 33 is a true and correct copy of this e-mail, on which I was included as a recipient and which was made and kept in the regular course of business at Citi.

45. On April 7, 2008, Linklaters circulated by e-mail a link to Citi, BCSL, Merrill, UBS, Wachovia, Morgan Stanley, RBC and Banc of America the final preliminary prospectus filed with the SEC in connection with the Series 5 Offering. Citi reviewed this preliminary prospectus supplement. Attached hereto as Exhibit 34 is a true and correct copy of this e-mail, on which I was included as a recipient and which was made and kept in the regular course of business at Citi.

46. On April 10, 2008, S&C circulated by e-mail to Citi, BCSL, Merrill Lynch, UBS, Wachovia, Morgan Stanley, RBC, Banc of America, Linklaters and others the final version of the Prospectus Supplement that was filed with the SEC in connection with the Series 5 Offering. Citi reviewed the final Prospectus Supplement. Attached hereto as Exhibit 35 is a true and correct copy of this e-mail, on which I was included as a recipient and which was made and kept in the regular course of business at Citi.

H. *Additional Due Diligence Performed by Citi*

47. In advance of the Business Due Diligence call, I communicated with Richard Doyle at Merrill Lynch regarding the possibility that Barclays may need to take additional writedowns on sub-prime related assets and whether additional disclosure might be required. Attached hereto as Exhibit 36 is a true and correct copy of an April 3,

2008 e-mail made and kept in the regular course of business at Citi from me to Mr. Doyle attaching the February 20 Research Report and drawing Mr. Doyle's attention to the table at page 5 of the report representing past and estimated writedowns by Barclays. I also noted to Mr. Doyle that I hoped Barclays would provide clarity on the issue. A representative from Merrill Lynch posed a question to Chris Lucas on the Business Due Diligence Call as whether Barclays anticipated taking any additional writedowns that would need to be disclosed to investors.

I. *Citi Reviewed and Relied on Legal Opinions Provided by Issuer's and Underwriters' Counsel*

48. As part of its broader due diligence in connection with the Series 5 Offering, Citi reviewed and relied upon legal opinion letters provided by Linklaters, S&C and Clifford Chance to the Series 5 underwriters. These legal opinions included:

- an April 11, 2008 validity opinion provided by S&C;
- an April 11, 2008 disclosure opinion provided by S&C;
- an April 22, 2008 bring-down validity opinion letter provided by S&C;
- an April 11, 2008 disclosure opinion provided by Linklaters;
- an April 11, 2008 validity opinion provided by Linklaters;
- an April 22, 2008 bring-down validity opinion provided by Linklaters;
- an April 11, 2008 validity opinion provided by Clifford Chance;
- an April 11, 2008 tax opinion provided by Clifford Chance;
- an April 22, 2008 bring-down validity opinion provided by Clifford Chance; and
- an April 22, 2008 bring-down tax opinion provided by Clifford Chance.

Attached hereto as Exhibit 37 is a true and correct copy made and kept in the regular course of business at Citi of an April 11, 2008 e-mail from Sarah Whittington at Linklaters, on which I was included as a recipient, to the underwriter management team attaching the April 11, 2008 legal opinions issued to the underwriters in connection with the Series 5 Offering. Attached hereto as Exhibit 38 is a true and correct copy made and kept in the regular course of business at Citi of an April 22, 2008 e-mail from Sarah Whittington at Linklaters, on which I was included as a recipient, to the underwriter management team attaching the April 22, 2008 legal opinions issued to the underwriters in connection with the Series 5 Offering.

J. *Citi Reviewed and Relied Upon Certifications Provided by Barclays' Management Team*

49. As part of its due diligence efforts in connection with the Series 5 Offering, Citi reviewed and relied upon certifications provided by Barclays' management teams. The first such certification was provided on April 11, 2008. It stated, among other things, that Barclays' management had "carefully examined" the Prospectus Supplement, base prospectus and any documents incorporated by reference therein (the "Series 5 Offering Materials") and that they "did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading." A second bring-down certification was provided on April 22, 2008 that reaffirmed the statements made in the April 11 certification. Attached hereto as Exhibit 39 is a true and correct copy made and kept in the regular course of business at Citi of the April 11, 2008 certification provided by Barclays' management team in connection with the Series 5 Offering. Attached hereto as Exhibit 40 is a true and correct copy made and kept in the regular course of business at Citi of the April 22, 2008 bring-down certification provided by Barclays' management team in connection with the Series 5 Offering.

K. *Citi Relied on Barclays' Auditors, PwC*

50. Citi reviewed interim and final versions of the comfort letter and bring-down comfort letter provided by PwC in connection with the Series 5 Offering. These comfort letters provided SAS 72 comfort for Barclays' unaudited financials for the period of January 1, 2008 through April 8, 2008 (the "Stub Period").

51. Citi's due diligence efforts in connection with the Series 5 Offering included ensuring, in collaboration with BCSL and Linklaters, that PwC would be able to provide an appropriate level of comfort as to Barclays' financials for the Stub Period.

52. On March 20, 2008, David Ludwick from Linklaters circulated by e-mail to Citi and BCSL Linklaters' "circle-up" of Barclays' draft 2007 Form 20-F for inclusion as an exhibit to PwC's comfort letters. Attached hereto as Exhibit 41 is a true and correct copy made and kept in the regular course of business at Citi of Mr. Ludwick's e-mail, on which I was included as a recipient. Citi reviewed this draft "circle-up."

53. On April 1, 2008, Sarah Whittington from Linklaters circulated by e-mail to Citi and BCSL the draft version of PwC's tickmarks or "tie-outs" in response Linklaters' "circle-up" of Barclays' draft 2007 Form 20-F. Attached hereto as Exhibit 42 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's email, on which I was included as a recipient.

