

RatingsDirect®

Barclays Bank UK PLC

Primary Credit Analyst:

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

Secondary Contacts:

Nigel J Greenwood, London + 442071761066; nigel.greenwood@spglobal.com

John Wright, London (44) 20-7176-0520; john.wright@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Related Criteria

Related Research

Barclays Bank UK PLC

Credit Highlights

Global Scale Ratings

Issuer Credit Rating

A/Positive/A-1

Resolution Counterparty Rating

A+/-/A-1

Key strengths

Core subsidiary of the Barclays group.

Solid market position across U.K. retail and business banking.

Defensively positioned residential mortgage portfolio supports overall asset quality.

Key risks

Adverse impact on asset quality and earnings from the COVID-19 pandemic.

Margin pressure from subdued consumer credit balances and low interest rates.

Concentrated exposure to the U.K., including a large consumer credit portfolio.

S&P Global Ratings assesses Barclays Bank UK (BUK) as a core subsidiary of parent Barclays PLC (Barclays). BUK 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 align our long-term issuer credit rating on BUK with the 'a' group credit profile, which includes a two-notch uplift for additional loss-absorbing capacity (ALAC), and we do not assess BUK's stand-alone credit profile.

BUK is Barclays' domestic ring-fenced bank. It operates in retail and business banking across the U.K. and is one of the traditional "big four" players alongside HSBC UK Bank plc, Lloyds Bank plc, and National Westminster Bank Plc. On a consolidated basis, BUK contributed 30% of Barclays' total income in 2020 and 25% of total equity.

The COVID-19 pandemic significantly affected BUK's performance, but we expect a rebound in 2021 earnings. BUK's pretax earnings for 2020 fell by 45% to £367 million as the pandemic triggered higher impairment charges, particularly in the first half of the year. We expect earnings to rebound in 2021 due to significantly lower impairment charges amid the U.K. economic rebound. We expect a slower recovery in revenue, which has been squeezed by lower consumer credit balances and deposit margin compression.

BUK has a diversified loan portfolio. Residential mortgages represented 69% of BUK's gross loans at year-end 2020, and we see this portfolio as defensively positioned relative to peers'. Consumer credit (8% of gross loans) and corporate lending (23%) are the main determinants of impairment charges. We think BUK has been proactive in recognizing expected credit losses, which should enable provision releases this year as the U.K. economy recovers from the pandemic.

Like U.K. peers, BUK reports relatively high stage 2 balances. Stage 2 loans represented 13% 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 the U.K. government tapers fiscal support, and we think BUK's provisions appropriately anticipate this scenario.

BUK reports solid capital, funding, and liquidity metrics. The loan-to-deposit ratio improved to 88% at year-end 2020 due to strong deposit growth during the pandemic. The liquidity coverage ratio was 160% and the 15.6% common equity Tier 1 ratio stood comfortably above the regulatory requirement.

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

Outlook

The positive outlook on BUK 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 BUK will move in tandem with those on Barclays as long as we continue to view BUK as a core subsidiary of the group.

Upside scenario

We could raise the long-term issuer credit ratings on Barclays and BUK 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, BUK, and related entities.

Downside scenario

We could revise the outlook on Barclays and BUK 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 BUK independently of a rating action on Barclays if we saw BUK 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 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 UK PLC

Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/-/A-1
Commercial Paper	A-1
Senior Secured	AAA/Stable
Senior Unsecured	A
Short-Term Debt	A-1

Issuer Credit Ratings History

24-Jun-2021	A/Positive/A-1
-------------	----------------

Ratings Detail (As Of July 9, 2021)*(cont.)	
26-Feb-2021	A/Stable/A-1
23-Apr-2020	A/Negative/A-1
13-Mar-2018	A/Stable/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	
Issuer Credit Rating	A/Positive/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+
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 (New York Branch)	
Commercial Paper	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

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

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.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.