

Rating Action: Moody's upgrades Barclays PLC's senior unsecured debt rating to Baa1 from Baa2; outlook stable

10 Mar 2023

London, March 10, 2023 -- Moody's Investors Service (Moody's) has today upgraded Barclays PLC's (Barclays) senior unsecured and subordinate debt ratings to Baa1 from Baa2, and the group's notional Baseline Credit Assessment (BCA) to baa1 from baa2. The outlook on Barclays' senior unsecured debt rating was changed to stable from ratings under review.

Moody's also affirmed the A1 long-term deposit and senior unsecured debt ratings of Barclays Bank PLC (Barclays Bank) and changed the outlook on these ratings to stable from negative; finally, the rating agency affirmed the A1 long-term deposit ratings of Barclays Bank UK PLC (Barclays Bank UK), and maintained a stable outlook on these ratings.

This rating action concludes the review on Barclays and Barclays Bank initiated on 12 December 2022 ("Moody's reviews for upgrade Barclays PLC's Baa2 senior unsecured debt rating"; <https://ratings.moody.com/ratings-news/396596>).

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

-- BARCLAYS PLC

Moody's said that the upgrade of Barclays' senior unsecured and subordinate debt ratings to Baa1 from Baa2 reflects the upgrade of the group's notional BCA to baa1 from baa2.

The upgrade of Barclays' notional BCA reflects Moody's expectation that the group's earnings will be higher, more diversified and more sustainable than before, while asset risk will remain broadly stable and capital and liquidity will remain strong. Even so, Moody's said Barclays' profitability will likely remain weaker and more volatile than most of its global investment bank peers that have baa1 BCAs, because these peers have greater scale and wallet-share across many capital markets products; and in case of deteriorating market conditions or material idiosyncratic charges, Barclays' profitability would tend to be affected more significantly.

Barclays' revenue from its retail and commercial banking activities will continue to benefit from a higher interest rate environment in the UK, US and EU. Macroeconomic growth, albeit modest, will also support revenue growth in particular in the credit card, payments and transaction businesses. Revenue from capital markets and investment banking will instead reduce from the exceptional levels of the last couple of years, potentially offsetting some of the growth in the retail and commercial business; the drop in capital markets and investment banking revenue will be mitigated by Barclays' investments in the last few years, and in part by the group's repositioning into more stable income streams (for example, via a higher contribution of more stable financing revenue in the trading business).

Operating expenses will increase because of the high inflationary environment and due to Barclays' still large investments in technology, but will be partly offset by continuous cost-cutting. The cost of risk will increase from the current low base, but only modestly thanks to Barclays' prudent underwriting in recent years and high level of loan loss reserves. Moody's also said it does not expect the size and frequency of the various large restructuring, litigation and conduct charges that were incurred during the last 10 years to continue, further benefitting the group's profitability.

-- BARCLAYS BANK PLC

The affirmation of Barclays Bank's A1 long-term deposit and senior unsecured debt ratings reflects the upgrade of the bank's Adjusted BCA to baa1 from baa2 and the removal of a one-notch uplift from government support. Moody's said the government support uplift has been removed because of the closer proximity of the unsupported ratings to the UK's Aa3 sovereign rating.

The upgrade of Barclays Bank's Adjusted BCA was driven by the upgrade of the bank's BCA to baa2 from baa3 and by the upgrade of Barclays' notional BCA.

The upgrade of Barclays Bank's BCA reflects Moody's expectation that the bank's capital and liquidity will remain strong. Profitability will reduce from the exceptional levels of the last couple of years for capital markets and investment banking, but it will remain sound thanks to improving income from other businesses (for example, corporate banking and US credit cards) and lower litigation and conduct costs.

-- BARCLAYS BANK UK PLC

The affirmation of Barclays Bank UK's A1 long-term deposit ratings reflects the affirmation of the bank's a3 BCA, and unchanged very low loss-given-failure under Moody's Advanced Loss Given Failure (LGF) analysis, which results in a two-notch uplift.

The affirmation of Barclays Bank UK's BCA reflects the bank's strong capitalisation, stable deposit funding, strong liquidity, and good profitability.

OUTLOOK

The outlooks on Barclays' senior unsecured debt rating, Barclays Bank's long-term deposit and senior unsecured debt ratings, and Barclays Bank UK's long-term deposit ratings are stable.

