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Barclays PLC

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Barclays PLC

SACP: a- → Support: +2 → Additional factors: 0

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Strong	+1
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	0	

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+
Holding company ICR
BBB+/Stable/A-2

Issuer credit rating relates to core subsidiaries of the Barclays group, which include Barclays Bank UK PLC and Barclays Bank PLC. Holding company relates to Barclays PLC and we do not include ALAC uplift in the rating on the holding company. ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Issuer Credit Rating

BBB+/Stable/A-2

Overview

Key strengths	Key risks
A leader in U.K. banking and global wholesale markets.	Uneven international economic conditions continue to test marginal borrowers' cash flows and credit performance.
Diversified business model by business and geography.	Exposure to higher risk assets, including consumer credit and leveraged finance.
Robust capital, funding, and liquidity positions.	

Barclays' international diversification and cautious balance-sheet management support the rating. Barclays' strategic and geographical diversification has led the bank to generate solid earnings and maintain material excess capital. Its balance sheet has remained resilient to an uneven financial environment in its core markets. To this end, Barclays' lending book is in a strong position, its liquidity pool is dominated by central bank reserves, and its funding is granular and well diversified.

Barclays' updated strategy and the elevated rates environment are driving a solid earnings outlook. The bank's updated strategic ambitions target relatively selective but brisk growth across its divisions in the next three years--notably in its U.K. heartland. Barclays' aims to push group revenue toward £30 billion in 2026, from £25.4 billion in 2024, and inflate risk-weighted assets (RWAs) by around £50 billion over the period (£30 billion in the U.K. businesses and £20 billion in the U.S. consumer bank). Growth will be supported through to 2026 by what looks to be consistently elevated rates, which will drive material growth in returns on the bank's structural hedge. Strong tailwinds

related to these balance-sheet hedges and significant lending expansion are driving solid income growth for the group in our base case.

Alongside a consistent growth outlook, Barclays targets a modestly higher group cost base of approximately £17 billion by 2026 (2023 adjusted cost of £16 billion). This will be enabled by £2 billion of efficiencies the group plans to achieve under its strategic cost plan, which culminated in £927 million of cost-saving steps in the fourth quarter of 2023. In combination with a loan-loss rate of 45-60 basis points (bps) under our base case, we expect a return on tangible equity (RoTE) in excess of 11.0% by 2025. This is a solid return and gives Barclays good financial flexibility.

Complex capital markets businesses and a history of operational risk events weigh on our view of Barclays' risk position. Our view of Barclays' risk position reflects the high weighting of volatile and complex capital markets activities in its business model. That said, we believe that Barclays proactively manages idiosyncratic pockets of risk, including significant usage of risk transfer strategies to manage its credit risk exposures. Even so, and despite these supports, our view of Barclays' risk position is an important ratings constraint for the medium term.

Barclays maintains a cautious funding and liquidity position. Its liquidity coverage ratio is toward the upper end of the peer group of European global systemically important banks, and its net stable funding ratio is on similarly stable ground. This fundamentally cautious funding and liquidity stance supports the stability of our ratings on Barclays throughout the cycle.

Outlook

The stable outlook indicates that we expect Barclays' credit metrics to remain robust over our two-year horizon. We anticipate that its well-diversified business will generate solid, stable earnings, and that it will maintain its solid funding and liquidity profiles.

Downside scenario

We could lower the ratings if Barclays' performance weakens materially, whether as a consequence of significant financial risk events, or broader macroeconomic pressures that affect its asset quality and earnings. A sustained weakening in its funding and liquidity would also likely lead us to take a negative rating action.

Upside scenario

An upgrade is unlikely in the next 24 months. We could raise the ratings during our two-year outlook horizon if Barclays demonstrates a sustainable improvement in its already solid earnings and delivers exceptional asset quality and risk management, complemented by a risk-adjusted capital (RAC) ratio above 15% on a sustained basis. We view these scenarios as remote.

