



Overview & Investment Thesis:

- Major global financial services provider. Operates in 50+ countries via network of over 4,000 branches and employs 141,100 people to move, lend, invest and protect money for over 48 million customers and clients worldwide. Its strategy of 'earn, invest and grow' delivers growth in profits which provides ability to accelerate strategy organically. Acquisitive growth is only contemplated as the 'servant not the master' of its strategy.

UK Retail and Business Banking: Return on Adjusted Equity, 14.9% (2010, 9.9%)

- UK's 3rd largest supplier of financial services to over 15 million customers, including 4+ million online and 785,000 small business customers - via 34,100 employees, 1,625 branches, 400+ self-service terminals and 3,629 ATMs.
- Approximately 19% market share of current accounts, 12% of personal loans and 5th largest mortgage provider with 7% of market and net new lending market share of 36%.
- Average loan to value ratio of residential mortgage book on current valuation was 44% (2010, 43%) and for new mortgage lending was 54% (2010, 52%).

Barclaycard: Return on Adjusted Equity, 17.4% (2010 - 12.5%)

- Multi-brand international credit card & consumer loans business. Spans 22 countries - 23.5 million cards in issue. International business contributed over 35% of Barclaycard's total income and represents about half the total customers.
- Largest UK monoline franchise, over 11 million customers, and approximately 20% of all UK credit cards and 30% of UK merchant acquiring (87,000 retailer relationships). Acquired over 1 million consumer accounts from Egg and 60,000 business accounts from MBNA in 2011.

Europe Retail and Business Banking: Return on Adjusted Equity, -6% (2010, -1%)

- Network of 978 branches and 250 sales centres across Spain (6th largest private sector bank), Portugal, France and Italy and 8,500 staff serving 2.7 million customers.
- Loss before tax reflected £427m of Spanish goodwill impairment and restructuring charges of £189 m.
- Sovereign exposure to Spain, Italy, Portugal, Ireland and Greece reduced to £7.1bn (2010, £8.2 bn).

Africa Retail and Business Banking: Return on Adjusted Equity, 10% (2010, 9%)

- Network of 1,354 branches and 139 sales centres, 10,068 ATM's and over 45,000 staff across Africa serving 14.5 million customers and has a top 3 position in 9 of the 10 countries in which it operates.
- Includes 56.5% stake in Absa (acquired May 2005), a leading South Africa bank.

Barclays Capital (Wholesale/Investment Banking): Return on Adjusted Equity, 10.4% (2010 - 13.5%)

- A leading global investment bank and principal point of access to the wholesale markets for corporate, institutional & government clients via 24,000 staff.
- Leader in fixed income products and positioned for growth. Performance is not particularly sensitive to the direction or absolute level of interest rates but to levels of client activity.
- Barclays' opportunistic acquisition of Lehman's North American business propelled it to become #3 in US Capital Markets and #5 globally.

Barclays Corporate: Return on Adjusted Equity, 1.3% (2010, -4.1%)

- 2nd largest supplier of relationship banking via 9,700 employees serving 113,000 commercial bank customers (annual turnover of > £1m).
- Total loans £64.6 bn (2010, £65.7 bn) and total deposits £77.7 bn (2010, £71.0 bn).

Barclays Wealth: Return on Adjusted Equity, 10.9% (2010, 8.8%)

- Investing to be 'premier European wealth manager'. 81 locations across 18 countries - total clients assets of £164 billion (includes integration of Barclays Wealth Americas).
- Barclays Stockbrokers - UK's largest - approximately 12% market share.
- Non-exclusive strategic alliances to sell life and pension products for Legal & General (UK), Axa and Fidelity (France).

Business Description:

Barclays PLC is a global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Barclays operates primarily through three business groups: Retail and Business Banking, Corporate and Investment Banking; and Wealth and Investment Management. In challenging market conditions, Barclays has benefited from its diversified business base. Its capital base is stronger and it has significantly reduced leverage. Its ambition is to become 'one of the handful of universal banks leading the global financial services industry'

Industry Growth Drivers/Trends:

- Increasing use of capital markets for financing and risk management, the pursuit of yield by investors and the demands on capital markets to fund infrastructure development.
- Global growing demand for credit and debit cards as societies become less cash-centric.
- Growth in demand for financial products in emerging markets.
- In our opinion, global markets are expected to become more integrated and cross-border investment should continue to grow as will the savings culture, particularly in the UK and US.
- Demographic and secular trends will increase demand for wealth and asset management services. Trends include growth in the size of financial markets, aging populations, the privatization of welfare provision and intergenerational wealth transfer, outsourcing of pension assets and increased cross-border investing.
- Developing economies are embarking on one of the biggest building booms in history fueled by rapid urbanization. Global wholesale banking is one of the largest growth opportunities for the Group.
- The investment banking market has been purged of weaker participants with regulators favouring integrated, diversified business models. Although such concentration is akin to an oligopoly (with structural benefits to the largest), it is likely to yield partially to boutique 'pure play' investment banks which will not be required to be so strongly capitalized.
- Disintermediation and securitization have been substantially replaced by the need to deleverage balance sheets. Going forward, and in our view, growth drivers will more likely be the effects of globalization as firms expand international operations around the globe to tap into new markets and; privatization which increases the supply of equity and causes demand for capital to grow.

