Good afternoon.

I’d like to thank KBW for the opportunity to speak this afternoon, and to thank all of you for attending.

Before I talk about our strategy, I’d like to set the context by reminding you of the headlines from our results, which we announced in August.

We delivered £3 billion of profits during the first half, and at the same time:
- strengthened our capital ratios;
- reduced our balance sheet and leverage;
- and improved our liquidity.

We were able to achieve this as a result of very strong income growth ….

… which enabled us to absorb further credit market losses, and rising impairment, in a weak economic environment.

This performance is mostly attributable to the diversification of our business.

Turning to the Group performance in more detail…

… profit before tax of £3 billion was up 8% year on year.

Strong income growth, of 37%, delivered revenues of £16.3 billion.

This was achieved in the face of considerable pressure on deposit margins, especially in our UK retail and commercial banking businesses.
Impairment charges for the Group increased to £4.6 billion …

… against a background of weakening GDP and higher unemployment in many economies.

This is a significant increase, but it was within the range of our expectations for the year.

Our portfolios remain conservatively positioned, with low LTV ratios in our mortgage books …

… and limited exposure to property and leveraged finance …

… as well as limited exposure to single names in our commercial bank.

The five largest impairment charges in the UK Commercial book, for example, totalled £81 million.

Costs were well controlled, and grew at a lower rate than income.

As a result, the cost income ratio improved from 57% to 54%.

Moving on now to look at our credit market exposures in Barclays Capital…

… these have reduced by 30% since the year end through sales and pay downs of £6.3 billion, at or close to our marks …

… write-downs of £4.7 billion …

… as well as foreign exchange and other movements of £1.6 billion.

We increased write-downs on our commercial real estate books by £1.5 billion.

This results in average marks on these loans of 69% in the UK, 77% in the US, and 84% in Germany.

We’ve also increased provisions against monoline exposure by £1.4 billion, to a total of £3.1 billion.
As a result, our coverage ratios have increased from 17% to 27%.

That gives you the headlines of our first half results.

I’d like to turn now to our key objectives for 2009, which are outlined on this slide.

As you can see, our objectives are:

- staying close to customers and clients;
- managing our risks;
- and maintaining strategic momentum

The strength and breadth of our relationships with customers and clients can be seen clearly in our income performance.

Protecting our ability to serve customers and clients around the world …

… and preserving and strengthening our broadly based income platform …

… lay at the heart of our decision about recapitalisation in October 2008.

And it is income diversification that has enabled us to absorb the write-down impacts of the banking crisis, and impairment charges of the economic downturn.

I’d like to give you an example of that income diversification by talking about the first half income story at Barclays Capital, which is shown on this slide.

Top line income more than doubled year on year to over £10 billion …

… a figure which significantly exceeds Barclays Capital’s full year income in 2008.

We’ve benefited from increased client flows, wider spreads, and industry consolidation.
You can clearly see the transformational impact of the Lehman acquisition in the performance across Fixed Income, Equities, Prime Services and Investment Banking.

Barclays Capital had over 100 clients in the first half each of whom were generating more than 10 million pounds in revenues on an annualised basis.

These trends are observable in the second half of the year, although the usual seasonal impacts will affect August and December.

If I look at income growth in Global Retail and Commercial Banking …

… it’s been dominated by its international businesses since the crisis began in 2007.

Income grew 33% in these international businesses during the first half.

GRCB international now accounts for over 40% of GRCB income…

… and serves some 30 million customers.

It is the strength of that income performance over the last three years that’s enabled us to invest heavily in the build-out of distribution channels.

We now have some 3,000 sales outlets and branches outside the UK.

There is a cost, of course, associated with that build-out.

Cost from the investment in branches and people.

Cost from the impairment growth attributable to maturing asset books.

We know that we have to strengthen the profit performance, and returns, in Western Europe and Emerging Markets.

But we also recognise that the path we’ve taken here has put the development costs into the P&L account …
… rather than into the balance sheet, via acquisition.

With the downturn in the global economy, we’ve moderated our rate of investment in people, distribution channels, and assets in these businesses.

But we’re clear that the growth trends which led us to make these investments will continue …

… and the further development of GRCB’s international business is an important part of our diversification strategy.

Turning now to the second of our priorities for 2009, managing our risk.

We see risk and capital as two sides of the same coin.

One consequence of the banking crisis is a requirement from the regulators for more capital, and less leverage.

Barclays began the process of increasing capital, and reducing leverage, well over a year ago.

Our Core Tier One ratio has increased by over 4 percentage points, on a pro forma basis, since the end of 2007.

Adjusted for the sale of BGI, our Core Tier 1 and Tier 1 ratios were 8.8% and 11.7% respectively at the end of June.

One reason we’ve been able to increase our capital ratios is because of profit generation.

We’ve continued to deliver profits in every reporting period since the crisis began …

… and our total profits in the last two years amount to £12 billion.

We have also managed our risks by reducing the size of our balance sheet.

Total assets are down by £508 billion, or 25%, since the end of 2008.
This slide sets out a breakdown of that reduction.

The reduction in loans and advances was largely in Barclays Capital, especially in relation to financial institutions.

