

Figure 15. Barclays — What's Next

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

Source: Citi Investment Research

Barclays PLC

Company description

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

Investment strategy

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

Valuation

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

Risks

We rate Barclays as Medium Risk because its exposure to higher risk banking activities, such as derivatives, is offset by its lower risk banking activities such as the UK mortgage market. There are a number of risks which could cause the share to deviate significantly from our target price, including a stronger-than-expected performance in fixed income and related capital market activities. A slowdown in the wider UK housing market could reduce demand for mortgages and result in borrowers getting into negative equity. Rising UK interest rates and a deterioration in economic conditions could increase arrears levels in the

consumer and corporate businesses. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Likewise, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Appendix A-1

Analyst Certification

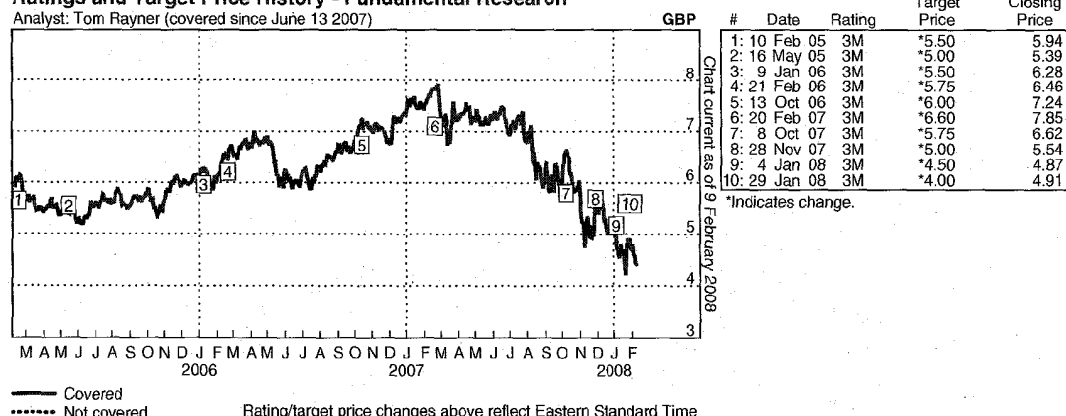
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Barclays PLC (BARC.L)

Ratings and Target Price History - Fundamental Research

Analyst: Tom Rayner (covered since June 13 2007)



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Europe United Kingdom
Banks Banks

19 February 2008

Barclays

Reuters: **BARC.L** Bloomberg: **BARC LN** Exchange: **LSE** Ticker: **BARC**

Strong trading, confident on capital

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Earnings and capital ratios exceed DB and consensus expectations

Barclays reported FY07 earnings 2% of consensus and well ahead of our expectations with BarCap net writedowns of £1.6bn below our £2.3bn forecast. Underlying trading was good in UK Retail, BarCard, Wealth and IRCB. BarCap's 2H07 revenue and cost performance was especially noteworthy. A 7.6% tier 1 ratio and 10% increase in dividend (EPS -4% YoY) underlines confidence in the balance sheet. New EP targets look for around ~8% profit growth to 2011. On 7x earnings, with ~8% yield, we believe the stock is too cheap. Buy, TP 700p.

Solid and cheap

Barclays delivered results that were ahead of our and consensus expectations with better-than-expected writedowns and extraordinary cost control in BarCap of particular mention. Improved diversity of earnings also resulted from strong underlying profit growth from UK Retail (+18%), Wealth (+25%) and BarCard (+18%). We believe that adequacy of balance sheet capital has been put further beyond doubt. New Economic Profit targets for 2007-2011 announced today look for 5-10% annual growth in EP, as compared with a previous range of 10-13% for 2003-2007. Is this reduction in profit growth ambition a disappointment? We think not. If Barclays can really deliver around 8% annual growth in earnings and dividends over the next four years (and we think that it can) we regard the share as far too cheap.

Attractively valued

Barclays is trading at 7.3x 2008E earnings (despite allowing for a further £1bn in asset impairments in 2008, after £1.6bn in 2007) and 5.9x 2009E earnings, as compared with the European banks sector on 8.7x and 7.4x respectively. Our target price of 700p is derived using a sum-of-the-parts methodology (Figure 9) and suggests healthy capital upside in addition to the estimated 7.7% dividend yield. We retain our Buy recommendation. The key risks are a fall in capital markets activity and an unexpected spike in corporate and wholesale credit costs beyond those already captured in earnings forecasts.

Forecasts and ratios

Year End Dec 31	2006A	2007A	2008E	2009E
EPS Adjusted (GBP)	64.82	69.38	66.01	81.60
P/E Adjusted (x)	11.3	7.3	7.3	5.9
DPS (GBP)	31.00	34.00	37.20	40.50
Dividend Yield (%)	4.7	5.1	7.7	8.4
P/B Tangible (x)	3.7	2.0	1.7	1.5

Source: Deutsche Bank estimates, company data

Deutsche Bank AG/London

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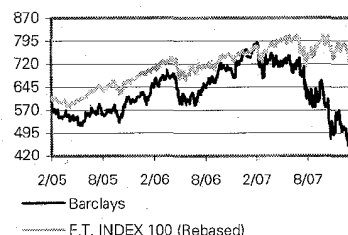


Results Review

Buy

Price at 19 Feb 2008 (GBP)	480.60
Price Target (GBP)	700.00
52-week range (GBP)	790.00 - 420.75

Price/price relative

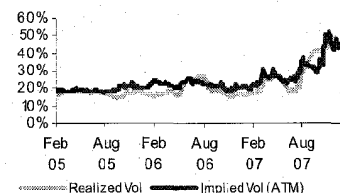


Performance (%)	1m	3m	12m
Absolute	6.0	-2.9	-39.0
F.T. INDEX 100	0.8	-2.8	-7.7

Stock & option liquidity data

Price Target (GBP)	700.00
Market cap (GBP)	32,036
Shares outstanding (m)	6,597
Free float (%)	-
Option volume (und. shrs., 1M avg.)	103,113,636

Implied & Realized Volatility (3M)



Implied Volatility [3M, ATM] vs. Peers

RBSL	52.8%
SOGN.PA	51.1%
BARCL	50.1%
HBOSL	48.3%
LLOY.L	42.0%
*STOXX 600	34.0%

*Weighted-avg. of index components
Data as of 18-Feb-08

Model updated: 19 February 2008

Running the Numbers**Europe****United Kingdom****Banks****Barclays**

Reuters: BARC.L

Bloomberg: BARC LN

Buy

Price (19 Feb 08) GBP 480.60

Target price GBP 700.00

52-week Range GBP 420.75 - 790.00

Market Cap (m) GBP 32,035
USD 62,512**Company Profile**

Barclays is one of the UK's 'Big 4' clearing banks, and one of Europe's 10 largest banks by market capitalisation. The group is increasingly driven by its capital markets businesses: Barclays Capital (debt-related investment banking), Barclays Global Investors (primarily passive asset management) and Wealth Management (private banking). In addition, Barclays is building a portfolio of international retail and commercial banking operations, with the bulk of profits generated by its Spanish (Banco Zaragozano) and South African (ABSA) businesses.