Competitive Advantages:

- UK market shares and brand recognition.
- Attractive global portfolio of businesses and risk profile.
- Wealth management rooted in 300+ year history.
- Global investment bank platform.
- Dedicated, multicultural team.
- Barclays resisted UK Government funding and so remained an autonomous UK bank.
- Increasingly complementary, stable portfolio of businesses that operates more strongly together than apart with significant collaboration between investment banking, commercial banking and wealth management services. Also, a retail branch network benefits rest of the firm.
- Difficult to replicate the franchises and the intelligence embedded in the group's expertise, systems and experienced staff.

Competitors:

- Global: Citi, JPMorgan, UBS, Deutsche Bank, Credit Suisse, HSBC, Standard Chartered.
- Pan-European: Banco Santander, BNP Paribas, BBVA, Credit Agricole.
- UK Banks: Lloyds TSB, RBS, HSBC.
- Global Wealth Managers: UBS, Credit Suisse, Northern Trust, JPMorgan.
- Global Investment Banks: Goldman Sachs, Morgan Stanley, Bank of America Merrill Lynch.

Barriers to Entry:

- Governance and regulatory compliance costs include UK and European competition law, info technology and capital.
- Extensive UK network & global investment bank capability - prohibitively expensive to replicate.

Customers:

- Global customer and business base.
- No single customer contributes significant amount to total revenue.



Officers and Directors:

Leadership team: Group Chairman, Marcus Agius (ex Chair Lazard). Group CEO, Bob Diamond (ex Credit Suisse). Co-Chief Executives of Barclays Capital and Corporate and Investment Banking, Jerry del Missier and Rich Ricci. CEO Global Retail Banking (incl. Barclaycard), Antony Jenkins (ex Citi). CEO Barclays Wealth, Tom Kalaris. Group CFO Chris Lucas (ex PWC). CEO Global Retail, Deanna Oppenheimer (ex WaMu). Absa CEO Maria Ramos (ex CEO Transnet Limited).

Board of Directors:

- **12 member board** - 9 are non-executive and 1 independent.
- Directors are from a range of backgrounds, mostly financial but also retail, energy, civil service and academia.

Ownership:

BlackRock 6.5%, Qatar Investment Authority 6.7%, HH Sheikh Mansour/Al Ketbi Abdul Azi (brother of Crown Prince of Abu Dhabi) 6.6%, Nexus Capital 6.2%, BlackRock Investment Mgmt 4.3%, Dodge & Cox 4.3%, Legal & General 3.9%, Norges Bank 2.6%, Upper Chance 2.0%, Fidelity 2.0%, Barclays' staff 1.9%. 750,000 shareholders.

Capital Allocation/Uses:

Portfolio of retail and wholesale businesses planned and managed for long-term maximization of shareholder returns with goal of increasing international diversification of income to reduce risk by providing exposure to different economic cycles. Barclays opportunistic acquisition of Lehman's North American business for just £140 million (and £800 million for its Times Square HQ and two data centres) was immediately capital accretive, at a cost of 0.1x book value.

In September 2009, Barclays established a long-term life insurance joint venture with CNP Assurances in Spain, Italy and Portugal and acquired the Portuguese credit card business of Citibank (adding 400,000 new credit card customers). In October 2009, it acquired Standard Life Bank PLC from Standard Life PLC, adding an attractive mortgage and savings book to UK retail business. In 2010, it initiated a £350 million 'gamma' investment program to reposition Barclays Wealth through organic growth.

In compliance with new capital targets set by the UK Gov't, in 2009, Barclays sold Barclays Global Investors to BlackRock in a US\$15 billion cash and share deal achieving a net gain on sale of approximately £6.3 billion. Barclays then owned an economic stake of 19.7% in BlackRock, although in September 2011 BlackRock's share price fell requiring a £1.8 billion writedown to a fair value of £3.4 billion. Under current "Basel III" regulations, this stake is straight equity, however under "Basel III" it is a financial investment that requires 250% risk weighting - effectively £8.5 billion capital for a £3.4 billion asset. In May 2012, Barclays sold its stake in BlackRock, which had little fit with the rest of the franchise for approximately £3.5 billion to deflect the incoming capital requirements and so boost further its capital strength across the rest of the franchise.

