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Barclays Bank Ireland PLC

Primary Credit Analyst:

Anastasia Turdyeva, Dublin + (353)1 568 0622; anastasia.turdyeva@spglobal.com

Secondary Contact:

Richard Barnes, London + 44 20 7176 7227; richard.barnes@spglobal.com

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Barclays Bank Ireland PLC

Major Rating Factors

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

Strengths:	Weaknesses:
<ul style="list-style-type: none">• Core subsidiary of the Barclays group.• Key subsidiary to serve Barclays' EU clients following the end of the U.K.'s post-Brexit transition period.	<ul style="list-style-type: none">• Business activity is weighted toward more volatile and complex capital markets activity.• Elevated credit loss charges as a result of the COVID-19 pandemic.

Outlook

S&P Global Ratings' negative outlook on Barclays Bank Ireland PLC (BBI) mirrors that on its ultimate parent, Barclays PLC (Barclays), reflecting potential downside risks to asset quality and earnings from the ongoing impact of the COVID-19 pandemic. Although we view positively Barclays' significant revenue diversity, robust balance sheet profile, and the unprecedented fiscal and monetary response, a prolonged economic downturn could maintain elevated impairment losses and weaken revenues over our two-year outlook horizon.

We expect that BBI will remain a core subsidiary of Barclays and, therefore, any rating action on Barclays would result in a similar rating action on BBI.

Downside scenario

We could consider lowering the ratings on BBI if we were to lower our ratings on Barclays. This could happen if, in our view, an extended unfavorable operating environment is likely to substantially weaken Barclays' asset quality, profitability, and capitalization. The likely trigger for us to consider a downgrade is a lowering of our Banking Industry Country Risk Assessments (BICRAs) for the U.K. or U.S., which are Barclays' principal markets. In that scenario, we would consider the extent to which Barclays' intrinsic strengths may mitigate the adverse economic conditions in comparison with domestic and international peers.

We could also lower the ratings of BBI if our view of its importance to the group weakens, which we consider an unlikely scenario.

Upside scenario

We could revise the outlook to stable if we take a similar action on BBI's parent. This could happen if Barclays' earnings and balance sheet demonstrate resilience relative to similarly rated peers.

Rationale

We believe that BBI is instrumental in allowing Barclays to continue to serve European Economic Area (EEA) clients when the U.K.'s post-Brexit transition period expires at year-end 2020. Given that we assess BBI as core to Barclays, we rate the bank using a top-down approach by emphasizing its role within the group and do not assign a stand-alone credit profile to BBI. We position our long-term issuer credit rating on BBI in line with the 'a' group credit profile on Barclays, which includes ALAC uplift. BBI will be subject to stand-alone TLAC (total loss-absorbing capacity) and minimum requirement for own funds and eligible liabilities (MREL) requirements from Jan. 1, 2021 and Jan. 1, 2022 respectively, which it will satisfy through instruments downstreamed from the parent.

BBI obtained a licence in Ireland in 2005 and first was a niche player focusing primarily on multinational corporations and internationally active domestic corporates. BBI's importance to the group has risen significantly following the U.K.'s decision to leave the EU and receipt of extended licences from the Central Bank of Ireland in October 2018.

A subsidiary of Barclays Bank PLC (BBPLC; the non-ring-fenced bank of Barclays and core subsidiary), BBI's activities therefore tend to mirror BBPLC's. These activities mainly comprise corporate and investment banking as well as consumer cards and payments, which is dominated by the Barclaycard business in Germany and private banking activity that is planned to further expand in 2021 in France, Italy, Spain, and Germany.

Indicative of BBI's ongoing expansion due to Brexit, total assets continued to grow over the first half of 2020 and reached €92.5 billion, up €23.5 billion from year-end 2019. More than half of this growth was driven by derivative financial instruments and derivative collateral. It also reflected business volume migration from other Barclays entities and the decrease in interest rate curves. We understand that the onboarding of EU clients is largely completed and expect balance sheet changes beyond 2020 to be driven primarily by clients' back book migration activity, the build up of the front book, and market conditions.

We see BBI's business profile as prone to earnings volatility in line with economic and market conditions. In the first half of 2020, revenues were up 27% year-on-year. The growth was shown both in the CIB and CC&P segments and was driven by ongoing business migration from other Barclays Group entities in both segments. However, due to the significant increase in credit impairment charges owing to the impact of COVID-19 on the macroeconomic environment, BBI incurred pretax losses of €104 million versus €25 million pretax profit at mid-2019.