Fiscal year end 31-Dec	2005	2006	2007	2008E	2009E	2010E
Data Per Share						
EPS (stated)(GBP)	54.39	71.90	68.47	63.84	79.72	86.37
EPS (DB) (GBP)	54.48	64.82	69.38	66.01	81.60	88.22
Growth Rate - EPS (DB) (%)	3.2	19.0	7.0	-4.9	23.6	8.1
DPS (GBP)	26.60	31.00	34.00	37.20	40.50	43.88
BVPS (stated) (GBP)	267.28	306.90	382.42	408.76	447.56	489.50
Tang. NAV p. sh. (GBP)	154.44	195.09	256.73	287.48	330.79	377.31
Market Capitalisation	39,478	47,706	33,264	32,035	32,035	32,035
Shares in issue	6,486	6,507	6,587	6,597	6,674	6,752

Valuation Ratios & Profitability Measures

P/E (stated)	11.2	10.2	7.4	7.5	6.0	5.6
P/E (DB)	11.2	11.3	7.3	7.3	5.9	5.4
P/B (stated)	2.3	2.4	1.3	1.2	1.1	1.0
P/Tangible equity (DB)	4.0	3.7	2.0	1.7	1.5	1.3
ROE(stated)(%)	21.1	24.5	19.4	15.6	18.1	17.9
ROTE (tangible equity) (%)	34.0	37.1	30.8	24.1	26.3	24.9
ROIC (invested capital) (%)	20.1	21.2	19.1	15.9	18.2	18.1
Dividend yield(%)	4.7	4.7	5.1	7.7	8.4	9.1
Dividend cover(x)	2.0	2.3	2.0	1.7	2.0	2.0

Profit & Loss (GBPm)

Net interest revenue	8,075	9,143	9,610	10,165	10,752	11,370
Non interest income	9,258	12,452	13,390	13,125	14,790	16,107
Commissions	5,705	7,177	7,708	8,428	9,415	10,276
Trading Revenue	3,179	4,576	4,975	3,958	4,608	5,034
Other revenue	374	699	707	740	766	797
Total revenue	17,333	21,595	23,000	23,290	25,541	27,477
Total Operating Costs	10,448	12,517	12,997	13,470	14,222	15,071
Employee Costs	6,318	8,169	8,405	8,596	8,967	9,406
Other costs	4,130	4,348	4,592	4,875	5,254	5,665
Pre-Provision profit/(loss)	6,885	9,078	10,003	9,819	11,320	12,406
Bad debt expense	1,571	2,154	2,795	2,860	2,751	3,049
Operating Profit	5,314	6,924	7,208	6,959	8,568	9,357
Pre-tax associates	45	46	42	42	43	43
Pre-tax profit	5,359	6,970	7,250	7,001	8,611	9,401
Tax	1,439	1,941	1,981	1,969	2,433	2,658
Other post tax items	-473	-458	-880	-934	-1,000	-1,064
Stated net profit	3,447	4,571	4,389	4,098	5,179	5,678
Goodwill	79	157	202	212	223	234
Extraordinary & Other items	8	-510	-21	44	44	44
Bad Debt Provisioning	0	0	0	0	0	0
Investment reval, cap gains / losses	0	0	0	0	0	0
DB adj. core earnings	3,534	4,218	4,570	4,355	5,446	5,956

Key Balance Sheet Items (GBPm) & Capital Ratios

Risk-weighted assets	269,143	297,833	353,476	367,426	397,356	430,519
Interest-earning assets	0	0	0	0	0	0
Customer Loans	268,896	282,300	345,398	374,448	408,462	446,980
Total Deposits	238,684	256,754	294,987	319,797	348,847	381,743
Stated Shareholder Equity	17,270	20,056	25,240	27,246	30,130	33,280
Equals: Tangible Equity	9,979	12,749	16,944	19,162	22,268	25,653
Tier 1 capital	18,895	23,005	26,743	29,310	32,763	36,494
Tier 1 ratio (%)	7	8	8	8	8	8
o/w core tier 1 capital ratio (%)	4.9	5.6	5.1	5.6	5.9	6.3

Credit Quality

Gross NPLs/Total Loans(%)	1.94	1.80	1.82	2.02	2.22	2.22
Risk Provisions/NPLs(%)	66	66	56	50	46	46
Bad debt / Avg loans (%)	1,571.00	2,154.00	2,795.00	2,860.31	2,751.12	3,048.85
Bad debt/Pre-Provision Profit(%)	22.8	23.7	27.9	29.1	24.3	24.6

Growth Rates & Key Ratios

Growth in revenues (%)	22	25	7	1	10	8
Growth in costs (%)	23	20	4	4	6	6
Growth in bad debts (%)	44	37	30	2	-4	11
Growth in RWA (%)	23	11	19	4	8	8
Net int. margin (%)	nm	nm	nm	nm	nm	nm
Cap.-market rev. / Total revs (%)	41	43	45	42	44	70
Total loans / Total deposits (%)	113	110	117	117	117	117

ROTE Decomposition

Revenue % ARWAs	7.11	7.62	7.06	6.46	6.68	6.64
Net interest revenue % ARWA	3.31	3.23	2.95	2.82	2.81	2.75
Non interest revenue % ARWA	3.80	4.39	4.11	3.64	3.87	3.89
Costs/Income ratio (%)	60.3	58.0	56.5	57.8	55.7	54.8
Bad debts % ARWAs	0.64	0.76	0.86	0.79	0.72	0.74
Tax rate (%)	27.1	28.0	27.5	28.3	28.4	28.4
Adj. Attr. earnings % ARWA	1.43	1.47	1.39	1.20	1.41	1.43
Capital leverage (ARWA/Equity)	23.5	24.9	21.9	20.0	18.5	17.3
ROTE (Adj. earnings/Ave. equity)	33.6	38.7	30.5	23.9	26.1	24.7

Source: Company data, Deutsche Bank estimates

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Key issues

Reassuring earnings, dividends and tier 1 ratio

Barclays reported EPS of 68.9p, 2% ahead of consensus and substantially above our forecast almost entirely driven by lower than expected mark-downs of risk assets which reported at a net £1.6bn compared with our £2.3bn forecast. Profit before tax of £7076m was 2% ahead of consensus of £6964m. Dividend per share of 34p was in line with our forecasts (+10% YoY) and, combined with a tier 1 ratio of 7.8% (DB 7%, Barclays target 7.25%) should give greater confidence on balance sheet strength.

However, cyclical pressures on vanilla banking profitability were also evident in the results. All divisions other than International Retail and Commercial (IRCB) reported lower earnings on a half on half basis. UK banking was broadly in line with our expectations, up 9% and 6% YoY on a stated basis (Retail was up 18% excluding current account fee refunds of £116m). Barclaycard delivered strong growth (+18% YoY) as credit charges peaked and the US build-out proved less of a drag than in the past. In addition, a stronger Pound dented reported profits for both IRCB (down 4% YoY) and BGI (+3% YoY).

BarCap produced the best result relative to our forecasts with net writedowns of £1.6bn £700m below our forecast. However, despite absorbing these substantial charges (equivalent to all of 2004's BarCap profits, for example) the division was profitable and managed to grow pre-tax profit by 5% YoY. Part of the longer term investing opportunity in Barclays, in our view, lies in reflecting just how strong a performance this is compared with the peer group of Swiss and US investment banks many of which reported writedowns which drove losses for the entire bank in many cases, let alone the investment banking division. Figure 1 shows Barclays' divisional profit track record and performance relative to our expectations.