We believe, however, that adjusted gross leverage gives a more useful view of the balance sheet.

If we look at balance sheet leverage: excluding derivatives gross-up, assets under management, settlement balances and goodwill …

... adjusted gross leverage improved from 28 times Tier 1 capital at the end of 2008 …

... to 22 times at the end of the first half.

It would have been 20 times on a pro forma basis, taking into account the sale of BGI.

This is down from 33 times at the end of 2007.

Increasing our capital ratios, and reducing the balance sheet, will help us manage future regulatory impacts.

We've also been steadily building liquidity in anticipation of the FSA's new rules.

We've improved our liquidity profile this year by increasing the ratio of secured to unsecured lending …

... extending the maturity profile of our unsecured funding in wholesale, and increasing the size of our liquidity buffer.

Barclays Capital is of course bearing the funding costs caused by market dislocation.

It manages its liquidity position to be self funding.

BarCap's reliance on unsecured funding has reduced significantly …
... and it has increased the average term of its unsecured liabilities from 11 to 15 months during the first half.

As you know, our retail and commercial banking and Barclays Wealth businesses have no reliance on wholesale funding.

And since January, we’ve issued benchmark bonds, without government guarantees, totalling £10 billion, in a number of currencies including sterling, Euros and US dollars.

Across the Group, we’ve increased the balance of cash and liquid assets we hold to meet unexpected outflows, from £36 billion at end of December to £88 billion at the end of June.

I will now look at future levels of market risk capital (which will rise).

We believe regulatory decisions should make a distinction:

between capital required to support proprietary trading – which is not our focus;

and capital required to support the risk management and funding needs of government and corporate clients – which is.

You’ve already seen the prominence of low-capital-intensive, client-driven, flow business at Barclays Capital …

... which has been boosted both by the Lehman acquisition …

... and by market share gains created by industry consolidation.

I’m now going to talk about our third core objective for 2009, which is maintaining strategic momentum.
Our strategy, as you know, is to increase the growth potential of Barclays by diversifying our businesses.

Over 50\% of the Group’s income was generated outside the UK in the first half …

… and it’s a strategic priority for us to grow that percentage in the future.

In GRCB, our goal is that the international profit contribution will, in time, equal that of the UK.

In the first half of 2009, it was 18\% of GRCB profits.

How will we move that percentage up?

We’re seeking to ensure that profits in our African businesses, including Absa, will continue to grow through time.

We have ample opportunity to develop retail and commercial banking in Western Europe.

A good example would be via our new joint venture in life and pensions with CNP …

… who chose Barclays as one of its preferred distribution partners across Spain, Portugal and Italy.

And in due course, we’ll be seeking to grow the Asian businesses of GRCB, which are still underweight.

That objective underpins the investments we’ve been making in India, Pakistan and Indonesia over the last two years.

These are high growth economies.

Turning to Investment Banking and Investment Management.

We’ve been developing our businesses in the geographies where we’ve been under-represented, especially Asia and the United States.
In the US, which accounts for 40% of income in the global financial services industry, our business has been transformed by the Lehman acquisition.

And the strong platform we now have in the US is allowing us to build global top tier businesses in Equities and M&A by expanding across Europe and Asia.

If I then look at the shape of the Group by business line …

… the relative contribution of investment banking will be skewed for a while as a result of the Lehman acquisition, the sale of Barclays Global Investors, and the impact of compressed liability margins and rising impairment within GRCB.

But, as we’ve said before, our intention is that, over time, and in circumstances where Barclays Capital continues to grow, about two-thirds of the Group’s profits will come from GRCB and Barclays Wealth.

A word about the sale of Barclays Global Investors.

We believe investment management will continue to grow …

… and through our equity holding in BlackRock Global Investors, we’ll maintain exposure to that growth, avoiding related-party issues in an independent vehicle …

… which we see as the advantaged model of the future.

Finally, a word about dividends

At this year’s AGM, the Chairman announced our intention to resume dividend payments before the end of 2009.

So going forward we intend to make four payments of cash dividends each year.

For the second half 2009, we intend to make an interim payment in December, and a final dividend payment in March next year.
As I said earlier, we want to maintain strong capital ratios.

We therefore expect that the proportion of after tax profit distributed through dividends will be significantly lower, for the foreseeable future, than the 50% payout level which we have operated in recent years.

So in conclusion …

… our performance is underpinned by the objectives I’ve talked about this morning
   staying close to our customers
   managing our risks
   and maintaining strategic momentum

Despite the events of the last 2 years, we’ve been able to remain independent and profitable.

And while we’re realistic about the difficult environment, we’re committed to delivering another year of solid profitability.

We’ve increased our capital ratios, strengthened our balance sheet and improved liquidity, in order to manage our risks and new regulatory requirements.

And we’re maintaining strategic momentum.

Although we’re a British company, we have an increasingly international footprint and earnings base.

The Group is well diversified by geography and business.

And it is this strategy that is helping us weather the crisis.

We want our shareholders, our customers and our employees to continue to benefit from that.

Thank you very much.
I'm happy to take any questions.