Key Metrics

Barclays PLC--Key ratios and forecasts					
	--Fiscal year ended Dec. 31 --				
(%)	2022a	2023a	2024f	2025f	2026f
Growth in operating revenue	12.4	1.6	1.8-2.1	5.2-6.3	3.4-4.2
Growth in customer loans	7.1	-2.8	2.7-3.3	2.1-2.5	2.2-2.6
Net interest income/average earning assets (NIM)	1.3	1.5	1.3-1.5	1.4-1.6	1.4-1.6
Cost to income ratio	59.8	65.2	62.3-65.5	60.7-63.8	60.5-63.6
Return on average common equity	9.0	7.6	7.6-8.4	8.6-9.5	8.8-9.7
New loan loss provisions/average customer loans	0.4	0.5	0.5-0.6	0.5-0.6	0.5-0.6
Gross nonperforming assets/customer loans	2.0	2.1	2.1-2.3	2.1-2.3	2.1-2.3
Risk-adjusted capital ratio	12.0	12.0	11.7-12.3	11.7-12.3	11.7-12.4

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: An Internationally Diversified Group

The 'bbb+' anchor reflects our Banking Industry Country Risk Assessment (BICRA) methodology and our view of the weighted-average economic risk in countries where Barclays operates. We weight each jurisdiction according to the geographic distribution of credit exposures, excluding governments and central banks, at year-end 2023. The split for our anchor calculation is 50% in the U.K., 20% in the U.S., and the remainder in continental Europe, and the rest of the world.

The UK economy remains subdued, characterized by slow to no growth and sticky inflation. Growth in 2023 crept in at 0.1%, and we anticipate only modest GDP expansion of 0.3% in 2024. As growth remains at a trickle, we expect that inflation will stay high amid a tight labor market and persistent, if cooling, wage inflation (see "U.K. Economic Outlook Q3 2024: A Cooling Labor Market Paves The Way For Rate Cuts," June 24, 2024). Even so, we forecast that the Bank of England (BoE) will begin cutting rates in the second half of 2024 as inflation risks ease. Low unemployment, a contained decline in house prices in 2022 and 2023, and robust corporate asset quality are creating additional breathing room for banks against the muted macroeconomic backdrop, and this underpins our stable economic risk trend.

The industry risk trend is also stable. The U.K. banking system benefits from a well-developed regulatory framework. As rates have risen, costs have remained under control, and impairments have been subdued in the last year--meaning that banks' earnings were strong in 2023. In 2024, elevated rates will support earnings, though we forecast that deposits will continue to migrate to interest-bearing products. We also expect costs to be stable even as investment continues at pace and service and wage inflation pressure operating costs. Impairments look set to normalize steadily through the year as monetary policy tightening hits marginal borrowers (see "Unsecured Consumer Lending Will Drive U.K. Banks' Credit Losses To £4.4 Billion," April 18, 2024). U.K. banks' funding and liquidity positions are also stable and rated banks have manageable wholesale funding needs for the remainder of 2024.