Figure 1: Barclays divisional profit track record, and performance relative to DB forecasts

	1H06	YoY %	2H06	YoY %	FY2006	YoY %	1H07	YoY %	2H07e	YoY %	FY07e	FY07A	YoY %	HoH	vs DB
UK Banking	1,253	10%	1,217	11%	2,470	10%	1,363	9%	1,355	11%	2,718	2,653	7%	-5%	-2%
UK Retail Banking	600	9%	581	10%	1,181	10%	651	9%	678	17%	1,329	1,282	9%	-3%	-4%
UK Business Banking	653	11%	636	12%	1,289	11%	712	9%	677	6%	1,389	1,371	6%	7%	-1%
BarCap	1,246	66%	970	42%	2,216	55%	1,660	33%	-652	-167%	1,008	2,335	5%	-59%	132%
BarCap ex w/o's	1,246	66%	970	42%	2,216	55%	1,660	33%	498	-49%	2,163	3,135	41%	-11%	45%
BGI	364	51%	350	17%	714	32%	388	7%	383	9%	771	734	3%	-11%	-5%
Wealth Management	129	54%	116	45%	245	49%	173	34%	203	75%	376	307	25%	-23%	-18%
BarCard	326	-6%	132	-55%	458	-28%	272	-17%	235	78%	507	540	18%	-1%	6%
IRCB	512	194%	457	9%	969	63%	452	-12%	466	2%	918	936	4%	7%	2%
o/w ABSA	317	100%	381	28%	698	134%	310	100%	362	-5%	672	689	-1%	22%	3%
o/w Other	195	12%	76	-37%	271	-8%	142	-27%	104	36%	246	246	0%	-27%	0%
Central costs	-157	293%	-26	-91%	-183	-43%	-207	32%	-162	523%	-369	-428	134%	7%	16%
Total	3,673	37%	3,216	24%	6,889	36%	4,101	12%	1,827	-43%	5,928	7,076	3%	-27%	19%

Source: Deutsche Bank estimates, Company data

Forecast changes

With group earnings before BarCap writedowns much in line with our expectations our forecasts are left little changed following today's results. As Figure 2 shows our 2008 and 2009 adjusted EPS forecasts are increased by 1% and 2% respectively, placing the stock on 7.3x and 5.9x forward earnings in each case.

Figure 2: Barclays earnings forecast changes

	2006	2007	2008e	2009e
EPS (Adjusted) - Old	64.8	57.3	65.4	79.6
EPS (Adjusted) - New	64.8	69.4	66.0	81.6
% change	n/a	21%	1%	2%
YoY % growth	19%	7%	-5%	24%
DPS	31.0	34.0	37.2	40.5
P/E (Adjusted)	7.4	6.9	7.3	5.9
Dividend yield (%)	6.5%	7.1%	7.7%	8.4%

Source: Deutsche Bank estimates, Company data

Capital: Adequate

Perhaps the largest investor concern we've encountered with Barclays in the last six months has been a relatively widely held view that the bank would be required to raise additional equity in order to fund writedowns of risk assets and/or future growth. The group reported a Basel 1 tier 1 capital ratio of 7.8% and total capital ratio of 12.1%. The tier 1 ratio is now above the management target of 7.25%. The dividend declared of 34p was up 10% despite stated earnings per share falling by 4% YoY.

Figure 3: Most banks have ample capital on the measures used by the regulator

	Core tier 1 ratio (07e)	Tier 1 ratio ng. equity (07e, x)	Assets/Ta (07e, x)	Core tier 1 Capital (£'m)	Tier 1 capital (£'m)	W/O: Core tier 1 to 4% (£'m)	% FY07e profit	W/O: T1 of 4% (£'m)	% FY07e profit
A&L	5.0%	6.6%	46.3	1,760	2,351	493	89%	1,337	242%
Barclays	5.1%	7.8%	74.9	18,027	26,743	5,554	88%	18,006	285%
B&B	7.7%	8.6%	45.0	1,288	1,437	886	258%	1,098	320%
HBOS	5.8%	7.5%	34.0	18,493	24,104	8,052	144%	16,068	286%
HSBC	7.8%	9.6%	25.9	41,094	50,869	28,457	229%	42,422	342%
Lloyds TSB	6.6%	8.4%	37.0	11,304	14,286	6,430	152%	10,690	252%
Northern Rock	5.6%	10.4%	69.1	1,028	1,933	412	110%	1,705	454%
RBS	4.2%	7.1%	90.7	21,067	35,373	1,707	21%	22,144	269%
StanChart	8.9%	10.3%	20.1	7,338	8,518	5,767	280%	7,453	361%
UK Banks	6.0%	8.1%	45.1	121,397	165,613	57,759	144%	120,924	301%

Source: Deutsche Bank estimates, Company data

Barclays senior management were extremely clear in our view that these numbers and the proposed dividend should give equity investors sufficient comfort that the current capital base is more than adequate to fund future growth and absorb whatever writedowns might be appropriate in future (more on this below). We continue to be of the view that none of the UK banks will seek additional equity capital (though we think at least one bank would benefit from this, despite the EPS dilution it would entail).

BarCap 1: Exceptional relative performance

As mentioned above, we think a key component of the Barclays investment case is the lack of equity market differentiation between investment banks despite massive variances in trading performance through the past few months. Figure 4 highlights this point: Banks with significantly larger writedowns (Citigroup, Morgan Stanley, UBS, Merrill Lynch) and capital injections have seen between 39% and 50% of market cap eroded since the credit crises began whilst banks with far larger provision rates such as CS, Barclays and BNP Paribas have lost similar proportions of group capital.

Figure 4: Almost no market discrimination for extent of mark-downs or capital increase

Group One	Mkt Cap (US\$m 30/6/07)	Mkt Cap (US\$m 19/2/08)	Decline (US\$m)	Decline (%)	Capital raising?	Writedowns H2 US\$bn	Writedowns Q1 guided or DB est.	Total marks % of mkt cap
Citigroup	253,703	126,919	126,784	-50%	Yes	28,835		11%
Morgan Stanley	88,288	46,746	41,541	-47%	Yes	10,600		12%
UBS	126,169	67,638	58,832	-47%	Yes	19,569	7,500	21%
Merrill Lynch	72,562	44,071	28,491	-39%	Yes	25,825		35%
	541,022	285,374	255,647			84,829	7,500	17%
Group Two								
Credit Suisse	86,620	54,823	31,796	-37%	No	3,046	2,835	7%
Barclays	91,406	60,540	30,866	-34%	No	4,471	500	7%
BNP Paribas	111,327	79,578	31,748	-29%	No	1,811		2%
Lehman Brothers	40,372	29,060	11,312	-28%	No	2,530		6%
Goldman Sachs	87,926	70,634	17,292	-20%	No	2,400		3%
JP Morgan Chase	165,511	145,279	20,232	-12%	No	4,570		3%

Source: Deutsche Bank, Datastream, Stock exchange website

BarCap reported pre-tax profit of £2335m, up 5% YoY. Second half profit of £675m was down 59% HoH and 34% YoY. Net writedowns and impairments of £1.6bn were £700m better than we had forecast. Before we look at the adequacy of the writedowns, it is worth highlight two important points regarding BarCap's trading during the year: (1) A number of large revenue lines continue to perform well despite the volatile environment, esp. emerging markets, currency and rates revenues (all up more than 40% YoY); (2) Performance pay was aggressively cut (management confirmed no accounting policy or pay structure change in the year), down 88% YoY, which ought to put beyond question whether BarCap's growth bias would make the cost flexibility advertised in better times of little use in difficult ones.