The Group is focused on returns, not growth. With more capital in the banking system and less leverage we expect to see balance sheet utilization by Barclays Capital fall overtime and reduction of credit market exposures is a key component. Since 2009, gross leverage has remained at 20x (down from 33x in 2007) and its Core Tier 1 capital ratio has nearly doubled since 2008 to 11.0%. Barclays is targeting a 13% return on equity by 2013 or over-time thereafter. After suspending dividends mid 2008, Barclays recommenced payments from the third quarter of 2009. A progressive dividend policy has now been reinstated with dividend payments made on a quarterly basis.

Key Products:

- Comprehensive range of financial services notably across UK, Spain, Portugal, Italy, Africa and the Middle East. In South Africa #1 in mortgages and retail deposits, #2 in cards overdrafts and loans, #3 in vehicle finance.
- Barclaycard, a leading international credit card. Pioneered contactless payments in the UK.
- Global top 5 investment bank. Ranked #1 Global debt, All International Bonds and Global Fixed Income. #5 Global Announced M&A and US Equity & Equity related issues.
- Bond House of the year (2nd year running); Euromoney - Best Global Flow House.

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Portfolio Composition:

Business Mix	2008	2009	2010	2011
UK Retail Banking	26%	14%	15%	20%
Barclays Corporate	18%	3%	(9%)	(1%)
Barclaycard	13%	14%	12%	11%
European Retail & Business Banking	4%	6%	(2%)	(13%)
Africa Retail & Business Banking	12%	12%	13%	18%
Barclays Wealth	11%	3%	2%	4%
Investment Management	(6)%	0%	1%	1%
Barclays Capital	22%	48%	68%	60%
Geographic Mix	2008	2009	2010	2011
UK	57%	45%	40%	49%
Other European	19%	15%	15%	13%
United States	0%	22%	25%	19%
Africa and Middle East	17%	14%	16%	15%
Asia Pacific	7%	4%	4%	4%
Customers: Loans / Deposits	138%	130%	124%	118%
*Gross Leverage (Tangible Assets/Tier 1)	24x	20x	20x	20x
Loans & Advances to Customers	2008	2009	2010	2011
Home / Mortgage Loans	26%	32%	36%	36%
Other Personal	10%	10%	10%	10%
Business & Other Services	7%	6%	6%	5%
Manufacturing	5%	4%	3%	3%
Wholesale & Retail, Distribution and Leisure	4%	4%	4%	3%
Financial Services	31%	28%	27%	28%
Property	4%	5%	5%	5%
Energy & Water	3%	2%	2%	2%
Construction	2%	1%	1%	1%
Government	2%	2%	1%	2%
Other	6%	6%	5%	5%
Interest Earning Assets	2008	2009	2010	2011
Treasury / Trading Assets	36%	36%	42%	36%
Loans to Banks	5%	5%	4%	6%
Loans to Customers	52%	52%	47%	50%
Financial Investments	7%	7%	7%	8%

Financial Statement Summary: (£m, except EPS, years ended December 31)

Income Statement	2008	2009	2010	2011
Net Interest Income	11,469	11,918	12,523	12,201
Other Income	11,883	19,799	19,681	20,832
Provisions for Credit Losses	(5,419)	(8,071)	(5,672)	(3,802)
Non-Interest Expenses	(13,391)	(16,715)	(19,971)	(20,777)
Taxes	(453)	(1,074)	(1,516)	(1,928)
Net Income	4,382	9,363*	3,564	3,007
EPS	0.59	0.86*	0.30	0.25
Diluted EPS	0.58	0.82	0.29	0.24
Dividend per Share	0.115	0.025	0.055	0.06
Balance Sheet	2008	2009	2010	2011
Common Equity	36,618	47,277	50,858	55,589
Book Value per Share	4.37*	4.14	4.17	4.56
Net Tangible Value per Share	2.38	3.37	3.46	3.91

Key Profitability Ratios and Figures:

Y/E December 31	2008	2009	2010	2011
Core Tier 1 Ratio	5.6%	10.0%	10.8%	11.0%
Tier 1 Capital Ratio	8.6%	13.0%	13.5%	12.9%
Total Capital Ratio	13.6%	16.6%	16.9%	16.4%
Net Interest Margin	1.69%	1.61%	1.59%	1.48%
Efficiency Ratio (Costs/Income)	62%	58%	64%	64%
PCLs % of Average Loans	1.17%	1.92%	1.33%	0.88%
Loan Loss Reserve of Loans	1.42%	2.57%	2.91%	2.45%
Loan Loss Reserve Impaired Assets	36%	48%	51%	45%
Return on Average Equity -	14.3%	6.7%	7.2%	5.8%
S&P Senior Rating of Debt	A+	A+	A+	A+

*2009 profit excluding gain on sale of BGI was £3 billion, eps £0.28 and ROE 7%.

Sourced from 2011 Annual Report & Company Material.

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