BARCLAYS BANK PLC /ENG/
Form 6-K
August 07, 2008

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**
**PURSUANT TO RULE 13A-16 OR 15D-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

August 7, 2008

**Barclays PLC and**
**Barclays Bank PLC**
(Names of Registrants)

**1 Churchill Place**
**London E14 5HP**
**England**
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

This Report is a joint Report on Form 6-K filed by Barclays PLC and Barclays Bank PLC. All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC.

This Report comprises:

Information given to The London Stock Exchange and furnished pursuant to
General Instruction B to the General Instructions to Form 6-K.

EXHIBIT INDEX

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARCLAYS PLC
(Registrant)

Date: August 7, 2008

By: /s/ Patrick Gonsalves
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Patrick Gonsalves
Deputy Secretary

BARCLAYS BANK PLC
(Registrant)

Date: August 7, 2008

By: /s/ Patrick Gonsalves
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Patrick Gonsalves
Joint Secretary

**Barclays Bank PLC – 2008 Interim Results**

**Barclays Bank PLC**
**Interim Results Announcement**

**30th June 2008**

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**Barclays Bank PLC – 2008 Interim Results**

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*BARCLAYS BANK PLC, 1 CHURCHILL PLACE, LONDON, E14 5HP, UNITED KINGDOM. TELEPHONE: +44 (0) 20 7116 1000. COMPANY NO. 1026167*

This interim report does not contain detailed disclosures reflecting the impact of recent market turmoil as recommended by the Financial Stability Forum in its report on ‘Enhancing Market and Institutional Resilience’ published in April 2008 and the Committee of European Banking Supervisors in its report on ‘Banks’ Transparency on Activities and Products affected by the Recent Market Turmoil’ published in June 2008. This report contains disclosure on credit market exposures held by Barclays Capital on page 9 and more extensive disclosures are contained in the Barclays PLC Interim Results Announcement for the half year ended 30th June 2008. The data presented in the Barclays PLC Interim Results Announcement relating to credit market exposures is identical to that reportable for the Barclays Bank PLC Group.

Unless otherwise stated, the income statement analyses compare the six months to 30th June 2008 to the corresponding six months of 2007 (as restated on 22nd July 2008). Balance sheet comparisons, unless otherwise stated, relate to the corresponding position at 31st December 2007.

**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”, “estimat “intend”, “plan”, “goal”, “believe”, or other words of similar meaning. Examples of forward-looking statements include among others, statements regarding the Group’s future financial position, income growth, impairment charges, business strategy, projected levels of growth in the banking and financial markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, UK domestic and global economic and business conditions, the effects of continued volatility in credit markets and of further writedowns and credit exposures, market related risks such as changes in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities including classification of financial instruments for regulatory capital purposes, changes in legislation, the further development of standards and interpretations under International Financial Reporting Standards (IFRS) applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, 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. Additional risks and factors are identified in this document in “principal risks and uncertainties” and in our filings with the US Securities and Exchange Commission (the ‘SEC’) including in our annual report on form 20-F for the fiscal year ended 31st December 2007 which is available on the SEC website at http://www.sec.gov.

Any forward-looking statements made by or on behalf of Barclays speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in Barclays expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has filed or may file with the SEC.

**Barclays Bank PLC – 2008 Interim Results**

**Performance Highlights**

*"In the difficult environment of the first half of 2008, Barclays remained solidly profitable, albeit at levels below the record performance achieved last year.*
*We were helped by the earnings diversification that we have created across the Group and by our improved ability to flex both costs and balance sheet. This enabled us to absorb the cost of the credit market dislocation while seeking opportunities in areas of long term growth."*

**John Varley, Group Chief Executive**

— Income in line with record prior year despite challenging conditions

— Costs decreased 3%, leading to a one percentage point improvement in the cost:income ratio

— Group profit before tax of £2.78bn, reflecting lower profits from Investment Banking and Investment Management as a consequence of the credit market dislocation and an increased contribution from Global Retail and Commercial Banking:

- Improved profitability, tight cost control and strong mortgage book growth in UK Retail Banking
- Stable performance in Barclays Commercial Bank, consistent with cautious lending approach
- Very strong profit growth at Barclaycard with good progress both internationally and in the UK
- Accelerated investment in Barclays international retail and commercial banking network reflected in very strong income growth
- Barclays Capital profitable after a further £1bn of net losses in the second quarter due to credit market dislocation, in addition to the £1bn already announced in the first quarter; costs and credit market exposures significantly reduced
- Solid income growth at Barclays Global Investors and selective support for liquidity products
- Broadly based income growth in Barclays Wealth

