

## Barclays Bank UK PLC

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# Barclays Bank UK PLC

## Major Rating Factors

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

<b>Strengths:</b>	<b>Weaknesses:</b>
<ul style="list-style-type: none"><li>• Core subsidiary of the Barclays group.</li><li>• Solid market position in U.K. retail banking and business banking.</li><li>• Relatively strong mortgage book profile supports overall asset quality.</li></ul>	<ul style="list-style-type: none"><li>• Scope to improve operating efficiency relative to some U.K. peers.</li><li>• Material exposure to the leveraged U.K. household sector and risk of weaker economic conditions as the U.K. exits the EU.</li></ul>

<b>Outlook</b>
<p>S&amp;P Global Ratings' stable outlook on Barclays Bank UK PLC (BBUK) 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 time horizon.</p> <p><b>Upside scenario</b></p> <p>Given that we already uplift the ratings on BBUK by 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 BBUK 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><b>Downside scenario</b></p> <p>We could consider lowering the ratings on BBUK 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 BBUK is a core subsidiary of Barclays. We think that BBUK is an integral part of Barclays' business profile, is an important and consistent contributor to group earnings, and is fundamentally linked to Barclays' brand and reputation. Given that we assess BBUK 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 BBUK (and other core subsidiaries) as required. For these reasons, we do not assign a stand-alone credit profile to BBUK.

BBUK is the U.K. ring-fenced bank of Barclays. Following court approval of the ring-fencing transfer scheme in March 2018, certain U.K. banking business was transferred to BBUK from Barclays Bank PLC (the non-ring-fenced bank) on April 1, 2018. BBUK is a substantial business in its own right with reported total assets of £251 billion as of Dec. 31, 2018. Its reported total equity at that date was £17 billion, or just over one-quarter of the group. Its main peers are the other U.K. ring-fenced banks--Lloyds Bank PLC, National Westminster Bank PLC, HSBC UK Bank PLC, and Santander UK PLC--as well as Nationwide Building Society.

BBUK's business activities are well spread across U.K. retail, consumer credit cards, wealth, and business banking, and BBUK's market share is typically strong. We assume that BBUK's business diversity and market position will remain resilient and understand that strategy is not overly aggressive. The management team is longstanding, and the earnings track record of Barclays' U.K. division, which broadly mirrors that of BBUK, is consistent and predictable. That said, performance is inevitably linked to the health of the U.K. consumer, which is relatively leveraged, and we assume that the current benign level of credit impairment charges will not persist. Furthermore, we consider that there is scope to improve efficiency; the Barclays U.K. division reported a cost-income ratio of 56%, excluding litigation and conduct, in 2018.

Gross customer loans were a reported £191 billion at Dec. 31, 2018, and the loan book profile broadly mirrors that of peers. Residential mortgages were a reported 72% of gross loans, corporate loans 15%, and the balance (13%) is consumer credit. Reported International Financial Reporting Standards (IFRS) 9 Stage 3 loans were 2.3% of total gross loans, with reserve coverage of 29%, which is broadly in line with peers. Reported Stage 2 loans were 15.4% of total gross loans, with coverage of 5%. We believe that the profile of the mortgage book compares well with peers; for example, the reported average loan-to-value of stock is a comfortable 49%. Total loan book growth is not aggressive, relative to several smaller U.K. banks, and Barclays has stated that new lending is weighted toward secured rather than unsecured lending.

We consider that BBUK's funding and liquidity profiles are solid and compare well with peers. For example, reported customer deposits were £197 billion at Dec. 31, 2018, short-term wholesale funding usage is very limited, and the regulatory liquidity coverage ratio was 164%. Our stable funding ratio of 111% and our ratio of broad liquid assets to short-term wholesale funding (2.8x) supports this view. BBUK also stated that its regulatory common equity Tier 1 ratio was 14.2% and its Capital Requirements Regulation (CRR) leverage ratio was 4.9% at Dec. 31, 2018. We assume there will be little material change in BBUK's balance sheet profile while the management maintains its relatively cautious strategy and risk appetite.

## 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
- Barclays Bank UK PLC Assigned 'A/A-1' Ratings; Outlook Stable, March 13, 2018

### Ratings Detail (As Of June 27, 2019)\*

#### Barclays Bank UK PLC

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Senior Secured	AA-
Senior Secured	AAA/Stable
Senior Unsecured	A
Short-Term Debt	A-1

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

**Issuer Credit Ratings History**

13-Mar-2018 A/Stable/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

*CaVal (Mexico) National Scale* mxAAA/Stable/mxA-1+**Barclays Bank PLC**

Issuer Credit Rating A/Stable/A-1

Resolution Counterparty Rating A+/-/A-1

Certificate Of Deposit

*Foreign Currency* A/A-1/A-1

Commercial Paper

*Local Currency* A-1

Junior Subordinated BB

Junior Subordinated BB+

Junior Subordinated BBB-

Preference Stock BB

Resolution Counterparty Liability A+

Senior Unsecured A

Short-Term Debt A-1

Subordinated BB+

Subordinated BBB-

**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

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

**Barclays Bank PLC (Tokyo Branch)**

Commercial Paper 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

*Foreign Currency* 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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