Rating Action: Moody’s affirms Barclays PLC’s senior unsecured debt ratings and changes the outlook to positive

17 May 2019

Outlook revised to positive from stable on Barclays Bank PLC. Outlook unchanged at stable on Barclays Bank UK PLC

London, 17 May 2019 -- Moody’s Investors Service today affirmed the long-term senior unsecured debt ratings of Barclays PLC (Barclays, the holding company) at Baa3 and the short-term Commercial Paper ratings at P-3. The rating agency changed the outlook to positive from stable on Barclays’ senior unsecured debt.

The rating agency also affirmed all ratings of Barclays Bank PLC (Barclays Bank) and changed the outlook to positive from stable on the senior debt and deposit ratings of Barclays Bank.

At the same time, the rating agency affirmed the ratings of Barclays Bank UK PLC (Barclays Bank UK), while keeping the outlook unchanged at stable.

The affirmation of Barclays’ ratings reflects its ample liquidity and capital above regulatory requirements which mitigate risks from large exposure to capital markets activities and related wholesale funding and its moderate credit risk.

The positive outlook on Barclays’ senior ratings reflects Moody’s expectation that its operating performance and profitability prospects will improve, benefiting from a significant reduction in litigation and conduct risks. Moody’s assessment of the volume of loss absorbing debt under its Advanced Loss Given Failure analysis and of the probability of government support have not changed.

"With large litigations settled and restructuring costs declining, Barclays' profitability is on a path to recovery and the bank is better positioned to mitigate against Brexit-related risks and tail risk from its large capital markets activities," said Alessandro Roccati, Senior Vice President at Moody’s. "Capital generation through earnings will likely be sustained and the bank’s liquidity is strong" added Roccati.

The affirmation of the ratings of Barclays Bank and the revised outlooks to positive reflects Moody’s expectation that its operating performance will moderately improve due to improved revenues, as the recent restructuring starts to bear fruit, and good cost control including adjustments to variable compensation costs, to the extent necessary, are implemented.

The affirmation of the ratings of Barclays Bank UK with stable outlooks reflects Moody’s expectation that its operating performance will remain broadly stable over the outlook period supported by good levels of profitability, moderate asset risk, robust capitalisation and good funding and liquidity.

RATINGS RATIONALE

Barclays

The positive outlook on Barclays’ ratings reflects the progress the firm has made in its restructuring plan including the de-risking of its balance sheet, its improved asset risk profile, and its improved profitability, supported by the resolution of litigation matters including settlements with the US Department of Justice (DOJ) and adequacy of provisions taken against current and anticipated Payment Protection Insurance (PPI) claims.

Moody’s believes that going forward, Barclays is positioned to demonstrate improved and more stable profitability: non-recurring charges will likely be moderate over the next eighteen months, making the strong core profitability of the bank’s retail and commercial operations more tangible.

The baa3 BCA of Barclays reflects: (1) strong franchises in UK retail, business banking and global credit cards, (2) moderate credit risk, driven by strong loan quality, which is partly offset by its sizeable capital markets activities which are confidence sensitive and expose the firm to higher earnings volatility than the more traditional commercial banking activities (3) good regulatory capitalisation; (4) diversified funding and
sound liquidity; and (5) improving profitability from a low base.

Barclays Bank

The positive outlook on Barclays Bank's ratings reflects the progress the firm has made in its restructuring plan including the de-risking of its balance sheet, which will lead to higher profits and an improved capital position.

The BCA of baa3 for Barclays Bank - the group's non-ring fenced bank - reflects its (1) good regulatory capitalisation and its (2) adequate funding and sound liquidity, which protect the bank against unexpected market shocks. The bank's BCA is constrained by (3) risks from investment banking and capital market activities, and (4) weak historical profitability, which we expect will continue to improve.

Barclays Bank UK

The BCA of a3 for Barclays Bank UK - the group's ring fenced bank - reflects its (1) moderate asset risk; (2) robust capitalisation; (3) stable and predictable earnings from strong retail and small business banking franchises; (4) good funding and liquidity; and (5) limited reliance on confidence-sensitive wholesale funding and good liquidity levels.

WHAT COULD MOVE THE RATINGS UP/DOWN

Barclays

Barclays' baa3 notional BCA could be upgraded, following an improvement of the standalone credit profile of its main subsidiary Barclays Bank. An upgrade of Barclays' baa3 notional BCA would likely lead to a ratings upgrade. Barclays' ratings could also be upgraded if the group were to issue a substantially higher amount of bail-in-able liabilities or maintain excess financial resources at the level of the holding company, affording greater protection to its creditors.

