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Barclays Bank PLC

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Credit Highlights

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Issuer Credit Rating

A/Positive/A-1

Resolution Counterparty Rating

A+/-/A-1

Overview

Key strengths	Key risks
Core subsidiary of the Barclays group.	Adverse impact on asset quality and consumer revenue from the pandemic.
Leading market positions in international wholesale and consumer businesses.	Focus on businesses prone to earnings volatility.
Strong investment bank performance through the COVID-19 pandemic.	Inherent risks and opacity in investment bank activities.

S&P Global Ratings assesses Barclays Bank (BB) as a core subsidiary of parent Barclays PLC (Barclays). BB has an integral role in the parent's strategy, material contribution to the group's capital base and financial performance, and strong link to the group's brand and reputation. We therefore align our long-term issuer credit rating on BB with the 'a' group credit profile, which includes a two-notch uplift for additional loss-absorbing capacity (ALAC), and we do not assess BB's stand-alone credit profile.

BB is Barclays' non-ring-fenced bank and largest operating entity. The U.K. ring-fencing regime is intended to protect critical banking functions. Therefore, group support for the non-ring-fenced bank, at the margin, may be lower than for the ring-fenced bank. However, we do not see a material distinction and BB's scale means it is critical to Barclays' overall success. On a consolidated basis, BB accounted for 72% of the group's total income in 2020, and 80% of total equity.

BB houses Barclays' investment bank. BB's business profile is dominated by its corporate and investment bank (CIB) division, which is a leading global competitor serving a broad range of products and clients. Consumer, cards, and payments (CC&P), the bank's other division, includes U.S. and German credit card portfolios, U.K.-focused payments business, and private banking. We see this business profile as prone to earnings volatility in stressed economic and market conditions, although BB's 2020 results showed inverse correlation between the performance of CIB and CC&P.

BB has performed resiliently through the pandemic. CIB leveraged favorable market conditions to deliver strong trading and origination revenue, which mitigated elevated impairment charges, lower credit card balances, and margin compression in CC&P. As a result, BB's 2020 pretax earnings were only 1% lower than the prior year. We expect earnings growth in 2021 due to significantly lower impairment charges as economies recover from the pandemic.

Like U.K. peers, BB reports relatively high stage 2 balances. BB's stage 2 loans represented 16% of the total portfolio at year-end 2020. This partly reflects a comparatively low threshold for determining a significant increase in credit risk, and the vast majority of stage 2 balances are fully performing. We expect stage 3 and past-due stage 2 balances will increase moderately as governments taper fiscal support, and we think BB's provisions appropriately anticipate this scenario. We think BB has been proactive in recognizing expected credit losses, which should enable provision releases this year as economies recover from the pandemic.

BB faces material market and operational risks. CIB's trading activities engage heavily in derivatives and other traded products, resulting in material market, counterparty, and operational risks. Conduct and litigation charges have been a burden on BB's historic earnings, but we think the major cases are now resolved.

BB reports solid capital, funding, and liquidity metrics. Although BB lacks a high level of stable funding sources, such as insured retail deposits, we nevertheless consider that its funding and liquidity profiles are satisfactory. The liquidity coverage ratio for its domestic liquidity subgroup was 145% at year-end 2020, with strong deposit inflows during the pandemic largely invested in liquid assets. The solo-consolidated common equity Tier 1 ratio stood at 14.2%.

Barclays has downstreamed material loss-absorbing debt to BB. We think this buffer benefits BB's senior creditors and therefore include ALAC uplift in the ratings.

Outlook

The positive outlook on BB mirrors that on Barclays (BBB/Positive/A-2). It reflects our view that Barclays is delivering a stronger, more consistent business profile and financial performance. In particular, we think its stable strategy and management team are more effectively realizing the potential of its diversified business model. Barclays has performed resiliently through the pandemic, and we expect stronger earnings in 2021-2023 as global economies recover.

Our ratings on BB will move in tandem with those on Barclays as long as we continue to view BB as a core subsidiary of the group.

Upside scenario

We could raise the long-term issuer credit ratings on Barclays and BB during our two-year outlook horizon if Barclays demonstrates a sustained competitive advantage in line with higher-rated global peers, continued stability in management and strategy, and healthy earnings contributions across all divisions. Achieving these attributes could improve our business position assessment and group stand-alone credit profile.

If we revised upward the group SACP by one notch and raised the long-term issuer credit rating on Barclays, we would raise by one notch our ratings on all the senior unsecured and subordinated debt issued by Barclays, BB, and related entities.

Downside scenario

We could revise the outlook on Barclays and BB to stable if the economic recovery or Barclays' strategy implementation falter and we see weaker prospects for its risk profile, earnings, and capitalization.

We could lower the ratings on BB independently of a rating action on Barclays if we saw BB becoming less integral to the parent, which is not a likely scenario.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- 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
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- 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: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Barclays PLC, July 9, 2021
- Barclays Bank UK PLC, July 9, 2021
- Barclays PLC Outlook Revised To Positive On Improving Business Stability And Earnings Prospects; Ratings Affirmed, June 24, 2021
- Various Rating Actions Taken On U.K. Banks On Recovering Economy, June 24, 2021
- Economic Research: Early Momentum Boosts The U.K. Recovery, June 24, 2021
- United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable, April 23, 2021
- U.K. Bank Credit Losses Could Fall 40% In 2021, March 29, 2021
- Banking Industry Country Risk Assessment: United Kingdom, Nov. 17, 2020

Ratings Detail (As Of July 9, 2021)*

Barclays Bank PLC

Issuer Credit Rating

A/Positive/A-1

Ratings Detail (As Of July 9, 2021)*(cont.)	
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+
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	
24-Jun-2021	A/Positive/A-1
26-Feb-2021	A/Stable/A-1
23-Apr-2020	A/Negative/A-1
15-Nov-2017	A/Stable/A-1
17-Oct-2017	A/Negative/A-1
Sovereign Rating	
United Kingdom	AA/Stable/A-1+
Related Entities	
Barclays Bank Ireland PLC	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Senior Unsecured	A
Barclays Bank Ireland PLC (Milan Branch)	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Barclays Bank Ireland PLC, Sucursal en Espana (Madrid Branch)	
Issuer Credit Rating	A/Positive/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 (New York Branch)	
Commercial Paper	A-1
Barclays Bank UK PLC	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1

Ratings Detail (As Of July 9, 2021)*(cont.)

Commercial Paper	A-1
Senior Secured	AAA/Stable
Senior Unsecured	A
Short-Term Debt	A-1
Barclays Capital Inc.	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A/--/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Barclays Capital Luxembourg	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Barclays Capital Trading Luxembourg	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Barclays Execution Services Ltd.	
Issuer Credit Rating	A/Positive/A-1
Barclays PLC	
Issuer Credit Rating	BBB/Positive/A-2
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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