54. On April 1, 2008, Sarah Whittington from Linklaters circulated by email to Citi and BCSL comments prepared by Linklaters on the then-operative draft of PwC's comfort letter. Attached hereto as Exhibit 43 is a true and correct copy of this e-mail from Ms. Whittington, which was made and kept in the regular course of business at Citi. Later on April 1, 2008, Sarah Whittington sent these comments to PwC. Attached hereto as Exhibit 44 is a true and correct copy made and kept in the regular course of business at

Citi of Ms. Whittington's e-mail to PwC attaching these comments. Ms. Whittington's email was forwarded to me on April 3, 2008.

55. On April 2, 2008, Drew Haigh from PwC e-mailed to Sarah Whittington at Linklaters a revised draft of the comfort letter incorporating Linklaters' April 1, 2008 comments. On April 3, 2008, Ms. Whittington forwarded this revised draft of PwC's comfort letter to Citi and BCSL. Attached hereto as Exhibit 45 is a true and correct copy of Ms. Whittington's e-mail forwarding PwC's revised draft comfort letter that was made and kept in the regular course of business at Citi and on which I was included as a recipient.

56. On April 4, 2008, Drew Haigh e-mailed Citi, BCSL and Linklaters describing a conversation he had with Amina Jafrabardi from Barclays Group Finance concerning what type of the financial information Barclays would be able to provide PwC for the Stub Period. His e-mail noted that he while certain issues remained unresolved, he hoped to hear back from Barclays later that day. Attached hereto as Exhibit 46 is a true and correct copy made and kept in the regular course of business at Citi of this email from Mr. Haigh, on which I was included as a recipient.

57. Drew Haigh at PwC followed up with Citi, BCSL and Linklaters later the same day describing follow-up communications he had since had with Barclays. I was included on this e-mail and later forwarded the e-mail to AJ Davidson at Merrill Lynch. Attached hereto as Exhibit 47 is a true and correct copy made and kept in the regular course of business at Citi of my April 4, 2008 email to Mr. Davison forwarding Mr. Haigh's follow-up e-mail.

58. Also on April 4, 2008, AJ Davidson at Merrill Lynch e-mailed me inquiring as to the level of comfort PwC would be able to provide during the Stub Period, to which I responded the same day. Attached hereto as Exhibit 48 is a true an correct copy of an e-mail chain made and kept in the regular course of business at Citi that includes Mr. Davidson's e-mail and my response.

59. On April 4, 2008, Sarah Whittington from Linklaters circulated by e-mail a revised version of PwC's comfort letter to Citi, BCSL, Merrill Lynch, UBS, Wachovia and Morgan Stanley. Attached hereto as Exhibit 49 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's email, on which I was included as a recipient.

60. Later on April 4, 2008, Drew Haigh at PwC e-mailed Sarah Whittington at Linklaters the following message: "Please note that the line-item comfort has been discussed with [Barclays] Group Finance and the conclusion was that they should be able to give us appropriate comfort on: (i) Share Cap[;] (ii) Sub Liabilities[;] (iii) PBT; and (iv) Shareholders' Equity in the stub period." Ms. Whittington forwarded this message from Mr. Haigh to Citi, BCSL, Merrill Lynch, UBS, Wachovia and Morgan Stanley the same day. Attached hereto as Exhibit 50 is a true and correct copy made and kept in the regular course of Business at Citi of Ms. Whittington's April 4, 2008 e-mail forwarding Mr. Haigh's April 4, 2008 e-mail, on which I was included as a recipient.

61. On April 4, 2008, Sarah Whittington at Linklaters forwarded by e-mail to my colleague Alastair Rose-Smith a set of responses prepared by PwC in response to a series of questions prepared by Linklaters concerning the "circled-up" items included with PwC's draft comfort letter. Attached hereto as Exhibit 51 is a true and correct copy

made and kept in the regular course of business at Citi of Ms. Whittington's e-mail and attachment. This e-mail was received by Mr. Rose-Smith consistent with Citi's regular practices in connection with Citi's due diligence of securities issuers.

62. On April 6, 2008, David Ludwick at Linklaters e-mailed Drew Haigh at PwC, copying me and others at Citi and BCSL, requesting that, "[g]iven the tight timing, the draft letters with the results of procedures should be sent as soon as the procedures are completed, even if the engagement letter is not signed, as the underwriters need time to consider the results." Attached hereto as Exhibit 52 is a true and correct copy made and kept in the regular course of Business at Citi of Mr. Ludwick's April 6, 2008 e-mail.

63. On April 8, 2008, Sarah Whittington from Linklaters e-mailed an updated draft of the comfort letter to Citi, BCSL, Merrill Lynch, Wachovia, UBS, Morgan Stanley, RBC and Banc of America attaching an updated version of the PwC's comfort letter reflecting an updated level of comfort that PwC would be able to provide for the Stub Period based on the foregoing discussions. Attached hereto as Exhibit 53 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's email, on which I was include as a recipient.

64. Later on April 8, 2008, Sarah Whittington emailed a further revised version of PwC's draft comfort letter to Citi, BCSL, Merrill Lynch, Wachovia, UBS, Morgan Stanley, RBC and Banc of America, noting a revision to reflect that Barclays PBT during the Stub Period was less than its PBT during the comparable period in 2007. Attached hereto as Exhibit 54 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's email, on which I was included as a recipient.

65. Later again on April 8, 2008, Sarah Whittington forwarded a further revised draft later that day to Citi, BCSL, Merrill Lynch, Wachovia, UBS, Morgan Stanley, RBC and Banc of America reflecting an update to the "circle-up" and responses attached to the comfort letter. Attached hereto as Exhibit 55 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's e-mail, on which I was included as a recipient.

66. On April 9, 2008, Sarah Whittington from Linklaters circulated by e-mail an executed copy of comfort letter to Citi, BCSL, Merrill Lynch, Wachovia, UBS, Morgan Stanley, RBC and Banc of America. Attached hereto as Exhibit 56 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's e-mail, on which I was included as a recipient.