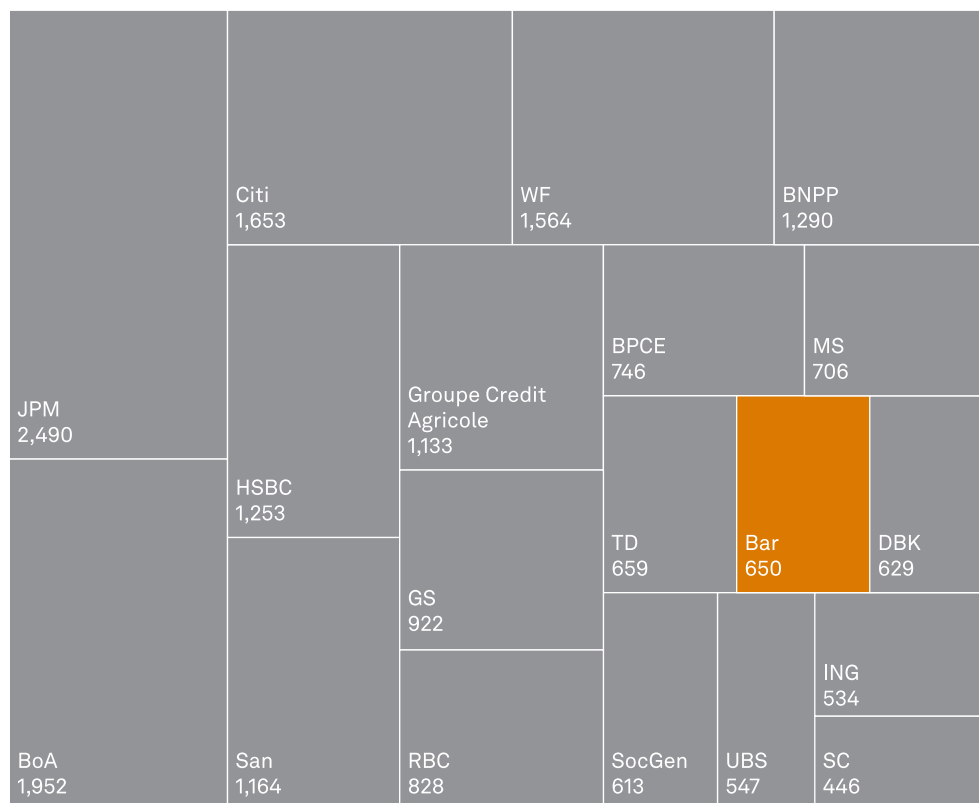
Business Position: Diversified Business Model Supports Resilient Performance

Barclays' diversified international banking franchise gives it resilience through economic and financial cycles. Our business position assessment reflects Barclays' leading market positions and diversified franchise (charts 1 and 2) and its solid track record of strategic execution and stable earnings.

Chart 1

Barclays is among the largest...

Size of Western European and American GSIBs by 2024 forecast S&P Global Ratings-adjusted risk weighted assets (\$)

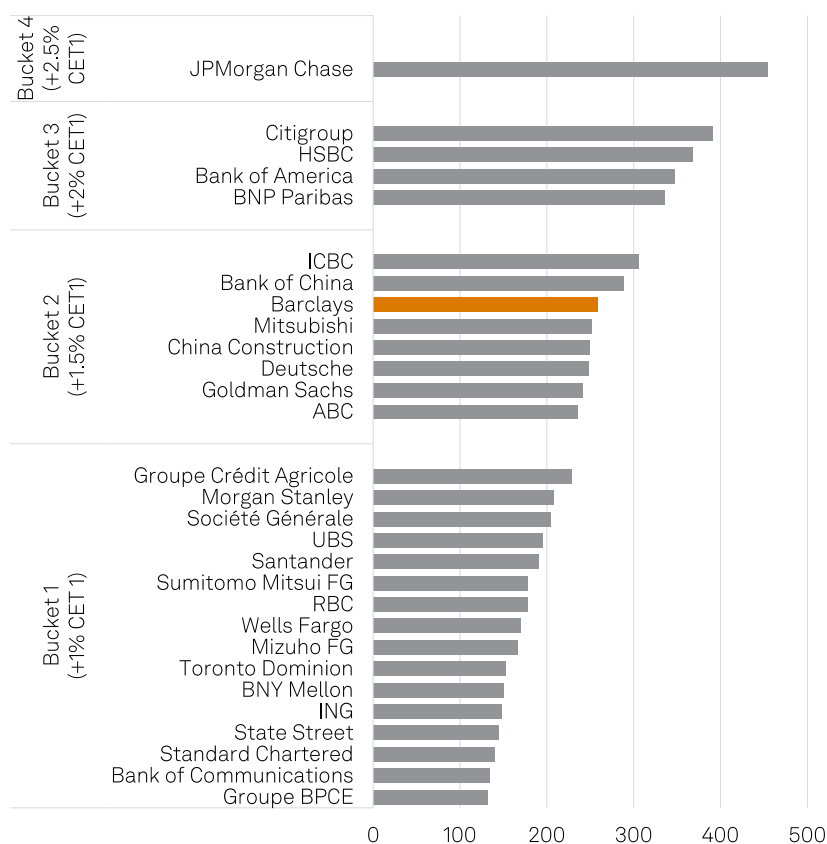


Source: S&P Global Ratings.
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Chart 2