The stable outlooks reflect Moody's expectation of a broad stability in the solvency and liquidity metrics, despite a weak macroeconomic environment.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

-- BARCLAYS PLC

Barclays' senior unsecured and subordinated debt ratings could be upgraded following an upgrade of the group's notional BCA. The group's notional BCA could be upgraded following a material improvement in macroeconomic conditions globally and in the UK, a further structural improvement in the level and stability of Barclays' net profits and higher capital, while maintaining ample liquidity and a prudent risk appetite and management of risk.

Barclays' senior unsecured and subordinated debt ratings could be downgraded following a downgrade of the group's notional BCA. The group's notional BCA could be downgraded following a sustained deterioration of profitability (driven for example by a reduction of revenues or the need to absorb material charges related to litigation, conduct or risk management failures), a reduction in capitalisation to levels below Barclays' medium-term guidance, or an increase in the group's risk appetite. Barclays' subordinated debt ratings could also be downgraded following a modest reduction in the stock of junior subordinated debt and Additional Tier 1 capital relative to the group's tangible banking assets, leaving subordinated debt subject to higher losses in a failure scenario. A material reduction in subordinated debt relative to tangible banking assets could lead to a downgrade of Barclays' senior unsecured debt ratings.

-- BARCLAYS BANK PLC

Barclays Bank's long-term deposit and senior unsecured debt ratings could be upgraded following an upgrade of Barclays Bank's Adjusted BCA. Additional issuance of bail-in-able debt to the group or to the market, or a larger stock of junior deposits would not result in further uplift to Barclays Bank's long-term deposit and senior unsecured debt ratings, because they already benefit from the maximum three-notch uplift that Moody's can assign under its Advanced LGF analysis. An upgrade of the UK's sovereign rating could also lead to an upgrade of Barclays Bank's long-term deposit and senior unsecured debt ratings; this is however unlikely given the current negative outlook on the UK's sovereign rating.

Barclays Bank's Adjusted BCA could be upgraded following an upgrade of the bank's BCA and an upgrade of Barclays' notional BCA. An upgrade of Barclays Bank's BCA would not result in an upgrade of the bank's Adjusted BCA absent an upgrade of Barclays' notional BCA. Barclays Bank's BCA could be upgraded if the bank materially improved its profitability, while maintaining strong capital and liquidity and without increasing its risk appetite.

Barclays Bank's long-term deposit and senior unsecured debt ratings could be downgraded following a downgrade of the bank's Adjusted BCA and a material reduction in the stock of deposits or bail-in-able debt.

Barclays Bank's Adjusted BCA could be downgraded following a material deterioration of profitability, a reduction in capitalisation, an increase in risk appetite, or a downgrade of Barclays' notional BCA.

-- BARCLAYS BANK UK PLC

Barclays Bank UK's long-term deposit ratings could be upgraded following an upgrade of the bank's BCA. Barclays Bank UK's BCA could be upgraded following a stabilisation or reduction in problem loans, while maintaining a low stock of credit card lending. An upgrade of the UK's sovereign rating could also lead to an upgrade of Barclays Bank UK's long-term deposit ratings via the introduction of a notch of government support; this is however unlikely given the current negative outlook on the UK's sovereign rating.

Barclays Bank UK's long-term deposit ratings could be downgraded following a downgrade of the bank's BCA, or failure to increase the stock of its bail-in-able liabilities in line with the bank's plans. Barclays Bank UK's BCA could be downgraded following a deterioration in the bank's asset quality, profitability, capitalisation or liquidity.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/api/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

LIST OF AFFECTED RATINGS

Issuer: Barclays PLC

..Upgrades:

-LT Issuer Rating (Local Currency) , Upgraded to Baa1 STA from Baa2 RUR
-ST Issuer Rating (Local Currency) , Upgraded to P-1 from P-2
-Baseline Credit Assessment , Upgraded to baa1 from baa2
-Adjusted Baseline Credit Assessment , Upgraded to baa1 from baa2
-Senior Unsecured Regular Bond/Debenture (Foreign Currency) , Upgraded to Baa1 STA from Baa2 RUR
-Senior Unsecured Regular Bond/Debenture (Local Currency) , Upgraded to Baa1 STA from Baa2 RUR
-Senior Unsecured Shelf (Foreign Currency) , Upgraded to (P)Baa1 from (P)Baa2
-Senior Unsecured Medium-Term Note Program (Foreign Currency) , Upgraded to (P)Baa1 from (P)Baa2
-Subordinate Regular Bond/Debenture (Foreign Currency) , Upgraded to Baa1 from Baa2
-Subordinate Regular Bond/Debenture (Local Currency) , Upgraded to Baa1 from Baa2
-Subordinate Medium-Term Note Program (Local Currency) , Upgraded to (P)Baa1 from (P)Baa2
-Pref. Stock Non-cumulative (Foreign Currency) , Upgraded to Ba1 (hyb) from Ba2 (hyb)
-Pref. Stock Non-cumulative (Local Currency) , Upgraded to Ba1 (hyb) from Ba2 (hyb)