Figure 5: BarCap earnings drivers (£'m)

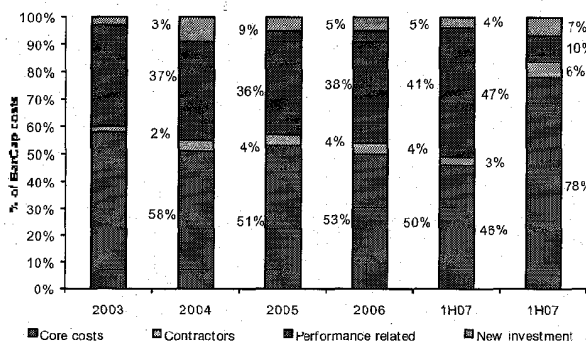
	1H05	2H05	1H06	2H06	1H07	2H07	YoY %	HoH %	FY2007	YoY %	FY08e	YoY %	FY09e	YoY %
Private Equity	79	114	151	299	101	434	45%	330%	535	19%	535	0%	535	0%
Mortgage & ABS	73	158	140	160	174	(575)	-459%	-430%	(401)	-234%	0	-100%	100	20%
Emerging Markets	104	148	256	208	324	354	70%	9%	678	46%	780	15%	897	15%
Currency Products	173	217	334	166	394	454	173%	15%	848	70%	950	12%	1045	10%
Commodities	196	228	285	465	558	364	22%	35%	922	23%	1014	10%	1095	8%
Equity Products	331	389	580	383	686	510	33%	-26%	1196	24%	1316	10%	1447	10%
Interest Rate Products	354	261	634	406	759	1036	155%	36%	1795	73%	1526	-15%	1678	10%
Credit Products	871	809	975	825	1157	(269)	-133%	-123%	888	-51%	577	-35%	635	10%
Net writedowns	0	0	0	0	0	658	100%	100%	658	100%	(500)	-100%	(100)	-80%
Total income	2181	2324	3355	2912	4153	2966	2%	-29%	7119	14%	6197	-13%	7332	18%
Total income ex w/o's	2181	2324	3355	2912	4153	2308	-21%	-44%	6461	3%	6697	4%	7432	11%
Core Costs	745	826	976	1029	1142	1162	13%	2%	2304	15%	2420	5%	2613	8%
Contractors	55	63	64	97	74	84	-13%	13%	159	-1%	162	2%	170	5%
Performance Related	524	602	997	647	1167	144	-78%	-88%	1311	-20%	1350	3%	1485	10%
New Investment	55	93	85	116	99	99	-14%	0%	199	-1%	189	-5%	226	20%
Total costs	1379	1584	2121	1888	2483	1490	-21%	-40%	3973	-1%	4121	4%	4495	9%
Pre-provision profit	802	740	1234	1024	1670	1476	44%	-12%	3146	39%	2076	-34%	2837	37%
Impairments	(52)	(59)	12	(54)	(10)	(836)	1448%	8260%	(846)	1914%	(500)	-41%	(100)	-80%
Trading profit	750	681	1246	970	1660	640	-34%	-81%	2300	4%	1576	-31%	2737	74%

Source: Deutsche Bank estimates, Company data

The sharp control of costs highlighted in the table above is clear when looking at the breakdown of divisional costs: performance pay was 10% of divisional costs in 2H07 from

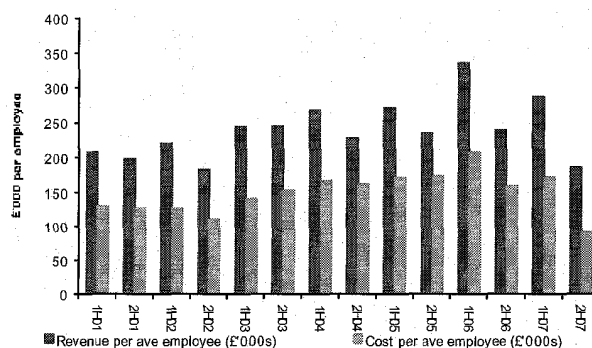
47% in 1H07 (Figure 6). This analysis is just as stark when operating costs are shown on a per capita basis: cost per average employee fell to £91k from £171k HoH (Figure 7).

Figure 6: Perf pay to 10% of costs from 47% HoH



Source: Company data

Figure 7: Cost per employee from £91k from £171k HoH



Source: Deutsche Bank

We think some of BarCap's markets will remain difficult for much of 2008 – esp Credit and Rates – but believe that the division will continue to contribute to group profits in the short term and will again provide meaningful growth in 2009 when the slowdown in UK Retail and Commercial banking is likely to be more acute than it is today.

BarCap 2: New risk asset disclosures, new fears?

Barclays expanded the disclosure of risk assets with these results, adding Alt-A (£4.9bn), monoline insurer (£1.3bn) and commercial mortgages (£12.4bn) to its previous tally of CDO, subprime loan and SIV numbers. Though some of the disclosures of impairments by exposure type have been dropped, we are able to make a reasonable fist of determining the writedowns thus far. As Figure 8 shows, the CDOs have been written down most (24% in 2H07) with management stating that hedges, writedowns taken and subordination in the instruments themselves (the distance between the bond owned and the first loss piece) allowed for a 72% loss in collateral values before further writedowns are required. Leveraged loans have been written down by 2% (the LCDX is down 6%) with all non-CDO holdings written down by a total of 6% thus far.

Figure 8: Risk assets: Impairments and residual exposures

	Exposures £'m			Provisions £'m			% of Oct starting exposure			Comment
	Dec-06	Oct-07	Dec-07	Oct-07	Dec-07	Total	Oct-07	Dec-07	Total	
High grade ABS CDO	6,151		4,869							
Mezzanine ABS CDO	1,629		1,149							
Exposure pre-hedging	7,780		6,018							Primarily RMBS backed; 79% 2005 or earlier vintages.
Hedges	-348		-1,347							None held with monolines - DB view primarily short ABX positions.
Net ABS CDO exposure	7,432	5,000	4,671	-1,100	-312	-1,412	18%	6%	24%	Hedges, writedowns and structural subordination allow for 72% collateral losses according to management.
US sub-prime loans	6,046	5,400	5,037							£2.8bn are Equifirst loans originated by Barclays, ave LTV is 80%.
Alt-A loans	3,760	n/d	4,916							99% are performing, average LTV is 81%, 96% rated AAA or AA.
Monoline insurers	140	n/d	1,335							Debt securities held with monoline wrappers or credit enhancement, all wrapped investments are performing.
Commercial mortgages	8,282	n/d	12,399							£11.1bn are own-originated loans (54% US, 46% Europe, LTVs of 65% and 71% respectively), CMBS of £1.3bn (87% AAA or AA).
SIV-lite liquidity facilities & SIVs	1,617	900	742	-100			10%			
Leveraged loans	n/d	7,300	7,368	-60	-120	-180	1%	2%	2%	Fees and impairment of £130m and £58m netted from stated values.
Total Non-CDO exposure	19,845	13,600	31,797	-160	-721	-881	1%	5%	6%	
Own debt	n/a	n/a	n/a	400	258	658	n/a	n/a	n/a	Revaluation of Barclays own issued credit.
Total	27,277	18,600	36,468	-860	-775	-1,635	4%	4%	8%	

Source: Deutsche Bank estimates, Company data

Is this enough? It is certainly less than the move in the larger credit indices seen over this time (see our Barclays results preview note for movements in LCDX, ITRAXX and CDX indices over this period). At some point however, one needs to take account of the fact that indices (especially synthetic and less liquid ones which are being used by banks and other credit holders to hedge large positions) do not necessarily mimic the underlying performance of the securities concerned. We also take comfort from the clear statement during the analyst meeting that 2008 mark to market moves thus far are not material to the group share and do not require disclosure. Lastly, other for CDOs where are little skeptical, we see good reasons (LTVs mostly) to believe that the majority of the £'m's referenced in the table above are relatively well insulated from real world loss (own original commercial mortgages of £11bn and relatively fresh leveraged loans of £7bn spring to mind).

We do expect further writedowns – though are happy to be proved too pessimistic – and have included a further £1bn of writedowns into our 2008 forecasts, falling to £200m in 2009 and 2010. Net net, we expect BarCap will deliver growth and diversity to the group, which is ever more important as the UK vanilla banking markets slow. We expect more detail and colour of the risk exposures and revenue drivers of this division in an investor day to be held in 1H08.

Are cyclical pressures enough to keep investors away?

