

Barclays Bank PLC

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Major Rating Factors

Global Scale Ratings
Issuer Credit Rating A/Stable/A-1
Resolution Counterparty Rating A+/-/A-1

Strengths:	Weaknesses:
<ul style="list-style-type: none">• Core subsidiary of the Barclays group.• Leading market position in global wholesale banking.	<ul style="list-style-type: none">• Patchy earnings track record.• Inherent revenue volatility and business complexity that derive from having a large capital markets business.

Outlook
<p>S&P Global Ratings' stable outlook on Barclays Bank PLC (BBPLC) mirrors that on its ultimate parent, Barclays PLC (Barclays). We assume that the statutory earnings performance of the Barclays group will steadily improve and that its asset quality metrics will remain resilient over our two-year outlook horizon.</p> <p>Upside scenario</p> <p>Given that the ratings on BBPLC are already two notches above the 'bbb+' unsupported group credit profile (UGCP) of Barclays, based on the additional loss-absorbing capacity (ALAC) arising from the group's subordinated debt and senior debt buffers, a higher rating on BBPLC would depend on an upward revision of the UGCP. We consider this unlikely in the near term while Barclays builds statutory earnings to be more in line with other large global banks.</p> <p>Downside scenario</p> <p>We could consider lowering the ratings on BBPLC if we revised down the UGCP, if our view of its group status weakens, or if we expected the group's ALAC to reduce below our two-notch threshold.</p>

Rationale

The ratings reflect our view that U.K.-incorporated BBPLC is a core subsidiary of Barclays.

Given that we assess BBPLC as core to Barclays, we rate the bank using a top-down approach by emphasizing the consolidated accounts of the group. We also assume that the group will continue to downstream ALAC internally to BBPLC as required (and other core subsidiaries). For these reasons, we do not assign a stand-alone credit profile to BBPLC.

BBPLC is the non-ring-fenced bank of Barclays following the transfer of certain U.K. banking business to Barclays' new U.K. ring-fenced bank, Barclays Bank UK PLC, on April 1, 2018. Peers would therefore include the non-ring-fenced banks of other U.K. banking groups, for example HSBC Bank PLC and NatWest Markets PLC, but also international banks with a significant role for investment banking.

BBPLC represents the vast majority of group assets, revenues and profits. Reported total equity was £48 billion, or around three-quarters of the group, at Dec. 31, 2018. We acknowledge that the objective of U.K. ring-fencing legislation is to protect critical banking functions in the U.K., and thus the likelihood of group support to the non-ring-fenced bank, at the margins, may be lower than for the ring-fenced bank. However, we don't believe that the difference in the risk profile of BBPLC relative to Barclays is material, and its relative scale renders its success crucial to the group's fortunes.

BBPLC's business activities comprise corporate and investment banking (CIB), consumer, cards, and payments. Revenue sources by type, and by geography, are diverse. The earnings track record of Barclays' international division, which broadly mirrors the new profile of BBPLC, is patchy, in our opinion. The management team was refreshed in March 2019. Key changes included the Corporate & Investment Bank being managed as three units and reporting directly to the group CEO, who has also become interim CEO of BBPLC; the previous BBPLC CEO left the bank. These changes appear to us to be a recognition by Barclays that further improvement in the performance of its investment bank is a key expectation of investors, notwithstanding some evidence of improvement in recent quarters.

At £137 billion at Dec. 31, 2018, reported gross customer loans are a relatively modest proportion of the balance sheet. The largest elements are corporate loans (66%) and credit cards and other consumer lending (25%), with the balance being residential mortgages (mainly a legacy portfolio). Reported Stage 3 loans were 3.0% of total gross loans, with reserve coverage of 50%, which appears sound. Market risk indicators appear to be in line with other global banks.

Although BBPLC lacks a high level of stable funding sources, such as insured retail business deposits, we nevertheless consider that its funding and liquidity profiles are satisfactory. Furthermore, BBPLC stated that its regulatory common equity Tier 1 ratio was 13.5%, which is a little higher than that reported by Barclays, and its CRR (Capital Requirements Regulation) leverage ratio was 4.0% at Dec. 31, 2018.

Related Criteria

- Criteria - Financial Institutions - General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Barclays PLC, June 27, 2019
- Rearranged And Ready: U.K. Banks Are On Track For Ring-Fencing, Aug. 15, 2018
- Prospective Barclays Ring-Fenced Entity Assigned Preliminary 'A/A-1' Ratings, Barclays Bank PLC Raised To 'A/A-1', Oct. 17, 2017

Ratings Detail (As Of June 27, 2019)*

Barclays Bank PLC

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Certificate Of Deposit	
<i>Foreign Currency</i>	A/A-1/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Junior Subordinated	BB
Junior Subordinated	BB+

Ratings Detail (As Of June 27, 2019)*(cont.)	
Junior Subordinated	BBB-
Preference Stock	BB
Resolution Counterparty Liability	A+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BB+
Subordinated	BBB-
Issuer Credit Ratings History	
15-Nov-2017	A/Stable/A-1
17-Oct-2017	A/Negative/A-1
07-Jul-2016	A-/Negative/A-2
09-Jun-2015	A-/Stable/A-2
03-Feb-2015	A/Watch Neg/A-1
Sovereign Rating	
United Kingdom	AA/Negative/A-1+
Related Entities	
Barclays Bank Ireland PLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Barclays Bank Ireland PLC (Milan Branch)	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Barclays Bank Ireland PLC, Sucursal en Espana (Madrid Branch)	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Barclays Bank Mexico S.A.	
Issuer Credit Rating	
<i>CaVal (Mexico) National Scale</i>	mxAAA/Stable/mxA-1+
Barclays Bank PLC (Cayman Branch)	
Commercial Paper	A-1
Barclays Bank PLC (Hong Kong Branch)	
Commercial Paper	A-1
Barclays Bank PLC (New York Branch)	
Commercial Paper	A-1
Senior Unsecured	A
Barclays Bank PLC (Singapore Branch)	
Commercial Paper	A-1
Barclays Bank PLC (Tokyo Branch)	
Commercial Paper	A-1
Barclays Bank UK PLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1

Ratings Detail (As Of June 27, 2019)*(cont.)

Commercial Paper	
<i>Local Currency</i>	A-1
Senior Secured	AA-
Senior Secured	AAA/Stable
Senior Unsecured	A
Short-Term Debt	A-1
Barclays Capital Inc.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A/--/A-1
Barclays Capital Luxembourg	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Barclays Capital Trading Luxembourg	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Barclays PLC	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	A-1
Junior Subordinated	B+
Senior Unsecured	BBB
Subordinated	BB+
Barclays Services Ltd.	
Issuer Credit Rating	A/Stable/A-1
BARCLAYS US CCP FUNDING LLC	
Commercial Paper	
<i>Foreign Currency</i>	A-1
Barclays US Funding LLC	
Senior Unsecured	A
Short-Term Debt	A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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