..Outlook Actions:

-Outlook, Changed To Stable From Rating Under Review

..Affirmations:

-Commercial Paper (Foreign Currency) , Affirmed P-2
-Other Short Term(Foreign Currency) , Affirmed (P)P-2
-Other Short Term (Local Currency) , Affirmed (P)P-2

Issuer: Barclays Bank PLC

..Upgrades:

....Baseline Credit Assessment , Upgraded to baa2 from baa3

....Adjusted Baseline Credit Assessment , Upgraded to baa1 from baa2

....Subordinate Regular Bond/Debenture (Foreign Currency) , Upgraded to Baa1 from Baa2

....Subordinate Regular Bond/Debenture (Local Currency) , Upgraded to Baa1 from Baa2

....Junior Subordinated Regular Bond/Debenture (Foreign Currency) , Upgraded to Baa2 (hyb) from Baa3 (hyb)

....Junior Subordinated Regular Bond/Debenture (Local Currency) , Upgraded to Baa2 (hyb) from Baa3 (hyb)

....Pref. Stock Non-cumulative (Foreign Currency) , Upgraded to Ba1 (hyb) from Ba2 (hyb)

..Outlook Actions:

....Outlook, Changed To Stable From Negative

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

....LT Counterparty Risk Rating (Local Currency) , Affirmed A1

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

....LT Bank Deposits (Foreign Currency) , Affirmed A1, outlook changed to STA from NEG

....LT Bank Deposits (Local Currency) , Affirmed A1, outlook changed to STA from NEG

....ST Bank Deposits (Foreign Currency) , Affirmed P-1

....ST Bank Deposits (Local Currency) , Affirmed P-1

....LT Counterparty Risk Assessment , Affirmed A1(cr)

....ST Counterparty Risk Assessment , Affirmed P-1(cr)

....LT Issuer Rating , Affirmed A1, outlook changed to STA from NEG

....Senior Unsecured Regular Bond/Debenture (Foreign Currency) , Affirmed A1, outlook changed to STA from NEG

....Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed A1, outlook changed to STA from NEG

....Senior Unsecured Medium-Term Note Program (Foreign Currency) , Affirmed (P)A1

....Senior Unsecured Medium-Term Note Program , Affirmed (P)A1

....Commercial Paper (Foreign Currency) , Affirmed P-1

....Backed Commercial Paper (Foreign Currency) , Affirmed P-1

....Other Short Term (Foreign Currency) , Affirmed P-1

....Other Short Term (Foreign Currency) , Affirmed (P)P-1

Issuer: Barclays Bank PLC, Cayman Branch

Outlook: NOO

..Affirmations:

...Commercial Paper (Foreign Currency) , Affirmed P-1

Issuer: Barclays Bank PLC, New York Branch

Outlook: NOO

..Affirmations:

...Commercial Paper (Local Currency) , Affirmed P-1

Issuer: Barclays Bank UK PLC

..Outlook Actions:

...Outlook, Remains Stable

..Affirmations:

...LT Counterparty Risk Rating (Foreign Currency) , Affirmed Aa3

...LT Counterparty Risk Rating (Local Currency) , Affirmed Aa3

...ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

...ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

...LT Bank Deposits (Foreign Currency) , Affirmed A1 STA

...LT Bank Deposits (Local Currency) , Affirmed A1 STA

...ST Bank Deposits (Foreign Currency) , Affirmed P-1

...ST Bank Deposits (Local Currency) , Affirmed P-1

...LT Counterparty Risk Assessment , Affirmed Aa3(cr)

...ST Counterparty Risk Assessment , Affirmed P-1(cr)

...Baseline Credit Assessment , Affirmed a3

...Adjusted Baseline Credit Assessment , Affirmed a3

...Commercial Paper (Foreign Currency) , Affirmed P-1

...Commercial Paper (Local Currency) , Affirmed P-1

Issuer: Barclays US CCP Funding LLC

Outlook: NOO

..Affirmations:

...Commercial Paper (Local Currency) , Affirmed P-1

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