Barclays delivered results which were ahead of our and consensus expectations with UK Retail, Barclaycard and International Retail and Commercial especially noteworthy. However, all divisions did produce 2H07 pre-tax earnings which were below that of the first half. New Economic Profit targets for 2007-2011 look for 5-10% annual growth in EP, as compared with a previous range of 10-13% for 2003-2007. Is this reduction in profit growth ambition a disappointment? We think not. With Barclays on 7x earnings and offering almost an 8% dividend yield, we see these targets as vindication of the Buy case on the share. If Barclays

can deliver around 8% annual growth in earnings and dividends over the next four years (and we think that it can do better) we regard the share as far, far too cheap. Our valuation approach is outlined in the section below.

Valuation, Risks

We believe that a sum-of-the-parts valuation is most appropriate for Barclays, given the significant differences in earnings growth and volatility for the businesses within the group. The valuation multiples we apply in the sum of the parts are benchmarked against pure-play competitors and adjusted for differences in expected earnings growth and volatility. We apply lower fair P/E multiples to the lower-growth domestically focused Retail and Barclaycard businesses, as well as the more volatile investment banking business within Barclays Capital. Higher multiples are applied to the higher-return, higher-growth asset management (Barclays Global Investors) and private banking (Wealth Management) divisions. Our sum-of-the-parts calculation for the group is shown in Figure 9 below. With little change to our forecasts and little shift in peer group multiples since our last publication, our target price remains 700p. With the shares trading at 7.3x 2008e EPS and with a dividend yield of 7.7% compared with the Eurobanks on 8.7 and 6.0% respectively, we remain with a Buy recommendation.

Figure 9: Barclays sum-of-the-parts valuation

Barclays SoTP	2009e PBT	2009e Earnings	2009e RoEc	P/E Multiple	Value	per share	% of valuation	% of earnings	2009 earnings growth	% of 2009 growth	P/Ec
UK Retail banking	1,424	887	25%	7.0x	6,212	97p	14%	17%	7%	5%	1.7
Barclays Commercial Bank	1,481	923	26%	7.5x	6,922	108p	15%	18%	6%	5%	1.9
Barclaycard	638	386	17%	7.0x	2,699	42p	6%	7%	9%	3%	1.2
Barclays Capital	2,772	1,780	33%	8.0x	14,240	222p	32%	34%	80%	73%	2.5
BGI	917	557	260%	14.0x	7,798	121p	17%	11%	10%	4%	35.0
Wealth Management	447	288	50%	12.0x	3,450	54p	8%	6%	21%	5%	5.7
International Banking	1,137	400	13%	9.0x	3,603	56p	8%	8%	15%	5%	1.1
Total	6,788	5,221	28%	8.6x	44,925	700	100%	100%	26%	100%	2.3

Source: Deutsche Bank

The key downside risks are a fall in capital markets activity and an unexpected spike in corporate and wholesale credit costs beyond those already captured in earnings forecasts.

Figure 10: Barclays group P&L, Balance Sheet (£'m)

	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	6,833	8,075	18%	9,143	13%	9,610	5%	10,165	6%	10,752	6%	11,370	6%
Net fees and commissions	4,898	5,705	16%	7,177	26%	7,708	7%	8,428	9%	9,415	12%	10,276	9%
Net trading income	1,487	2,321	56%	3,614	56%	3,759	4%	2,651	-29%	3,205	21%	3,525	10%
Net investment Income	1,048	858	-18%	962	12%	1,216	26%	1,306	7%	1,404	7%	1,509	8%
Principal transactions	2,535	3,179	25%	4,576	44%	4,975	9%	3,958	-20%	4,608	16%	5,034	9%
Net insurance premiums	1,042	872	-18%	1,060	22%	1,011	-5%	1,062	5%	1,115	5%	1,170	5%
Other	110	147	34%	214	46%	188	-12%	204	9%	214	5%	225	5%
Total Other Income	8,585	9,903	15%	13,027	32%	13,910	7%	13,651	-2%	15,352	12%	16,706	9%
Total Income	15,418	17,978	17%	22,170	23%	23,520	6%	23,816	1%	26,104	10%	28,076	8%
Net insurance claims	1,162	645	-44%	575	-11%	492	-14%	526	7%	563	7%	599	6%
Total income, net of claims	14,256	17,333	22%	21,595	25%	23,028	7%	23,290	1%	25,541	10%	27,477	8%
Impairment loss	1,093	1,571	44%	2,154	37%	2,795	30%	2,860	2%	2,751	-4%	3,049	11%
Net income	13,163	15,762	20%	19,441	23%	20,233	4%	20,429	1%	22,790	12%	24,428	7%
Staff Costs	5,227	6,318	21%	8,169	29%	8,405	3%	8,596	2%	8,967	4%	9,406	5%
Other Administrative	2,766	3,443	24%	3,548	3%	3,711	5%	3,934	6%	4,248	8%	4,588	8%
Depreciation	297	362	22%	455	26%	467	3%	486	4%	505	4%	525	4%
Other expenses	224	325	45%	345	6%	414	20%	455	10%	501	10%	551	10%
Amortisation	31	79	155%	157	99%	202	29%	212	5%	223	5%	234	5%
Operating expenses	8,545	10,527	23%	12,674	20%	13,199	4%	13,682	4%	14,444	6%	15,305	6%
Pre-exceptional profit	4,618	5,235	13%	6,767	29%	7,034	4%	6,747	-4%	8,346	24%	9,124	9%
Exceptionals	45	0	-100%	323	0%	0	-100%	0	0%	0	0%	0	0%
Associates and joint ventures	56	45	-20%	46	2%	42	-9%	42	1%	43	1%	43	1%
PBT	4,719	5,280	12%	7,136	35%	7,076	-1%	6,789	-4%	8,389	24%	9,167	9%
Taxation	-1,279	-1,439	13%	-1,941	35%	-1,981	2%	-1,969	-1%	-2,433	24%	-2,658	9%
Profit for the period	3,440	3,841	12%	5,195	35%	5,095	-2%	4,820	-5%	5,956	24%	6,508	9%
Minorities	-47	-394	738%	-624	58%	-678	9%	-722	6%	-777	8%	-830	7%
Attributable profit	3,393	3,447	2%	4,571	33%	4,417	-3%	4,098	-7%	5,179	26%	5,678	10%
Average Shares (m)	6,381	6,337	-1%	6,353	0.3%	6,410	0.9%	6,420	0.1%	6,497	1.2%	6,575	1.2%
Period End Shares (m)	6,454	6,461	0%	6,519	0.9%	6,600	1.2%	6,666	1.0%	6,732	1.0%	6,799	1.0%
EPS (Stated)	53.2p	54.4p	2%	72.0p	32.3%	68.9p	-4%	63.8p	-7%	79.7p	25%	86.4p	8%
EPS (Fully Diluted)	52.9p	52.6p	-1%	70.2p	33.7%	66.7p	-5%	61.7p	-7%	77.2p	25%	83.7p	8%
Dividend per share	24.00p	26.6p	11%	31.00p	16.5%	34.00p	10%	37.20p	9%	40.50p	9%	43.88p	8%
DB Adjusted EPS	52.8p	54.5p	3.2%	64.8p	19.0%	69.4p	7%	66.0p	-5%	81.6p	24%	88.2p	8%
DB Adjusted Cash Earnings	3,385	3,534	4.4%	4,218	19.4%	4,570	8%	4,355	-5%	5,446	25%	5,956	9%
Gross Customer Advances	209,872	272,346	29.8%	285,635	4.9%	348,899	22.1%	378,243	8.4%	412,602	9.1%	451,511	9.4%
Loan:Deposit Ratio	108%	114%		111%		118%		118%		118%		118%	
Equity	15,434	17,270	11.9%	20,056	16%	25,240	25.8%	27,246	7.9%	30,130	10.6%	33,280	10.5%
Tangible equity	10,777	9,979	-7.4%	12,749	28%	16,944	32.9%	19,162	13.1%	22,268	16.2%	25,653	15.2%
RWA (£m)	218,601	269,143	23.1%	297,833	11%	353,476	18.7%	367,426	3.9%	397,356	8.1%	430,519	8.3%
Tier 1 Capital (£m)	17,957	18,895	5.2%	23,005	21.8%	26,743	16.2%	29,310	9.6%	32,763	11.8%	36,494	11.4%
Tier 1 Ratio (%)	8.2%	7.0%		7.7%		7.6%		8.0%		8.2%		8.5%	
Core Tier 1 Ratio (%)	6.7%	4.9%		5.6%		5.1%		5.6%		5.9%		6.3%	
Total Capital Ratio (%)	12.9%	11.3%		11.7%		11.3%		11.5%		11.5%		11.5%	