**Group Chief Executive's Review**

The conditions in the market that we have seen over the course of the last twelve months are as difficult as we have experienced in many years. Although I take some comfort from our relative performance in managing our risks and in generating income, a decline in profit of 33% is acutely disappointing. Profit before tax of £2.78 billion for the period reflects stable income year on year; an improvement of one percentage point in our cost:income ratio; and substantial investment in our distribution channels in retail and commercial banking outside the United Kingdom in pursuit of future growth.
We have experienced significant write-downs. We have been alert to the changing risk environment, and because of that we were reducing our risk exposures in many business areas throughout 2007 and have continued to do that during the first half of 2008. That has certainly had the effect of mitigating the impact on our profits, as has the significant diversification of the business by geography and by business line over the last years. But it would be wrong in this review to suggest that the market conditions over the foreseeable future will be anything other than tough, not least because we are now seeing the impact of slowing economies around the world and that means that we must remain very vigilant to managing risk. In some areas of our business, it may take quite some time for volumes to be restored to those we have seen in the past: we see patterns of deleveraging by both companies and personal customers around the world, and this will continue to have an impact on activity levels.

The combination of turbulent markets and slowing economies requires us to be agile in managing business performance. But for all the impact of the difficult environment, the medium term drivers of growth in the global financial services industry are substantially unchanged: the privatisation of welfare provision, wealth management and wealth transfer; the growth of retail banking in the developing world; the 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 – these sources of growth endure. Our strategy is to align Barclays with those opportunities. That is why we have continued during the half to invest in the broadening of our physical footprint in **Global Retail and Commercial Banking**; and in origination and coverage in **Investment Banking and Investment Management**. And we see advantage in the fact that the competitive landscape has changed significantly over the last twelve months because the market dislocation has reduced the ability or determination of some hitherto strong market participants to compete aggressively.

Barclays strategy is to achieve superior growth through time by diversifying its profit base and increasing its presence in markets and segments that are growing rapidly. In executing our strategy, we continue to focus on our four strategic priorities which are: building the best bank in the United Kingdom; accelerating the growth of our global businesses; developing retail and commercial banking activities in selected countries outside the United Kingdom; and enhancing operational excellence.
I will consider each of these strategic priorities in turn.

In **UK Retail Banking** we have achieved market leading shares of new business in the core product areas of current accounts, savings and mortgages. The improvement in market positioning here is substantial – most obviously in mortgages, where our share of net new business in the first half of 2008 was 26% compared with 6% in the equivalent period of last year. Meanwhile, we have improved the cost:income ratio of the business (and maintain our target of improving the annual ratio by three percentage points from 57% in 2007 to 54% in 2010). Our financial performance in the first half benefited from these trends.
In **Barclays Commercial Bank** profit was affected by significant investment directed at increasing the number of product specialists and relationship managers and the supporting risk and operations infrastructure. Loan balances continued to grow during the half, but we have been careful to ensure that our assets are appropriately diversified in advance of a normalisation of loan loss rates that we have predicted for some time. For example, property and construction comprises 13% of our UK commercial loan book, a significantly lower proportion than would be seen generally across the UK market.

**Group Chief Executive's Review**

In **Barclaycard** we have made substantial progress in sustaining our UK leadership position whilst significantly improving profitability. As well as acquiring the Goldfish business at an attractive price, we recruited about 200,000 net new UK customers during the first half of 2008 but maintained a selective approach to new business that saw us continue to reject about half of the applications that we receive. We see credit cards as one of our global businesses and we have made further substantial steps in the development of Barclaycard outside the UK. Barclaycard International contributed over a quarter of Barclaycard's profits in the first half and over 75% of Barclaycard's new customers during the period. We continue to expect Barclaycard US to contribute US$150m in profit before tax this year, thereby achieving the target that we set following the acquisition of the business at the end of 2004.