67. On April 10, 2008, Ms. Whittington circulated an executed copy of a non-US comfort letter to Citi, BCSL, Merrill Lynch, Wachovia, UBS, Morgan Stanley, RBC and Banc of America. Attached hereto as Exhibit 57 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's e-mail, on which I was included as a recipient.

68. On April 10, 2008, Sarah Whittington from Linklaters circulated by e-mail to Citi, BCSL, Merrill Lynch, Wachovia, UBS, Morgan Stanley, RBC and Banc of America draft bring-down US and non-US comfort letters from PwC. Attached hereto as Exhibit 58 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's e-mail, on which I was included as a recipient.

69. On April 11, 2008, Sarah Whittington from Linklaters circulate by e-mail to Citi, BCSL, Merrill Lynch, Wachovia, UBS, Morgan Stanley, RBC and Banc of

America executed copies of PwC's bring-down US and non-US comfort letters. Attached hereto as Exhibit 59 is a true and correct copy made and kept in the regular course of business at Citi of Ms. Whittington's e-mail, on which I was included as a recipient.

70. Citi relied on PwC as to the accuracy of Barclays' 2007 audited financial statements, including its opinions as to the accuracy of the company's consolidated financial statements and the effectiveness of the company's internal control over financial reporting. Citi did not believe and had no reason to believe that the audited financial statements for 2007 were inaccurate or incomplete.

71. Citi relied on PwC with respect to the expertised portions of the Series 5 Offering Materials and believed that the auditors' expertised statements were truthful and stated all material facts. With respect to non-expertised portions of the Series 5 Offering Materials and based on its extensive knowledge of Barclays and the due diligence that we performed in connection with the Series 5 Offering, Citi believed that all other statements in the Series 5 Offering Materials were true and correct and did not omit to state a material fact.

I declare under penalty of perjury that the foregoing is true and correct. Executed on October 20, 2016 at New York, New York.

JDMcSpadden

Jack D. McSpadden

**From:** Ciobanu, Bogdan [CMB-GBKG] [1000255345@citigroup.com]
**Sent:** Thursday, April 03, 2008 1:34:59 PM
**To:** Mcspadden, Jack D [CMB-GBKG]
**Subject:** Barclays - Citi equity research
**Attachments:** Barclays - Citi quity research.pdf

Jack -
This is the Feb 20 Barclays equity research report.

- Bogdan
<<Barclays - Citi quity research.pdf>>

___________________________
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Company Focus

20 February 2008 | 20 pages

# Barclays PLC (BARC.L)

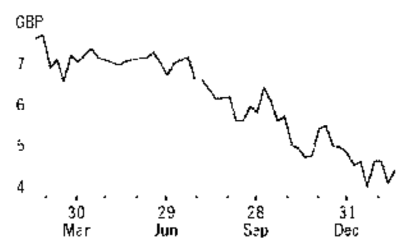
Estimate change

## 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% | 28bp |
| 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

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

| 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 |

For further data queries on Citigroup's full coverage universe please contact CIR Data Services Europe at CitiResearchDataServices@citigroup.com or +44-207-986-4050

dataCentral

**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**

| Barclays (£m) | Dec 07 Pre Write-Down | 2007 Write-downs | | | Dec 07 Post Write-Down | % Write-Down | 2008E Cumulative Write-downs | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Revenue | Impairment | Total | | | 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% | (16,063) | (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 or 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.

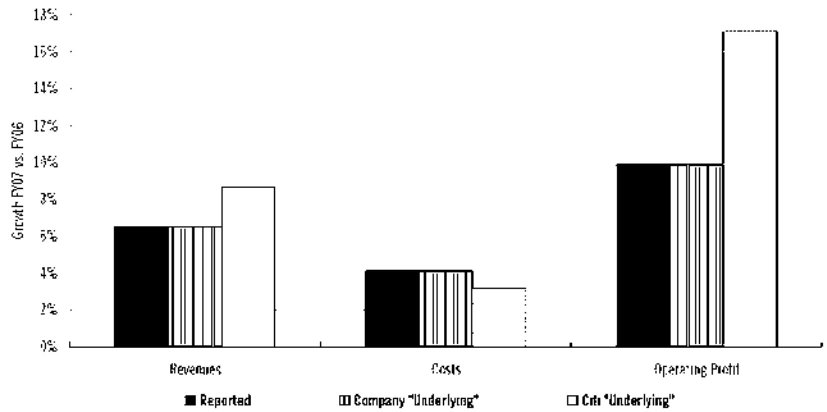
**Figure 7. Barclays – Underlying Cost Growth, FY06 – FY07**

| £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%)**

| Long term growth | Return on Equity | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 1.35 | 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)**

| Long term growth | Return on Equity | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | (1,372) | (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** | **2,307** | **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** | **1,202** | **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% | 58.9p | (4.7%) | 66.7p | (3.2%) | 67.5p | 1.2% | 70.3p | 4.1% |
| EPS (Fully Diluted Basis) | 35.1p | 69.3p | 40.1p | 14.4% | 56 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 | | 56.7p | | 64.5p | | 65.3p | | 68.0p | |
| less exceptional items | (2.5p) | (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%** | **54.0p** | **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% | 33.212 | 6.1% |
| Loan to Deposit Ratio | 113% | 111% | 111% | | 118% | | 118% | | 118% | | 118% | |
| Tangible Equity/Assets Ratio | 1.82% | 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% | 0.03% | 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 | 2.0x | 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% | (946) | 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

[redacted]

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

## Analyst Certification

**Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.**

## IMPORTANT DISCLOSURES

### 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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**Citi Investment Research Ratings Distribution**

| ***Data current as of 31 December 2007*** | **Buy** | **Hold** | **Sell** |
|---|---|---|---|
| Citi Investment Research Global Fundamental Coverage (3421) | 50% | 37% | 12% |
| *% of companies in each rating category that are investment banking clients* | 52% | 53% | 40% |

**Guide to Fundamental Research Investment Ratings:**

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Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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**From:** Harjani, Chandru [CMB-GBKG] [1000118045@citigroup.com]
**Sent:** Saturday, September 01, 2007 11:23:31 AM
**To:** Mcspadden, Jack D [CMB-GBKG]; Drumm, Laura [CMB-GFICC]
**Subject:** FT front cover today

FYI - Barclays on front cover again - Cairn SIV receives $1.4 bn Barclays lifeline.