Source: Deutsche Bank

Figure 11: Barclays divisional profit forecasts (GBP'm)

UK Retail Bank	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	2107	2677	27%	2765	3%	2858	3%	2964	4%	3072	4%	3245	6%
Other Income	1427	1461	2%	1616	11%	1482	-8%	1545	4%	1623	5%	1650	2%
Total Income	3534	4138	17%	4381	6%	4340	-1%	4508	4%	4695	4%	4895	4%
Insurance claims	(46)	(61)	33%	(35)	-43%	(43)	23%	(45)	5%	(47)	5%	(50)	5%
Income net of claims	3488	4077	17%	4346	7%	4297	-1%	4463	4%	4647	4%	4845	4%
Costs	(2461)	(2501)	2%	(2532)	1%	(2463)	-3%	(2491)	1%	(2533)	2%	(2592)	2%
Operating Profit	1027	1576	53%	1814	15%	1834	1%	1972	8%	2115	7%	2253	7%
Impairments	(69)	(494)	616%	(635)	29%	(559)	-12%	(626)	12%	(698)	11%	(746)	7%
PBT	958	1082	13%	1179	9%	1275	8%	1346	6%	1416	5%	1507	6%
Associates	2	(6)	-400%	2	-133%	7	250%	7	5%	8	5%	8	5%
Trading Profit	960	1076	12%	1181	10%	1282	9%	1353	6%	1424	5%	1515	6%

Barclays Commercial Bank	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	1241	1536	24%	1702	11%	1738	2%	1828	5%	1933	6%	2048	6%
Other Income	720	623	-13%	693	11%	830	20%	914	10%	982	8%	1038	6%
Total Income	1961	2159	10%	2395	11%	2568	7%	2742	7%	2916	6%	3086	6%
Costs	(761)	(825)	8%	(857)	4%	(907)	6%	(946)	4%	(991)	5%	(1034)	4%
Operating Profit	1200	1334	11%	1538	15%	1661	8%	1796	8%	1924	7%	2052	7%
Impairments	(119)	(177)	49%	(252)	42%	(290)	15%	(383)	32%	(444)	16%	(509)	15%
PBT	1081	1157	7%	1286	11%	1371	7%	1413	3%	1481	5%	1543	4%
Associates	3	3	0%	3	0%	0	-100%	0	0%	0	0%	0	0%
Trading Profit	1084	1160	7%	1289	11%	1371	6%	1413	3%	1481	5%	1543	4%

Barclaycard	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	1587	1231	-22%	1383	12%	1394	1%	1475	6%	1549	5%	1626	5%
Other Income	812	1071	32%	1139	6%	1105	-3%	1186	7%	1245	5%	1308	5%
Total Income	2399	2302	-4%	2522	10%	2499	-1%	2661	6%	2794	5%	2934	5%
Costs	(807)	(908)	13%	(981)	8%	(1101)	12%	(1118)	2%	(1160)	4%	(1203)	4%
Operating Profit	1592	1394	-12%	1541	11%	1398	-9%	1543	10%	1635	6%	1731	6%
Impairments	(761)	(753)	-1%	(1067)	42%	(838)	-21%	(928)	11%	(975)	5%	(1023)	5%
Insurance claims	(5)	(3)	-40%	(8)	167%	(13)	63%	(14)	6%	(15)	5%	(15)	5%
PBT	826	638	-23%	466	-27%	547	17%	601	10%	645	7%	692	7%
Associates	4	1	-75%	-8	-900%	-7	-13%	-7	0%	-7	0%	-7	0%
Trading Profit	830	639	-23%	458	-28%	540	18%	594	10%	638	7%	685	7%

International	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	529	1045	98%	1653	58%	1890	14%	2093	11%	2286	9%	2497	9%
Other Income	748	1077	44%	1840	71%	1930	5%	2103	9%	2295	9%	2505	9%
Total Income	1277	2122	66%	3493	65%	3820	9%	4196	10%	4581	9%	5002	9%
Insurance claims	(390)	(206)	-47%	(244)	18%	(284)	16%	(300)	6%	(317)	6%	(335)	6%
Income net of claims	887	1916	116%	3249	70%	3536	9%	3896	10%	4264	9%	4666	9%
Costs	(617)	(1336)	117%	(2162)	62%	(2356)	9%	(2472)	5%	(2615)	6%	(2767)	7%
Operating Profit	270	580	115%	1087	87%	1180	9%	1424	21%	1649	16%	1879	14%
Impairments	(31)	(33)	6%	(167)	406%	(252)	51%	(409)	62%	(519)	27%	(651)	26%
PBT	239	547	129%	920	68%	928	1%	1015	9%	1130	11%	1228	9%
Associates	49	46	-6%	49	7%	7	-86%	7	1%	7	1%	7	1%
Trading Profit	288	593	106%	969	63%	935	-4%	1022	9%	1137	11%	1235	9%

Source: Deutsche Bank estimates, Company data

Figure 12: Barclays divisional profit forecasts (GBP'm) (continued)

Barclays Capital	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	1068	1065	0%	1158	9%	1179	2%	1203	2%	1263	5%	1263	0%
Other Income	2450	3440	40%	5109	49%	5940	16%	4994	-16%	6069	22%	6792	12%
Total Income	3518	4505	28%	6267	39%	7119	14%	6197	-13%	7332	18%	8055	10%
Costs	(2270)	(2963)	31%	(4009)	35%	(3973)	-1%	(4121)	4%	(4495)	9%	(4907)	9%
Operating Profit	1248	1542	24%	2258	46%	3146	39%	2076	-34%	2837	37%	3148	11%
Impairments	(106)	(111)	5%	(42)	-62%	(846)	1914%	(500)	-41%	(100)	-80%	(100)	0%
Insurance claims	0	0	0%	0	0%	0	#DIV/0!	0	0%	0	0%	0	0%
PBT	1142	1431	25%	2216	55%	2300	4%	1576	-31%	2737	74%	3048	11%
Associates	0	0	0%	0	0%	35	#DIV/0!	35	0%	35	0%	35	0%
Trading Profit	1142	1431	25%	2216	55%	2335	5%	1611	-31%	2772	72%	3083	11%
Trading profit ex w/o's	1142	1431	25%	2216	55%	3118	41%	2076	-33%	2837	37%	3148	11%

BGI	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	5	15	200%	10	-33%	-8	-180%	0	(100%)	0	10%	0	10%
Other Income	888	1303	47%	1655	27%	1934	17%	2119	10%	2237	6%	2416	8%
Total Income	893	1318	48%	1665	26%	1926	16%	2119	10%	2237	6%	2416	8%
Costs	(556)	(779)	40%	(951)	22%	(1192)	25%	(1272)	7%	(1320)	4%	(1401)	6%
Operating Profit	337	539	60%	714	32%	734	3%	848	15%	917	8%	1015	11%
Associates	(2)	1	-150%	0	-100%	0	0%	0	0%	0	0%	0	0%
Trading Profit	335	540	61%	714	32%	734	3%	848	15%	917	8%	1015	11%