BBI's recognition of expected losses on its loan portfolio and stage reclassification of credit exposures was proactive and aligned with that of the group. We think that impairment charges will likely moderate when economic activity rebounds, but a deeper recession or delayed recovery could prompt further material provisioning. As of mid-2020, BBI had about €15 billion gross loans at amortized cost, out of which 4.4% were classified as stage 3 and 29% as stage 2. The latter ratio is high relative to peers, but consistent with the group's approach, reflecting a comparatively low threshold for determining a significant increase in credit risk. As a result, 91% of stage 2 exposures at June 30, 2020, were not past due. We expect stage 3 and past-due stage 2 balances will increase as borrowers' cash flows remain under pressure and governments begin to taper fiscal measures.

We note that customer deposits, consisting of corporate, private banking and retail deposits, are not the major source of funding, but show strong behavioural liquidity characteristics, contributing to a stable funding base. The funding requirement is largely met with wholesale and parental funding. Overall, we consider that BBI's funding and liquidity profile are satisfactory. The liquidity coverage ratio increased to 210% driven by customer and money market deposit growth that was mainly placed with central banks. We consider the bank's capitalization to be broadly in line with group metrics with a common equity Tier 1 of 13.3% as of mid-2020.

Related Criteria

- Group Rating Methodology, July 1, 2019
- Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- Guarantee Criteria, Oct. 21, 2016
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Commercial Paper I: Banks, March 23, 2004

Related Research

- Barclays PLC, Dec. 7, 2020
- Barclays Bank PLC, Oct. 6, 2020
- Credit Conditions Europe: Ill-Prepared For Winter, Sept. 29, 2020
- How COVID-19 Is Affecting Bank Ratings: October 2020 Update, Oct. 22, 2020
- Barclays Outlook Revised To Negative On Economic Impact Of COVID-19; Ratings Affirmed, April 23, 2020
- Outlooks Revised On Six U.K. Banks On Deepening COVID-19 Downside Risks, April 23, 2020

Ratings Detail (As Of December 7, 2020)*

Barclays Bank Ireland PLC

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1
Senior Unsecured	A

Issuer Credit Ratings History

23-Apr-2020	A/Negative/A-1
15-Nov-2017	A/Stable/A-1
17-Oct-2017	A/Negative/A-1
07-Jul-2016	A-/Negative/A-2

Sovereign Rating

Ireland	AA-/Stable/A-1+
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Related Entities

Barclays Bank Ireland PLC (Milan Branch)

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1

Barclays Bank Ireland PLC, Sucursal en Espana (Madrid Branch)

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1

Ratings Detail (As Of December 7, 2020)*(cont.)

Barclays Bank Mexico S.A.

Issuer Credit Rating

CaVal (Mexico) National Scale

mxAAA/Negative/mxA-1+

Barclays Bank PLC

Issuer Credit Rating

A/Negative/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

Senior Unsecured

A+

Short-Term Debt

A-1

Subordinated

BB+

Subordinated

BBB-

Barclays Bank PLC (Cayman Branch)

Commercial Paper

A-1

Barclays Bank PLC (New York Branch)

Commercial Paper

A-1

Barclays Bank UK PLC

Issuer Credit Rating

A/Negative/A-1

Resolution Counterparty Rating

A+/--/A-1

Commercial Paper

A-1

Senior Secured

AAA/Stable

Senior Unsecured

A

Short-Term Debt

A-1

Barclays Capital Inc.

Issuer Credit Rating

A/Negative/A-1

Resolution Counterparty Rating

A/--/A-1

Barclays Capital Luxembourg

Issuer Credit Rating

A/Negative/A-1

Resolution Counterparty Rating

A+/--/A-1

Barclays Capital Trading Luxembourg

Issuer Credit Rating

A/Negative/A-1

Resolution Counterparty Rating

A+/--/A-1

Barclays Execution Services Ltd.

Issuer Credit Rating

A/Negative/A-1

Barclays PLC

Issuer Credit Rating

BBB/Negative/A-2

Ratings Detail (As Of December 7, 2020)*(cont.)

Commercial Paper	A-2
Junior Subordinated	B+
Senior Unsecured	BBB
Subordinated	BB+

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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