**Investment Banking and Investment Management**, which is the home of the other businesses in the Group that we think of as "global", was confronted during the first half of the year with very testing trading conditions. Although the profits of both **Barclays Capital** and **Barclays Global Investors** suffered from the consequences of the credit market dislocation, the impact on the performance of both businesses was mitigated by the investments in asset class diversification that we have made in recent years. This helped generate record income levels in Barclays Capital in interest rate products, commodities, prime services and emerging markets and continuing brisk growth at BGI in the income from our exchange traded funds business iShares. In Barclays Capital we made progress in reducing US sub-prime and other credit market exposures. In BGI we took further steps to provide selective support of liquidity products; whilst this has had the effect of reducing profits in the first half, it has been an important source of reassurance to our clients. We have continued to see flows of new assets into BGI during the period. We see Barclays Capital and Barclays Global Investors as engines of future growth for Barclays, and have made further selective new hires in both businesses. **Barclays Wealth** has similar growth characteristics, and although impacted by lower market levels, we have achieved profit growth and continued during the half year to invest in the recruitment of client-facing staff.

We have made the biggest changes to the future growth opportunity in Barclays by the focus we are directing at developing our retail and commercial banking activities outside the United Kingdom. Most of this activity has been organic. We have expanded our distribution points in all areas of the business; opening 191 new branches or sales outlets in **GRCB - Western Europe**, 321 in **GRCB - Emerging Markets** and 160 in **GRCB - Absa** during the first six months of the year. This distribution-led growth is transforming the scale and prospects of the business. We saw particularly strong income growth during the half in two markets that we have recently entered – India and United Arab Emirates. At the same time we have acquired Expobank as a first step to increasing our presence in Russia, and we will soon launch our business in Pakistan. We expect to have opened 250 further branches and sales outlets outside the UK by the end of 2008.

The focus of our work in the area of "**operational excellence**" is directed at the management of risk, cost and capital. In risk management, we have sought to position our major books of business conservatively in the expectation of the cyclical downturn in countries where we have large presences – the United Kingdom, Spain and South Africa. Although our performance in these markets will be affected by economic slowdown, we hope that we will outperform as a result of actions that we have already taken. Meanwhile, we have managed our costs aggressively, achieving substantial reductions in costs in Barclays Capital and an improved cost:income ratio for the Group as a whole. In the area of capital, we intend to direct just over half of the new capital raised in July at maintaining ratios ahead of target for the foreseeable future, and half to support future growth. We have directed a lot of attention during 2008 at managing the level of risk weighted assets across the Group.

It is important to be both realistic about the outlook – which remains tough – and confident about the direction of our strategy and our ability to implement it. I draw confidence from our performance over the last twelve months. Our focus in the months ahead will be on executing our strategy.

**John Varley**
**Group Chief Executive**

**Group Finance Director's Review**

**Group Performance**

In the first half of 2008 Barclays delivered profit before tax of £2,784m, a decline of 33% on the record performance of 2007.

Income was in line with 2007 at £11,873m. Income grew in all businesses apart from Barclays Capital, and growth was particularly strong in retail and commercial banking businesses outside the UK. Net income, after impairment charges, of £9,425m was 14% lower than 2007, and included net losses of £1,979m on credit market exposures, net of gains of £852m arising from the fair valuation of notes issued by Barclays Capital.

Impairment charges and other credit provisions of £2,448m included charges related to US sub-prime mortgages and other credit market exposures of £1,108m. Excluding these sub-prime related charges, impairment charges increased 40%. In UK Retail Banking, impairment charges increased slightly as a result of higher balances. UK mortgage impairment charges remained very low as our book is conservatively positioned. In Barclaycard UK impairment charges decreased. The UK wholesale and corporate charge was higher than the first half of 2007 but remained relatively low and within expectations in a generally steady wholesale environment. Significant growth in impairment charges in our international retail and commercial banking businesses reflected: very strong book growth and a changed asset mix in emerging markets; the impact on consumers of the macroeconomic backdrop in South Africa; and a deteriorating property market in Spain.

Operating expenses decreased 3% to £6,664m. We continued to invest in our distribution network in our international retail and commercial banking businesses. Costs were flat in UK Retail Banking and significantly lower in Barclays Capital. Gains from property disposals were £120m (2007: £147m). The Group cost:income ratio improved one percentage point to 56%.