Wealth Management	FY2004	FY2005	YoY %	FY2006	YoY %	FY2007	YoY %	FY2008e	YoY %	FY2009e	YoY %	FY2010e	YoY %
Net Interest Income	301	346	15%	392	13%	431	10%	474	10%	522	10%	563	8%
Other Income	536	1063	98%	1056	-1%	1008	-5%	1109	10%	1220	10%	1317	8%
Total Income	837	1409	68%	1448	3%	1439	-1%	1583	10%	1741	10%	1880	8%
Costs	(730)	(868)	19%	(913)	5%	(973)	7%	(1029)	6%	(1097)	7%	(1147)	5%
Operating Profit	107	541	405%	535	-1%	466	-13%	554	19%	644	16%	733	14%
Impairments	1	(2)	-300%	(2)	24%	(7)	250%	(11)	50%	(13)	25%	(16)	25%
Insurance claims	0	(375)	n/m	(288)	n/m	(152)	-47%	(167)	28%	(184)	10%	(199)	9%
PBT	108	164	52%	245	49%	307	25%	376	23%	447	19%	518	16%
Associates	0	0	n/m	0	n/m	0	0%	0	n/m	0	n/m	0	n/m
Trading Profit	108	164	52%	245	49%	307	25%	376	23%	447	19%	518	16%

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Barclays	BARC.L	480.60 (GBp) 19 Feb 08	1,2,6,7,8,14,15,17

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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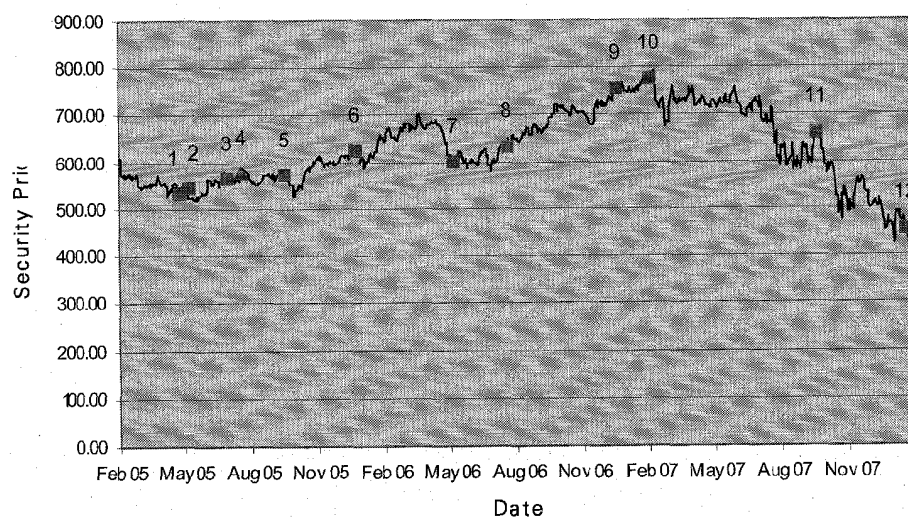
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Historical recommendations and target price: Barclays (BARC.L)

(as of 2/19/2008)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure
as of September 9, 2002

1. 12/5/2005:	Hold, Target Price Change GBP600.00	7. 25/5/2006:	Buy, Target Price Change GBP710.00
2. 26/5/2005:	Hold, Target Price Change GBP560.00	8. 8/8/2006:	Buy, Target Price Change GBP750.00
3. 19/7/2005:	Hold, Target Price Change GBP600.00	9. 4/1/2007:	Buy, Target Price Change GBP850.00
4. 8/8/2005:	Upgrade to Buy, Target Price Change GBP640.00	10. 20/2/2007:	Buy, Target Price Change GBP890.00
5. 5/10/2005:	Buy, Target Price Change GBP670.00	11. 8/10/2007:	Buy, Target Price Change GBP740.00
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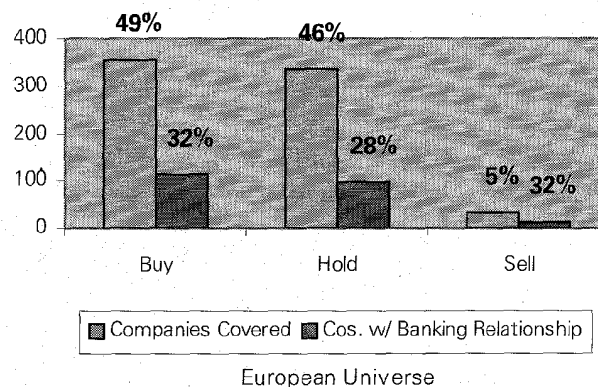
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Credit comps

	HSBC Holdings Plc	Citi	Barclays	RBS	Standard Chartered	Santander
Issuer rating						
S&P	AA-	AA	AA	AA	A	AA
Moody's	Aa2	Aa3	Aa1	Aaa	A3	Aa1
Fitch	AA	AA	AA+	AA+	A+	AA
Financial Data						
Time period	FY 2007	FY 2007	FY 2007	FY 2007	FY 2007	FY 2007
Currency	USD	USD	USD	USD	USD	USD
Net interest income	37,795	46,936	19,194	25,302	6,265	22,527
Total Income	87,601	81,698	45,938	62,146	11,067	39,876
Impairment charge	(17,242)	(18,539)	(5,582)	(4,430)	(761)	(5,227)
Operating Expense	(39,042)	(61,488)	(26,362)	(28,068)	(6,215)	(17,981)
Net Income	19,133	3,617	10,176	15,403	2,813	12,546
Total Assets	2,354,266	2,182,700	2,451,420	3,795,926	329,205	1,344,587
Total Loans	981,543	777,993	769,999	2,094,479	189,631	832,863
Deposits and ST funding	1,228,321	1,312,555	770,029	1,987,319	205,640	1,156,180
Equity	135,416	113,600	64,855	182,606	21,462	76,507
Ratios (%)						
Impaired Loans / Gross loans	1.80%	1.31%	3.28%	1.6%	1.5%	0.95%
Tier 1 Ratio	9.30%	7.10%	7.80%	7.3%	9.8%	7.71%
Total Capital Ratio	13.60%	10.90%	12.10%	11.2%	16.7%	12.66%
Equity to Assets	5.75%	5.20%	2.65%	4.8%	6.5%	5.69%
Return on Avg Assets (ROAA)	0.97%	0.18%	0.33%	0.56%	1.00%	1.09%
Return on Avg Equity (ROAE)	15.90%	2.90%	20.30%	16.9%	15.8%	21.90%
Cost To Income Ratio	49.40%	75.00%	67.00%	40.7%	56.0%	44.20%

Trading comps

Issuer	Issue Date	Amount (\$mm)	Ratings	Dividend	Maturity	Call Lockout	Price*	Strip Yield*
Credit Suisse	03/28/08	1,400	Aa3/A+	7.900%	Perpetual	NC5	\$25.00	7.900%
Wells Fargo Capital XII	03/05/08	1,575	Aa2/AA-	7.875%	03/15/68	NC5	\$25.25	7.800%
DB Contingent Capital Trust III	02/12/08	1,975	Aa3/A+	7.600%	Perpetual	NC5	\$24.89	7.673%
Barclays Bank plc	11/30/07	1,150	Aa3/A+	7.750%	Perpetual	NC5	\$25.01	7.775%
DB Capital Funding Trust X	11/07/07	805	Aa3/A+	7.350%	Perpetual	NC5	\$24.98	7.359%
Royal Bank of Scotland Group plc	09/20/07	1,600	Aa3/A	7.250%	Perpetual	NC5	\$24.82	7.305%
Barclays Bank plc	09/06/07	1,375	Aa3/A+	7.100%	Perpetual	NC5	\$24.80	7.182%
DB Capital Funding Trust IX	07/13/07	1,150	Aa3/A	6.625%	Perpetual	NC5	\$23.50	7.090%
Royal Bank of Scotland Group plc	06/22/07	950	Aa3/A	6.600%	Perpetual	NC5	\$21.98	7.510%
Barclays Bank plc	04/20/06	750	Aa3/A+	6.625%	Perpetual	NC5	\$23.79	6.985%

* Source: Bloomberg



THE WALL STREET JOURNAL

Barclays Official to Go Trans-Atlantic

By Carrick Mollenkamp

551 words

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The Wall Street Journal

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LONDON -- The president of Barclays PLC, one of Britain's largest banks, is planning to split his base of operations between New York and London, a move that would put a lot of Barclays Capital's senior team in the U.S.