A rating downgrade is unlikely, given the positive outlook on the firm's ratings. Barclays' baa3 notional BCA could be downgraded following a deterioration of the standalone credit profiles of its two main subsidiaries Barclays Bank and Barclays Bank UK. A lower notional BCA would likely lead to a downgrade of Barclays' ratings. Barclays' ratings could also be downgraded if we were to assess a lower degree of protection from the stock of bail-in-able liabilities, which we assess through our advanced LGF analysis.

Barclays Bank UK

An upgrade of Barclays Bank UK's a3 BCA could result from a much lower asset risk, or a considerable increase in profitability and liquidity. A higher BCA could lead to a rating upgrade. An upgrade of BB UK's long-term deposit rating could also result from a higher stock of bail-in-able liabilities that would provide higher protection for the bank's junior depositors, beyond what we currently expect.

Barclays Bank UK's a3 BCA could be downgraded in case of a deterioration in asset quality and weaker profitability, driven by Brexit uncertainties, or lower capitalisation or a deterioration in the bank's liquidity profile. A downgrade of the BCA would likely lead to a rating downgrade. The rating could also be downgraded due to a reduction in the stock of bail-in-able liabilities that would reduce the degree of protection for junior depositors.

PRINCIPAL METHODOLOGY
The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

LIST OF AFFECTED RATINGS

Issuer: Barclays PLC

Affirmations:

.... Adjusted Baseline Credit Assessment, Affirmed baa3
.... Baseline Credit Assessment, Affirmed baa3
.... Commercial Paper, Affirmed P-3
.... Long-term Issuer Rating, Affirmed Baa3, Outlook Changed To Positive From Stable
.... Short-term Issuer Rating, Affirmed P-3
.... Senior Unsecured Medium-Term Note Program, Affirmed (P)Baa3
.... Subordinate Medium-Term Note Program, Affirmed (P)Ba1
.... Other Short-term, Affirmed (P)P-3
.... Pref. Stock Non-cumulative Preferred Stock, Affirmed Ba3 (hyb)
.... Senior Unsecured Regular Bond/Debenture, Affirmed Baa3, Outlook Changed To Positive From Stable
.... Subordinate Regular Bond/Debenture, Affirmed Ba1
.... Senior Unsecured Shelf, Affirmed (P)Baa3
.... Subordinate Shelf, Affirmed (P)Ba1

Outlook Action:
.... Outlook Changed To Positive From Stable

Issuer: Barclays Bank PLC

Affirmations:

.... Adjusted Baseline Credit Assessment, Affirmed baa3
.... Baseline Credit Assessment, Affirmed baa3
.... Long-term Deposit Note / CD Program, Affirmed (P)A2
.... Senior Unsecured Regular Bond/Debenture, Affirmed A2, Outlook Changed To Positive From Stable
.... Backed Commercial Paper, Affirmed P-1
.... Commercial Paper, Affirmed P-1
.... Long-term Counterparty Risk Assessment, Affirmed A2(cr)
.... Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
.... Long-term Counterparty Risk Rating, Affirmed A2
.... Short-term Counterparty Risk Rating, Affirmed P-1
.... Long-term Issuer Rating, Affirmed A2, Outlook Changed To Positive From Stable
.... Senior Unsecured Medium-Term Note Program, Affirmed (P)A2
.... Other Short-term, Affirmed (P)P-1
.... Other Short-term, Affirmed P-1
.... Subordinate Medium-Term Note Program, Affirmed (P)Ba1
.... Pref. Stock Non-cumulative Preferred Stock, Affirmed Ba3 (hyb)
.... Pref. Stock Preferred Stock, Affirmed Ba2 (hyb)
.... Junior Subordinated Regular Bond/Debenture, Affirmed Ba2 (hyb)
.... Subordinate Regular Bond/Debenture, Affirmed Ba1
.... Long-term Bank Deposits, Affirmed A2, Outlook Changed To Positive From Stable
.... Short-term Bank Deposits, Affirmed P-1
.... Senior Unsecured Shelf, Affirmed (P)A2
.... Outlook Action:
.... Outlook Changed To Positive From Stable
Issuer: Barclays Bank PLC, Australia Branch
.... Affirmations:
.... Commercial Paper, Affirmed P-1
.... Long-term Counterparty Risk Assessment, Affirmed A2(cr)
.... Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
.... Long-term Counterparty Risk Rating, Affirmed A2
.... Short-term Counterparty Risk Rating, Affirmed P-1
.... Outlook Action:
.... Outlook Changed To Positive From Stable
Issuer: Barclays Bank PLC, New York Branch
.... Affirmations:
.... Long-term Counterparty Risk Assessment, Affirmed A2(cr)
.... Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
.... Long-term Counterparty Risk Rating, Affirmed A2
.... Short-term Counterparty Risk Rating, Affirmed P-1
.... Outlook Action:
.... Outlook Changed To Positive From Stable
Issuer: Barclays Bank PLC, Paris Branch
.... Affirmations:
.... Long-term Counterparty Risk Assessment, Affirmed A2(cr)
Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
Long-term Counterparty Risk Rating, Affirmed A2
Short-term Counterparty Risk Rating, Affirmed P-1