**Business Performance – Global Retail and Commercial Banking**

**UK Retail Banking** profit before tax grew 7% to £690m. Income grew 3% to £2,176m, reflecting growth in Personal Customer Savings Accounts and Local Business and lower settlements on overdraft fees. We achieved a share of net new mortgage lending of 26%. Operating expenses were in line with 2007. Impairment charges increased 4%, and mortgage impairment remained low.

**Barclays Commercial Bank** profit before tax decreased 1% to £702m. Income growth of 7% reflected increased sales of treasury products. Costs increased 17% as we invested in operations infrastructure, product specialists and sales capability. Impairment charges increased 19% due to higher charges from certain Larger Business exposures.

**Barclaycard** profit before tax increased 30% to £388m, including £100m from Barclaycard International. Income growth of 13% reflected strong growth in Barclaycard International and the acquisition of Goldfish. Costs increased 6% reflecting continued international growth. Impairment charges increased 10% reflecting the inclusion of Goldfish and increased charges in Barclaycard International, offset by a £62m reduction in impairment in the UK businesses.

**Global Retail and Commercial Banking - Western Europe** profit before tax grew 10% to £115m. Income growth of 46% was driven by very strong growth in loans and advances and deposits. Costs increased 38% reflecting expansion of the retail distribution network across all geographies by 191 distribution points, and expansion in SMEs and Premier. Impairment charges increased £71m to £103m, primarily reflecting a deteriorating property market in Spain.

**Global Retail and Commercial Banking - Emerging Markets** profit before tax decreased 13%. Income and operating expenses almost doubled. Income growth was driven by retail expansion in India, and strong performances in the Africa businesses and UAE cards. Operating expense growth reflected the continued expansion of distribution points by 321 to a total of 871. Impairment charges increased £54m to £66m reflecting asset growth, particularly in

India, and increased wholesale impairment in Africa.

**Global Retail and Commercial Banking - Absa** profit before tax increased 10% to £298m. Income growth of 9% included a gain of £46m relating to the Visa IPO. Distribution points increased 160 to 1,161 and operating expenses decreased 1%, leading to a six percentage point improvement in the cost:income ratio to 60%. Impairment charges rose £69m to £125m, mainly due to the impact of successive interest rate rises and high inflation rates on consumers in South Africa.

**Group Finance Director's Review**

**Business Performance – Investment Banking and Investment Management**

**Barclays Capital** profit before tax was £524m in a very challenging market, down 68% relative to the record result in 2007. Net income fell 47% to £2,185m as growth in interest rate products, commodities, emerging markets, private equity and foreign exchange was more than offset by net losses of £1,979m due to credit market dislocation, net of gains of £852m from the fair valuation of notes issued by Barclays Capital. There was very strong growth in continental Europe, Asia and Africa, and modest growth in the UK. The US was adversely affected by the market conditions although there was significant growth in commodities, prime services and foreign exchange. Operating expenses were tightly controlled and reduced 32%. The compensation cost:net income ratio increased to 53%. Risk weighted assets were actively managed and declined in the period. Headcount increased 100 to 16,300 as we continued to invest selectively in key areas.

**Barclays Global Investors** profit before tax decreased 32% to £265m reflecting income growth of 5% to £987m; the impact of strong cost control; and charges of £196m related to selective support of liquidity products. Total assets under management were US$1,967bn, reflecting net new assets of US$25bn and negative market moves of US$147bn.

**Barclays Wealth** profit before tax grew 5% to £182m. Income growth of 5% to £668m reflected strong growth in customer deposits and lending partially offset by the impact of lower equity markets on fee income. Operating expenses grew 3% as cost efficiencies were reinvested in technology and operating platforms, and continued hiring of client-facing staff. Total client assets remained at £132.5bn as good asset inflows offset the impact of lower equity markets.

**Business Performance - Head office functions and Other Operations**

**Head office functions and other operations** loss before tax increased £252m to £432m. This was driven by increased fees paid to Barclays Capital for debt and equity raising, a reduction in interest earned owing to the reduction of the centrally held capital surplus, and increased costs related to an internal review of Barclays compliance with US economic sanctions.

**Related Parties**

Related party transactions, including salary and benefits provided to directors and key management, were not material to the financial position or performance of the Group during the period. There were no changes to the type and nature of the related party transactions disclosed in the 2007 annual report that could have a material effect on the financial position and performance of the Group in the first six months. Related party transactions are set out on page 31.