The decision by Robert E. Diamond Jr. comes amid departures of other high-profile bankers. In New York, Thomas Gahan, one of Deutsche Bank AG's top investment bankers, is leaving to start an asset-management business after nine years with the bank, the bank said yesterday. In London, Morgan Stanley's chairman of European mergers and acquisitions, Michael Zaoui, is retiring after 21 years at the firm.

If Mr. Diamond spends more time in the U.S., Barclays puts its second-in-command away from the bulk of the operations he oversees for much of the time. Barclays Capital President Jerry del Missier is also moving to New York from London as part of a shake-up announced in January. Mr. Diamond has said the U.S. is one area of increased income for Barclays Capital.

Mr. Diamond, an American who has been at Barclays since 1996, said he would remain as president and continue to report to Chief Executive John Varley. The two executives have led what has been a grueling year in which the bank failed in its effort to buy Dutch bank ABN Amro Holding NV and then became one of the banks embroiled in the credit crisis.

The bank's stock has fallen 34% in the past year, and it faces questions about how it will shore up revenue in the wake of the credit-market downturn.

The 56-year-old Mr. Diamond is the father of three children and the move would be timed with the graduation of his youngest son, who is finishing his final year at a U.S. school in London with plans to attend Mr. Diamond's alma mater, Colby College in Maine, in the fall, Mr. Diamond said.

He has another child in college at Princeton and one who graduated from there. He has made it a long-range plan to return to the U.S., according to a person familiar with his thinking.

In an interview, Mr. Diamond said he and his wife will look for a home in the New York area, including in Greenwich, Conn., while maintaining a residence in London. "Would Jennifer and I expect to be spending more time in the states with all three kids living over there? Certainly," he said.

His somewhat contrarian strategy for Barclays Capital had led to a strong run until seven months ago, when the freezing of credit markets hurt his business.

After joining Barclays, he helped turn a unit called BZW, then a small corporate-banking business, into Barclays Capital, which last year accounted for some 30% of Barclays profit before asset disposals. Mr. Diamond eschewed going after high-priced merger-advisory business and instead focused on the debt markets and the trading and sales of interest-rate and foreign-exchange products.

In 2003, Mr. Diamond lost out to Mr. Varley for the CEO job. He said he and Mr. Varley continue to work closely.

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THE WALL STREET JOURNAL

Credit Crunch: Barclays Weathers the Storm --- Profit Drops Slightly, But Crunch Hit Is Small; Dividend Is Cheered, Too

By Ragnhild Kjetland

878 words

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The Wall Street Journal

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LONDON -- Barclays PLC increased its dividend and said its write-downs increased only slightly from earlier estimates, sending its shares and the rest of the U.K. banking sector higher.

The U.K.'s third-largest bank by market capitalization said last year's net profit slipped 3.4% to GBP 4.42 billion (\$8.63 billion) from GBP 4.57 billion a year earlier as it increased write-downs by a modest GBP 340 million from what it announced at the end of October.

Net write-downs for the year totaled GBP 1.64 billion, up from GBP 1.3 billion at the end of October.

NCB Stockbrokers said the bank appeared to have weathered a very difficult year well.

Barclays increased its dividend 9.7% to 34 pence from the 31 pence paid on 2006 earnings. The rise represented a slight slowdown from the 10% dividend increase a year ago.

Chief Executive John Varley said the dividend payment was in line with the bank's dividend policy, "broadly to pay in accordance with rise in earnings."

Overall, Barclays's write-downs are lower than those at many of its peers. The worst-hit in Europe are UBS AG with \$18.1 billion, Credit Agricole SA with \$3.7 billion, and HSBC Holdings PLC with \$3.4 billion. Credit Suisse Group yesterday announced a \$2.85 billion write-down tied to mismarkings and errors by traders and unfavorable market conditions.

Analysts described Barclays's results as in line with expectations. In London, its shares rose 3.7% to 477 pence. The FTSE 350 banks index rose 1.2%.

WestLB said in a note that the dividend increase is probably a good indication of Barclays's confidence in its capital position. "Whilst we believe that further credit-market related write-offs are possible during 2008, the GBP 1.6 billion taken in 2007 was manageable," it said. It also said that Barclays' Tier 1 capital ratio, a measure of a bank's ability to absorb losses, was "robust" at 7.8%.

Chief Financial Officer Chris Lucas said the final net write-down of GBP 1.64 billion had three components: GBP 1.4 billion on super-senior exposures; GBP 800 million against other credit exposures; and a positive effect of GBP 600 million, as the same spread that caused write-downs caused a "write up" of its own credit.

"One of the things we did in July and August was to ramp up our own debt, in order to get the benefit of that when credit markets turned," Barclays Capital head Bob Diamond said.

Altogether, Barclays's impairment charges rose 30% to GBP 2.8 billion. The figure includes the credit-market-related write-downs, loan-loss provisions and credit-card impairments.

Mr. Varley, the CEO, conceded that Barclays "isn't immune to movements in the markets," but he stressed that "risk isn't generic." Differences in risk management remain and this will be evident in how banks manage the market turmoil, he said.

Mr. Varley said Barclays delivered a "resilient performance," adding "the strength of our diversified businesses gives us confidence for the period ahead."

He presented a new set of targets for economic growth for 2008 to 2011, defined as profit after tax and minority interests, less capital charges. They were less ambitious than targets for the period including 2007.

In the next three years, Barclays wants compound annual growth of 5%-10%, to a cumulative total economic profit of between GBP 9.3 billion and GBP 10.6 billion by 2011.

For 2004 to 2007, the target was in the range of GBP 6.5 billion to GBP 7 billion, or a compound annual growth rate of 10% to 13%. It outperformed both, with an GBP 8.3 billion economic profit and a compound annual growth rate of 16%.

Asked about the more modest target for the next three years, Mr. Varley said it reflects the increased cost of doing business: "The cost of capital has risen over the last 12 months," risks have changed and the environment is less benign.

"Although I am confident about industry growth, and confident for Barclays's prospects, it is of course right to say that 2008 is going to be a less benign year," Mr. Varley said

At the pretax level, closely watched as a measure of underlying performance, profit fell slightly to GBP 7.08 billion from GBP 7.14 billion. Analysts had predicted pretax profit of GBP 6.99 billion.

The bank posted a 4.2% drop in earnings per share to 68.9 pence from 71.9 pence; analysts had forecast 67.7 pence.

Total income, net of insurance claims, was up 6.5% to GBP 23 billion, a slowdown from the 9% growth seen in the first six months of the year.

Barclays is the U.K.'s third-largest bank by market capitalization, behind HSBC and Royal Bank of Scotland Group PLC.

Separately, South African bank Absa Group Ltd. said it dropped plans to buy the sub-Saharan African assets of Barclays, its parent.

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