Senior Unsecured Medium-Term Note Program, Affirmed (P)A2
Long-term Bank Deposits, Affirmed A2, Outlook Changed To Positive From Stable
Short-term Bank Deposits, Affirmed P-1

Outlook Action:
Outlook Changed To Positive From Stable

Issuer: Barclays Bank PLC, Singapore Branch
Commercial Paper, Affirmed P-1
Long-term Counterparty Risk Assessment, Affirmed A2(cr)
Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
Long-term Counterparty Risk Rating, Affirmed A2
Short-term Counterparty Risk Rating, Affirmed P-1

Outlook Action:
No Outlook Assigned

Issuer: Barclays Bank PLC, Tokyo Branch
Commercial Paper, Affirmed P-1
Long-term Counterparty Risk Assessment, Affirmed A2(cr)
Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
Long-term Counterparty Risk Rating, Affirmed A2
Short-term Counterparty Risk Rating, Affirmed P-1

Outlook Action:
No Outlook Assigned

Issuer: Barclays Bank of Canada
Backed Commercial Paper, Affirmed P-1
Long-term Counterparty Risk Assessment, Affirmed A2(cr)
Short-term Counterparty Risk Assessment, Affirmed P-1(cr)

Outlook Action:
No Outlook Assigned

Issuer: Barclays Bank PLC, Hong Kong Branch
Affirmations:
Commercial Paper, Affirmed P-1
Long-term Counterparty Risk Assessment, Affirmed A2(cr)
.... Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
.... Long-term Counterparty Risk Rating, Affirmed A2
.... Short-term Counterparty Risk Rating, Affirmed P-1
..Outlook Action:
....No Outlook Assigned
Issuer: Barclays Bank PLC, Cayman Branch
Affirmations:
.... Commercial Paper, Affirmed P-1
..Outlook Action:
....No Outlook Assigned
Issuer: Barclays Capital (Cayman) Limited
Affirmations:
.... Backed Senior Unsecured Medium-Term Note Program, Affirmed (P)A2
.... Backed Subordinate Medium-Term Note Program, Affirmed (P)Ba1
....Backed Other Short-term, Affirmed (P)P-1
..Outlook Action:
....Outlook Changed To Positive From Stable
Issuer: Barclays Financial LLC
Affirmations:
.... Backed Senior Unsecured Medium-Term Note Program, Affirmed (P)A2
.... Backed Other Short-term, Affirmed (P)P-1
..Outlook Action:
....Outlook Changed To Positive From Stable
Issuer: Barclays Overseas Investment Company B.V.
Affirmations:
....Backed Junior Subordinated Regular Bond/Debenture, Affirmed Ba2 (hyb)
..Outlook Action:
....Outlook Changed To Positive From Stable
Issuer: Barclays US CCP Funding LLC
Affirmations:
....Commercial Paper, Affirmed P-1
..Outlook Action:
....No Outlook Assigned
Issuer: Barclays US Funding LLC

Affirmations:
.... Backed Commercial Paper, Affirmed P-1

Outlook Action:
....No Outlook Assigned

Issuer: Woolwich plc

Affirmations:
....Backed Junior Subordinated Regular Bond/Debenture, Affirmed Ba2 (hyb)
.... Backed Subordinate Regular Bond/Debenture, Affirmed Ba1

Outlook Action:
....Outlook Changed To Positive From Stable

Issuer: Barclays Bank UK PLC

Affirmations:
.... Adjusted Baseline Credit Assessment, Affirmed a3
.... Baseline Credit Assessment, Affirmed a3
.... Commercial Paper, Affirmed P-1
.... Long-term Counterparty Risk Assessment, Affirmed Aa2(cr)
.... Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
.... Long-term Counterparty Risk Rating, Affirmed Aa2
.... Short-term Counterparty Risk Rating, Affirmed P-1

Outlook:
....Outlook Remains Stable

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