Apparently Cairn Capital a hedge fund created by Barclays was unable to borrow in the CP market due to falling investment values and market liquidity crunch. Seems like the fund's CP will be replaced by Barclays long term credit facility. Also appears BarCap involved in creating similar SIV structures for some other banks.

Another article discusses the bank's stability or lack thereof in current markets. Lost 15% in market cap since mid-July.

**From:** Ciobanu, Bogdan [CMB-GBKG] [/O=SALOMON/OU=NAM/CN=RECIPIENTS/CN=1000255345]
**Sent:** Friday, August 17, 2007 2:54:41 PM
**To:** Ciobanu, Bogdan [CMB-GBKG]; 'Ross.aucutt@barclaysgt.com'; 'Nick.lambert@barclaysgt.com'; 'keith.harding@barclaysgt.com'; 'omar.ahmed@barclaysgt.com'; 'leigh.meyer@barclaysgt.com'; 'brona.mckeown@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'; 'richard.smith3@barcap.com'; 'bret.ganis@barcap.com'; 'jillian.tait@cliffordchance.com'; 'mwalsh@sidley.com'; 'jrussell@sidley.com'; 'cchapman@sidley.com'; 'michael.brady@weil.com'; 'oconnorj@sullcrom.com'; 'bananid@sullcrom.com'; 'martin.sandgren@weil.com'; 'james.cousins@weil.com'; 'chris.h.taylor@uk.pwc.com'; 'yu-liang.ooi@uk.pwc.com'; 'drew.haigh@uk.pwc.com'; 'simon.sinclair@cliffordchance.com'
**CC:** Aherne, Peter O [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Mcgeary, Simon [CMB-GFICC]; Dickey, John W [CMB-GFICC]; Mason, Peter James [CMB-GFICC]; Drumm, Laura [CMB-GFICC]; Harjani, Chandru [CMB-GBKG]; Stephenson, Laura [CMB-GFICC]; Letina, Anastasia [CMB-GFICC]; Chikarmane, Meghan [CMB-GFICC]; White, Christopher K [CMB-GFICC]; Mcspadden, Jack D [CMB-GBKG]
**Subject:** Project Beech - Business and Accounting Due Diligence outlines (updated)
**Attachments:** Beech - DD Accounting 08.17.07.pdf; Beech - DD Business 08.17.07.pdf

Project Beech Team:

Please find attached the updated Business and Accounting Due Diligence outlines for Project Beech. As discussed on today's call, the business due diligence is expected to take place in the week August 27. We will coordinate a mutually convenient time sometime next week. Thank you.

Regards,
Bogdan Ciobanu
Transaction Execution Group

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**Bogdan Ciobanu**
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# Project Beech

ACCOUNTING DUE DILIGENCE

August 2007

BARCLAYS CAPITAL

# Accounting Due Diligence

**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 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.
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.

**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 the June 19, 2007 restatement reflecting the impact of the changes in group structure on the 2005 and 2006 results.
15. 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.

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# Project Beech

BUSINESS DUE DILIGENCE

August 2007

BARCLAYS CAPITAL

# 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 ABN Amro bid.
3. Please discuss the investment in Barclays by China Development Bank and Temasek.
4. Has Barclays any plans for significant changes in management, operating or legal structure of the Group in addition to those already disclosed?
5. 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
6. Please discuss the Bank's experience with integration of Absa.
7. Please discuss any significant acquisitions or dispositions the Bank has made in the preceding 12 months.
   - Walbrook acquisition
   - Intelenet disposition
   - Indexchange acquisition

### PROFITABILITY

8. Can Barclays comment on steps the bank has taken to mitigate the effects of a serious economic downturn?
9. Please comment briefly on the Bank's first half 2007 interim results.
10. 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?
11. Please comment on the current valuation of the pension scheme, any shortfall and the impact of the scheme on future profitability.

### ASSET MIX/QUALITY

12. Can the bank comment on the impairment charges and other provisions during first half 2007? What is your expectation for full year 2007? Any specific trends of concern that you see developing during the second half 2007?
13. Please comment on the sectorial mix of the loan portfolio. How close is it to the optimal portfolio mix for the bank?

# Business Due Diligence (cont.)

14. 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:
    - exposure if any to sub-prime and non-prime mortgage markets (e.g., EquiFirst in the U.S.)
    - steps taken recently in light of current markets conditions to mitigate such risk.
15. Does Barclays consider that the market offers adequate opportunities to enable it to actively manage its portfolio?
16. Are there any other areas that the bank feels are likely to provide a credit concern in the future, and if so what steps are being taken to reduce your exposure?

### CAPITAL, LIQUIDITY AND FUNDING

17. Please discuss the bank's current BIS ratios (Tier 1 and Total Capital).
18. Please provide an outline of the capital requirements of the bank.
19. Barclays has been active in securitisation recently. Please outline Barclays' plans for future securitisation.
20. Please comment on Barclays' asset and liability management procedures and any significant mis-matching and management of such.
21. Please comment on recent changes if any in funding sources.