**Chris Lucas**

**Group Finance Director**

**Risk Management**

There have been no material changes to the risk management processes as described in the Annual Report and Accounts for the year ended 31st December 2007.

**Principal risks and uncertainties**

The overall risk environment remains challenging for broad areas of the financial services industry. The continued dislocation in the wholesale credit markets, with wider credit spreads and constrained market liquidity, is exacerbated by slower economic growth in many parts of the world.

**Wholesale Credit Risk**

As we entered 2008, the wholesale credit environment reflected concerns about weakening economic conditions in our major markets. That environment led to a more cautious approach to credit assessment, pricing and ongoing control in the financial services industry, which we expect to continue in the second half of the year. At the half-year stage, our assessment of our wholesale credit risk is broadly unchanged. Wholesale credit market conditions remain difficult, with reduced liquidity in cash and securitised products.

Overall, our wholesale credit impairment for 2008 is at a level broadly commensurate with our wholesale models' prediction for a stress level that might occur once in twenty years. The key driver of impairment continues to be losses seen in US RMBS and related exposures, where the value of the underlying collateral has continued to deteriorate through 2008. This reflects the high levels of default seen in the US mortgage market, particularly in the sub-prime and Alt-A segments. There have also been some industry losses from exposure to a number of hedge fund counterparties where extreme market turbulence led to sudden loss of value of collateral, which ultimately proved insufficient to cover exposure in full.
Our corporate banking portfolios are generally performing in line with expectations. However, our portfolio in Spain is affected by the rapid cooling of the housing market and the impact on a range of counterparties in the residential development and construction sectors. Some signs of strain are being seen in Barclays Commercial Bank in the UK with an increased flow of cases into our Business Support turnaround and recovery team. Our Risk Tendency in this area has increased since the year-end, partly reflecting more difficult credit conditions.
In Absa, the wholesale portfolios have continued to perform well, reflecting the focus on the property, agriculture and sovereign sectors. This is in line with other banks in the region and contrasts with the declining performance of retail portfolios.

In response to the weakening environment in some of our core markets, we have reduced our risk profile in a number of areas. Examples of steps taken include reducing portfolio concentration limits in key sectors such as leveraged finance and property, as well as tightening underwriting criteria. We have taken actions across major business areas with the intention to reduce losses if the environment continues to weaken.

As we enter the second half of 2008, the principal uncertainties relating to the performance of the wholesale portfolios are:

— Performance of the underlying collateral supporting US RMBS and related positions, which may deteriorate further

— The impact of a deeper or more prolonged downturn on our businesses in the UK, US, Spain and South Africa

— The potential for idiosyncratic losses in different sectors and geographies where credit positions are sensitive to economic downturn

— The potential for losses in respect of other market related exposures to counterparties in the financial services industry

**Risk Management**

**Retail Credit Risk**

Retail credit risk conditions in a number of Barclays major markets have deteriorated since the start of 2008 as a rise in consumer prices and weaker housing markets have accompanied the effects of dislocation in the wholesale credit markets and slower economic growth.

In the UK, impairment charges in our credit card portfolio reduced. Average credit scores and vintage analysis indicate continued improvement in the quality of business written in during 2007. Overall delinquencies and charge-offs are lower than a year ago, although there is some evidence of deterioration in the second quarter. In the UK unsecured loan portfolios, overall delinquencies have been stable and charge-offs have declined slightly as a result of tighter underwriting criteria.

Home Finance delinquency and possession rates remain well below the Council of Mortgage Lenders industry average and losses remain contained by conservative loan to value (LTV) ratios. The average LTV on business written in the first half of the year was 51% and the average current valuation LTV on our stock of mortgages was 35%. For our residential Home Finance portfolio, 4% of our loans are above 85% LTV on an indexed basis. While there has been some increase in Home Finance delinquency following deterioration in the UK housing market, it remains low relative to historical levels at 0.97%. Our other secured lending portfolios are operating as expected, and are being managed to reduce exposure.

In response to the worsening economic environment in Spain, we have tightened lending criteria and increased collections activities. In the Home Finance portfolio, which comprises the large majority of retail balances, the average LTV on new business written in the first half of the year was 64% and we estimate the average current LTV on our mortgage stock to be 45%.

While delinquency in US credit cards has been affected by the weakening economy, credit actions taken towards the end of 2007 have raised new customer quality and improved recent vintage performance.