### LEGAL, REGULATORY, ACCOUNTING AND RATING AGENCY ISSUES

22. Are there any material regulatory changes that the Group is experiencing difficulty implementing?
23. 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?
24. 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?
25. Is there any outstanding, pending or, to the knowledge of management, threatened material litigation 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?
26. Are there any outstanding material judgements, decrees or orders affecting the Group's operations?
27. Please provide an update regarding any recent discussions with, or reports issued by, any rating agencies with respect to Barclays.

### GENERAL

28. 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.



**From:** Mcspadden, Jack D [CMB-GBKG] [jm19777@imcnam.ssmb.com]
**Sent:** Monday, November 12, 2007 4:36:10 PM
**To:** Harjani, Chandru [CMB-GBKG]; Ciobanu, Bogdan [CMB-GBKG]; Aherne, Peter O [CMB-GFICC]; Drumm, Laura [CMB-GFICC]; Motherway, Melissa [CMB-GFICC]
**Subject:** FW: Project Sycamore
**Attachments:** Email001.PDF

FYI in case you didn't see this. Jack

Jack D. McSpadden, Jr.
Managing Director
Citigroup Global Markets Inc.
Tel: 212-816-7297
Fax: 646-274-5008
Cell: 917-208-7495
jack.d.mcspadden@citi.com

-----Original Message-----
From: Belinda.Vickery@barclayscapital.com
[mailto:Belinda.Vickery@barclayscapital.com]
Sent: Monday, November 12, 2007 9:52 AM
To: Mcspadden, Jack D [CMB-GBKG]
Subject: RE: Project Sycamore

Hi Jack

Please find attached the article.

Thanks
Belinda

-----Original Message-----
From: Mcspadden, Jack D [mailto:jack.d.mcspadden@citi.com]
Sent: 12 November 2007 12:46
To: Vickery, Belinda: Legal (LDN)
Cc: Croxford, Simon: Legal (LDN); Johnson, Richard: Legal (LDN)
Subject: RE: Project Sycamore

Belinda

My computer won't allow me to log onto the timesonline link. Any chance you could print the article out for me and fax/email it thru? Thanks.

Jack

Jack D. McSpadden, Jr.
Managing Director
Citigroup Global Markets Inc.
Tel: 212-816-7297
Fax: 646-274-5008
Cell: 917-208-7495
jack.d.mcspadden@citi.com

-----Original Message-----
From: Belinda.Vickery@barclayscapital.com
[mailto:Belinda.Vickery@barclayscapital.com]
Sent: Monday, November 12, 2007 5:55 AM
To: Mcspadden, Jack E [CMB-GBKG]
Cc: Simon.Croxford@barclayscapital.com;
Richard.d.Johnson@barclayscapital.com
Subject: Project Sycamore

Jack

FYI - below is an article from the Times in relation to the Barclays Q3 trading statement.

> http://www.timesonline.co.uk/tol/business/industry_sectors/banking_and
> _finance/article2852862.ece
>
Kind regards
Belinda

> Belinda Vickery
> Barclays Capital
> Legal
> 5 The North Colonnade
> Canary Wharf, London, E14 4BB
> *DDI : +44 (0) 20 7773 0571
> *Fax: +44 (0) 20 7773 4934
> * Email: belinda.vickery@barclayscapital.com
>
>

# Barclays and auditor fight fears over credit-crunch exposure

Barclays is working with its auditor PricewaterhouseCoopers (PwC) to draw a line under mounting speculation over the bank's exposure to the global credit crunch.

PwC has been asked to help with a breakdown of Barclays' financial performance for a keenly awaited trading statement due on November 27.

Shares in Barclays were briefly suspended on Friday amid rumours that it was poised to make a writedown of nearly £5 billion after changes in the upper ranks in Barclays Capital, its investment banking arm.

Speculation swept the market that John Varley, group chief executive, and Bob Diamond, the head of Barclays Capital, had resigned. Barclays denied the rumours and Mr Varley had to reassure staff over the health of the business in an internal memo.

Barclays typically uses only words in its trading updates, but hopes that the extra information provided in two weeks' time will reassure those still worried about knock-on effects of the sub-prime chaos.

The banks Citigroup, Morgan Stanley and Merrill Lynch have between them announced losses of more than £10 billion on sub-prime mortgages and financial instruments, putting pressure on other banks to come clean.

It is not thought that Barclays will bring its trading statement forward, as has been rumoured.

Barclays refused to comment on its work with PwC yesterday, but an insider said that it was "aware of what the markets are interested in . . . We have always been at the transparent end of the spectrum."

Barclays has been one of the biggest casualties of increased speculation about stock market fallout from the credit crunch. Its market value has tumbled by £21 billion since the start of February, when HSBC first gave warning about its own exposure to the downturn. Despite efforts by senior Barclays figures to reassure shareholders, its shares have fallen by 42 per cent since that date.

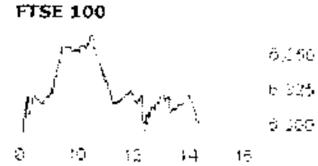
Mr Varley, in his memo to staff, said that Barclays had a "strong capital base" and was "awash with liquidity". He said: "If there were any substance in the rumours that I have been hearing in recent days, we would not have been required to have made a stock market announcement. But we have not."

UK, European or US Companies

ENTER COMPANY NAME

SUMMARY GO

FTSE 100





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will be in shares than in past years. The move comes a month after the sub-prime crisis led UBS to make a $3.5 billion writedown. HSBC writedown expected, page 41

HAVE YOUR SAY

Is all the scare regarding sub prime writedowns another means of fiddling the books for accounting purposes.Who is to prove the losses.

[illegible], Huntingdon, England

HAVE YOUR SAY

PRINT | EMAIL | POST TO DEL.ICIO.US
POST TO NEWSVINE | POST TO YAHOO | POST TO DIGG

ALSO IN BANKING & FINANCE

**From:** Ciobanu, Bogdan [CMB-GBKG] [/O=SALOMON/OU=NAM/CN=RECIPIENTS/CN=1000255345]
**Sent:** Monday, November 26, 2007 10:27:22 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 [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Mason, Peter James [CMB-GFICC]; Drumm, Laura [CMB-GFICC]; White, Christopher K [CMB-GFICC]; Deese, Derrick [CMB-GFICC]; Dickey, John W [CMB-GFICC]; Mcgeary, Simon [CMB-GFICC]; Letina, Anastasia [CMB-GFICC]; Stephenson, Laura [CMB-GFICC]; Williams, Christopher G [CMB-GBKG]; Walker, David [CMB-GBKG]; Harjani, Chandru [CMB-GBKG]; Mcspadden, Jack D [CMB-GBKG]; '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'; 'marc_tempelman@ml.com'; 'eric_wilson@ml.com'; 'christine_macdonald@ml.com'; 'lisa_grennon@ml.com'; 'richard_doyle@ml.com'; 'karyn_lim@ml.com'; '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 )
**Attachments:** Barclays - Accounting Due Diligence Nov 2007.DOC; Barclays - Business Due Diligence Nov 2007.DOC

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.

**Dial-in Information**
**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.

**From:** Ciobanu, Bogdan [CMB-GBKG] [bc55345@imcnam.ssmb.com]
**Sent:** Tuesday, November 20, 2007 11:35:09 PM
**To:** Yogaratnam, Rashmini [CMB-RISK]; Trask, Richard [CMB-RISK]; Janiak, A R [GWM-INV]; Carnes, Stan [GWM-PCIS]
**CC:** Aherne, Peter O [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Mason, Peter James [CMB-GFICC]; Drumm, Laura [CMB-GFICC]; White, Christopher K [CMB-GFICC]; Deese, Derrick [CMB-GFICC]; Dickey, John W [CMB-GFICC]; Mcgeary, Simon [CMB-GFICC]; Letina, Anastasia [CMB-GFICC]; Stephenson, Laura [CMB-GFICC]; Mcspadden, Jack D [CMB-GBKG]; Harjani, Chandru [CMB-GBKG]
**Subject:** Barclays - retail hybrid mandate
**Attachments:** Barclays_Capital_trading_update_151107.pdf; Sycamore - Transaction Summary v1.doc

Rashmini, Dick, Richard and Stan,

We have been invited as a Jt. Bookrunner for a Barclays Bank PLC retail hybrid transaction (Project Sycamore). Transaction details:

Citi Role: Jt. Bookrunner
Transaction Structure: Retail hybrid (similar to the September 2007 deal)
Expected Size at launch: $500-750 MM
Issuer Ratings: S&P: AA (Stable); Moody's: Aa1 (Stable); Fitch: AA+ (Negative)
Issue Ratings: S&P: A- (Stable); Moody's: Aa3 (Stable); Fitch: AA (Negative)
Expected Launch: Week of December 3
Prior Transactions: Citi was joint books on Barclays' retail offering closed on September 6, 2007. The Committee waived screening for that transaction.
Smith Barney Equity Ratings: Citi has a 3M rating with a target stock price of £5.75 (Price at the time of the report was £6.60). Current price £5.17
Recent developments:
Barclays was the unsuccessful bidder for the ABN-AMRO, which was won by a consortium of Royal Bank of Scotland, Fortis and Santander.
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 £1.9 BN for the period was after booking credit, mortgage and leveraged finance related charges and write downs of £0.5 BN net of hedging in the third quarter (reflected in previous statements to the market); and an additional £0.8 BN net charges and write downs in October (please see attached Transaction Summary and Company Press Release for more details).

Please advise as to how you would like to proceed with Committee.

Regards,
Bogdan Ciobanu

______________________________
Bogdan Ciobanu
Citi Markets and Banking
388 Greenwich St. | 34 Fl. | NY 10013
T: +1.212.816.9429 | F: +1.646.291.3712
M: +1.917.232.1184

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<br>- All second lien collateral valued at zero<br>- Sub Prime collateral marked down 50% |
| Mezzanine | (0.1) | (0.3) | - As above<br>- 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<br>- 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:
<u>Investor Relations</u>

| | |
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| Mark Merson | John McIvor |
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| | |
|---|---|
| Siobhan Loftus | Simon Eaton |
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#### 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.

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.

| *FINANCIAL INSTITUTIONS: Debt Commitment Committee – Transaction Summary* | | | | | | |
|---|---|---|---|---|---|---|
| **Presentation Date:** | 11/19/07 | | Conflict Clearance Date: 11/8/07 | | | |
| **Deal Team:** | Investment Bank | Fixed Income | TEG | GRB | GPM/Risk | New Products |
| | Chris Williams | Peter Aherne<br>Leo-Hendrik Greve<br>Peter J. Mason<br>Laura Drumm<br>Chris K. White<br>Derrick Deese | Jack McSpadden<br>Chandru Harjani<br>Bogdan Ciobanu | | | John Dickey<br>Simon McGeary<br>Anastasia Letina<br>Laura Stephenson |
| **Approval Type:** | Waiver | Last Screening: n/a | | Total Fees (this deal): [$15.8 – 23.6MM]<br>Est. Citi Fees: [15 – 20%] | | |
| **Issuer:** | *Name:* | BARCLAYS BANK PLC | | | | |
| | *Industry:* | Banks | | *Country:* UK | | |
| | *Description:* | Barclays provides financial services worldwide. It offers retail and commercial banking, credit cards, investment banking, wealth management, and investment management services. | | | | |
| | *AML Rating:* | Low | | | | |
| **Issuer Rating:** | S&P: AA (Stable) | Moody's: Aa1 (Stable) | | Fitch: AA+ (Negative) | | |
| **Citigroup Research:** | *Equity:* | *At Meeting? (Y/N):* N | | *OTW (Y/N):* N | | |
| | *Name:* | Tom Rayner | | | | |
| | *Issuer Rating:* | 3M (08 Oct 07) | | | | |
| | *Target Stock Price:* | Price (05 Oct 07) £6.60<br>Target price £5.75<br>*from £6.60* | | | | |
| | *Debt:* | *At Meeting? (Y/N):* N | | *OTW (Y/N):* N | | |
| | *Name:* | n/a | | | | |
| | *Issuer Rating:* | n/a | | | | |
| **Transaction:** | *Project name:* | Project Sycamore | | | | |
| | *Transaction type:* | SEC Registered | *Size (mm):* | $500 – $750MM | | |
| | *Form of underwriting:* | Fully Marketed | | | | |
| | *Citigroup role:* | Jt Bookrunner | | *Non-Citigroup Bookrunner(s):* BarCap, WB, UBS | | |
| | *Description:* | US$ retail capital offering | | | | |
| | *Use of proceeds:* | General corporate purposes | | | | |
| **Issue Rating:** | S&P: A+ (Stable) | Moody's: Aa3 (Stable) | | Fitch: AA (Negative) | | |