In Absa, credit conditions remain challenging, given the prolonged series of interest rate rises and inflationary pressures. The arrears rates for recent vintages of the cards portfolio have improved after the introduction of tighter controls during the past year. Delinquency in the secured portfolios has risen as the economy continues to weaken. In order to stabilise delinquency rates, underwriting criteria have been significantly tightened and collections investment increased. The average mark to market LTV on our mortgage stock stood at 44%.

As we enter the second half of the year, the principal uncertainties relating to the performance of the retail portfolios are:

— The impact of global inflationary pressure on household disposable income and the ability of consumers to service debt

— The possibility of rises in unemployment and a marked slowdown in the UK, US, Spanish and South African economies

— The impact of further, sustained falls in house prices in the UK, Spain and South Africa

— The reduced availability of credit in mortgage markets, leading to further declines in property values

**Risk Management**

The second half outlook for the South African and Spanish retail credit environments is expected to be challenging with macroeconomic indicators suggesting further weakening. The US portfolio will also be affected by a more difficult environment. While we expect the less favourable economic environment in the UK to continue in the second half of the year, the credit market dislocation has constrained the competitive position of some other financial institutions and Barclays is well-positioned to continue to provide financing to customers.

**Market Risk**

Volatility across financial markets increased due to the continuation of the credit market dislocation, high global inflation brought on by higher commodity prices, especially oil, and recessionary concerns for the western economies. Against this background, Barclays Capital's market risk exposure, as measured by average total Daily Value at Risk (DVaR), increased 30% to £58m compared with the second half of 2007 and increased 48% compared with the first half. This was mainly due to increases in interest rate positions and higher market volatility within the credit spread and interest rate DVaR. Average daily trading revenue of £26m was 29% higher than the second half of 2007, in line with the increase in DVaR.

As we enter the second half of the year, the principal uncertainties which may impact our market risk relate to volatility in interest rates, commodities, credit spreads, equity prices and foreign exchange rates. Some of these markets are also experiencing periods of reduced liquidity, creating the potential for significant price adjustments and instability in the historical correlation across risk factors.

**Liquidity Risk**

Despite a continued lack of term liquidity relative to overall demand, and constrained securitisation and covered bond markets, the Group’s liquidity position has remained strong and stable and we have improved the overall term of our wholesale liabilities due to the diverse range of funding sources in terms of geography, currency and counterparty. Retail and commercial deposits continue to grow. In the UK and Europe, the Group continues to be able to fund its retail and commercial assets without recourse to wholesale markets. Given our limited reliance on securitisation as a source of funding, we do not regard uncertainty over the securitisation markets as likely to impact our liquidity risk profile in the second half of the year.

**Legal Risk and Regulatory Compliance Risk**

These risks affect the Group through the extensive range of legal obligations, regulations and codes in force in the territories in which the Group operates. The principal uncertainties regarding these risks are further discussed on pages 28 to 30.

**Risk Management**

**Barclays Capital Credit Market Exposures**

Barclays Capital's credit market exposures resulted in net losses of £1,979m in the first half of 2008, due to continuing dislocation in the credit markets. The net losses, which included £1,108m in impairment charges, comprised; £875m against ABS CDO Super Senior exposures; and £1,956m against other credit market exposures; partially offset by gains of £852m from the general widening of credit spreads on issued notes measured at fair value through the profit and loss account.

The credit market dislocation resulted in losses in the following categories:

| | **Pro-forma** [1] | **Net Exposures** | |
|---|---|---|---|
| | **As at 30.06.08** | **As at 31.12.07** | **As at 30.06.07** |
| | £m | £m | £m |
| **ABS CDO Super Senior** | **3,229** | 4,671 | 7,432 |
| | | | |
| **Other US sub-prime** | | | |
| – Other US sub-prime | 3,258 | 5,037 | 6,046 |
| – Whole loan sales post period end | (828) | - | - |
| **Net Other US sub-prime** | **2,430** | 5,037 | 6,046 |
| | | | |
| **Alt-A** | **3,510** | 4,916 | 3,760 |
| | | | |
| **Monoline insurers** | **2,584** | 1,335 | 140 |
| | | | |
| **SIVs and SIV-Lites** | **429** | 784 | 1,617 |
| | | | |
| **Commercial mortgages** | **10,988** | 12,399 | 8,282 |