**Key Issues:**

- 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
- Managing the cost structure of the bank as a whole
- On Nov 15 Barclays Capital announced the following net charges and write downs in relation to the CDO/SIV exposure:

| £ BN | Net charges and write downs Q3 2007 | Oct-07 | Total | Comments |
|---|---|---|---|---|
| **ABS CDO Super Senior** | | | | |
| High Grade | (0.3) | (0.4) | (0.7) | *- All RMBS CDO principal valued at zero*<br>*- All second lien collateral valued at zero*<br>*- Sub Prime collateral marked down 50%* |
| Mezzanine | (0.1) | (0.3) | (0.4) | *As above*<br>*- Used fair value with impairment horizon to 2008* |
| **Other US Subprime** | | | | |
| Whole loans and trading book positions | (0.2) | (0.2) | (0.4) | *- Trading book assessed at fair value based on current market parameters* |
| **SIVs/SIV-lites** | (0.1) | - | (0.1) | *- Minimal Sub Prime exposure in SIVs*<br>*- No undrawn SIV-lite facilities* |
| **Leveraged Finance / Own Credit** | 0.2 | 0.1 | 0.3 | |
| **Net Charges and Write Downs in the period** | **(0.5)** | **(0.8)** | **(1.3)** | |

**Deal Execution:**

The transaction is expected to launch the week of December 3.

**Key Indicators in US$-millions (proforma):**

| *30/06/07* | Net Income (LTM) | Assets | Equity | Total Capital | Tier-I | NPL | NCO |
|---|---|---|---|---|---|---|---|
| *Book:* | £5,540 | £1,158,260 | £28,720 | 12.5% | 7.7% | 1.7% | 0.52% |
| *Mkt:* | - | - | £34,260 | - | - | - | - |

**Team Comments:**

**Committee:**

**Committee Decision:**

**Committee Notes:**

**From:** Ciobanu, Bogdan [CMB-GBKG] [bc55345@imcnam.ssmb.com]
**Sent:** Wednesday, November 21, 2007 10:02:31 PM
**To:** Walker, David [CMB-GBKG]
**CC:** White, Christopher K [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Harjani, Chandru [CMB-GBKG]; Mcspadden, Jack D [CMB-GBKG]; Drumm, Laura [CMB-GFICC]
**Subject:** FW: Barclays - retail hybrid mandate

David,

As you may be aware, Citi is mandated to do a retail debt offering for Barclays (expected to launch the week of Dec 3). In light of the recent market environment, the Commitment Committee would like to have a conference call with the team to discuss the credit (please see email chain below).

Please let me know your availability next week to do a conference call with the Committee. In addition, please advise of other team members who should be on this call so we can have the appropriate team gathered. Thank you.

Regards,
Bogdan Ciobanu
Transaction Execution Group

______________________________
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_____

From: Drumm, Laura [CMB-GFICC]
Sent: Wednesday, November 21, 2007 3:57 PM
To: Yogaratnam, Rashmini [CMB-RISK]
Cc: Ciobanu, Bogdan [CMB-GBKG]
Subject: RE: Barclays - retail hybrid mandate

You should speak with David Walker in London who is primary GRB coverage, I believe. We have been very close to these guys over the past few months as we served as primary advisory on their failed bid for ABN. Bogdan can help coordinate.

Happy Thanksgiving!
best,
Laura

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From: Yogaratnam, Rashmini [CMB-RISK]
Sent: Wednesday, November 21, 2007 3:55 PM
To: Drumm, Laura [CMB-GFICC]
Subject: RE: Barclays - retail hybrid mandate

Thanks Laura, I said FI in the last email and meant Financial Institutions coverage and realized it might have been interpreted as FIxed Income. Is this name covered in the GRB or GTS? I'm interested in the appropriate person's view of the future - understanding that no-one has a crystal ball.

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From: Drumm, Laura [CMB-GFICC]
Sent: Wednesday, November 21, 2007 3:53 PM
To: Yogaratnam, Rashmini [CMB-RISK]; Ciobanu, Bogdan [CMB-GBKG]; Trask, Richard [CMB-RISK]; Janiak, A R [GWM-INV]; Carnes, Stan [GWM-PCIS]
Cc: Aherne, Peter O [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Mason, Peter James [CMB-GFICC]; White, Christopher K [CMB-GFICC]; Deese, Derrick [CMB-GFICC]; Dickey, John W [CMB-GFICC]; Mcgeary, Simon [CMB-GFICC]; Letina, Anastasia [CMB-GFICC]; Stephenson, Laura [CMB-GFICC]; Mcspadden, Jack D [CMB-GBKG]; Harjani, Chandru [CMB-GBKG]
Subject: RE: Barclays - retail hybrid mandate

Rashmini,

We would be happy to get our colleagues in London on the line with you to discuss in further detail. Please note, Barclays issued an October YTD trading performance update on November 15th which reviewed the performance at Barclays Capital, risk management efforts and specifically CDO exposures (see link attached). Within this disclosure, they revealed a GBP 1.3 billion ($2.67 billion) writedown/charge related to CDO and subprime mortgage losses. This announcement alleviated market concerns that the charge would be much greater (street rumors had been in the realm of $10bn).

http://www.investorrelations.barclays.co.uk/INV/A/Content/Files/Barclays_Capital_trading_update_151107.pdf

In addition to this disclosure, Barclays will produce a quarterly trading statement on November 27th.

best,
Laura

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From: Yogaratnam, Rashmini [CMB-RISK]
Sent: Wednesday, November 21, 2007 3:40 PM
To: Ciobanu, Bogdan [CMB-GBKG]; Trask, Richard [CMB-RISK]; Janiak, A R [GWM-INV]; Carnes, Stan [GWM-PCIS]
Cc: Aherne, Peter O [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Mason, Peter James [CMB-GFICC]; Drumm, Laura [CMB-GFICC]; White, Christopher K [CMB-GFICC]; Deese, Derrick [CMB-GFICC]; Dickey, John W [CMB-GFICC]; Mcgeary, Simon [CMB-GFICC]; Letina, Anastasia [CMB-GFICC]; Stephenson, Laura [CMB-GFICC]; Mcspadden, Jack D [CMB-GBKG]; Harjani, Chandru [CMB-GBKG]
Subject: RE: Barclays - retail hybrid mandate

Bogdan,

It would be helpful to get some input from the FI coverage person for Barclays and also our GPM colleagues. What is our prospective view of their SIV and sub-prime exposure (appreciating that no-one has a crystal ball)? What is the research community's view? When were ratings last confirmed?

I am available on Friday for follow-up discussions.

Regards,
Rashmini

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From: Ciobanu, Bogdan [CMB-GBKG]
Sent: Tuesday, November 20, 2007 6:35 PM
To: Yogaratnam, Rashmini [CMB-RISK]; Trask, Richard [CMB-RISK]; Janiak, A R [GWM-INV]; Carnes, Stan [GWM-PCIS]
Cc: Aherne, Peter O [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Mason, Peter James [CMB-GFICC]; Drumm, Laura [CMB-GFICC]; White, Christopher K [CMB-GFICC]; Deese, Derrick [CMB-GFICC]; Dickey, John W [CMB-GFICC]; Mcgeary, Simon [CMB-GFICC]; Letina, Anastasia [CMB-GFICC]; Stephenson, Laura [CMB-GFICC]; Mcspadden, Jack D [CMB-GBKG]; Harjani, Chandru [CMB-GBKG]
Subject: Barclays - retail hybrid mandate

Rashmini, Dick, Richard and Stan,

We have been invited as a Jt. Bookrunner for a Barclays Bank PLC retail hybrid transaction (Project Sycamore). Transaction details:

Citi Role: Jt. Bookrunner
Transaction Structure: Retail hybrid (similar to the September 2007 deal)
Expected Size at launch: $500-750 MM
Issuer Ratings: S&P: AA (Stable); Moody's: Aa1 (Stable); Fitch: AA+ (Negative)
Issue Ratings: S&P: A+ (Stable); Moody's: Aa3 (Stable); Fitch: AA (Negative)
Expected Launch: Week of December 3
Prior Transactions: Citi was joint books on Barclays' retail offering closed on September 6, 2007. The Committee waived screening for that transaction..
Smith Barney Equity Ratings: Citi has a 3M rating with a target stock price of £5.75 (Price at the time of the report was £6.60). Current price £5.17
Recent developments:
Barclays was the unsuccessful bidder for the ABN-AMRO, which was won by a consortium of Royal Bank of Scotland, Fortis and Santander.
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 £1.9 BN for the period was after booking credit, mortgage and leveraged finance related charges and write downs of £0.5 BN net of hedging in the third quarter (reflected in previous statements to the market); and an additional £0.8 BN net charges and write downs in October (please see attached Transaction Summary and Company Press Release for more details).

Please advise as to how you would like to proceed with Committee.

Regards,
Bogdan Ciobanu

_____________________________
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M: +1.917.292.1184

**From:** Ciobanu, Bogdan [CMB-GBKG] [/O=SALOMON/OU=NAM/CN=RECIPIENTS/CN=1000255345]
**Sent:** Monday, November 26, 2007 2:08:19 PM
**To:** Janiak, A R [GWM-INV]; Carnes, Stan [GWM-PCIS]; Yogaratnam, Rashmini [CMB-RISK]; Trask, Richard [CMB-RISK]; Mcspadden, Jack D [CMB-GBKG]; Harjani, Chandru [CMB-GBKG]; White, Christopher K [CMB-GFICC]; Drumm, Laura [CMB-GFICC]; Greve, Leo-Hendrik [CMB-GFICC]; Aherne, Peter O [CMB-GFICC]; Mason, Peter James [CMB-GFICC]; Deese, Derrick [CMB-GFICC]; Walker, David [CMB-GBKG]; Williams, Christopher G [CMB-GBKG]
**Subject:** Barclays Commitment Committee conference call

Team:

Please find below the dial-in information for today's 11:00 AM conference call with the Commitment Committee regarding the Barclays transaction. The dial-in number is the same as the one circulated on Friday via the calendar reminder.

**Dial-in information:**
**Time:** Monday, 11/26/07, 11:00 AM EST
**Dial-in:** +1 (888) 211-0187 (US) or +1 (719) 785-9437 (International)
**Pass-code:** 563400#

Regards,
Bogdan Ciobanu

**Bogdan Ciobanu**
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