...and most globally diversified banks in its peer group

Comparison of Western European and American GSIBs by 2023 GSIB score



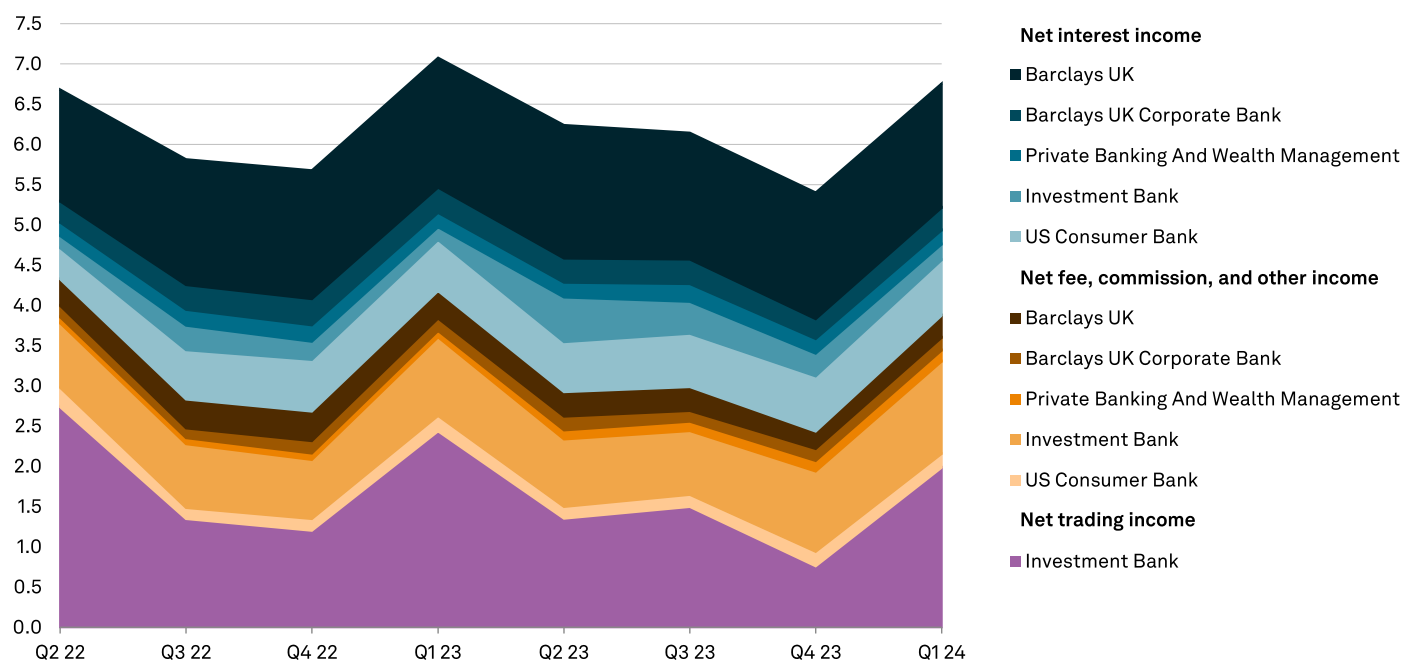
Sources: Office of Financial Research, S&P Global Ratings.
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Barclays' footprint reflects a consistent strategic focus. It follows a universal banking strategy split between five divisions: Barclays U.K. (consolidating the U.K. consumer and small business banking brands); Barclays U.K. Corporate Bank (servicing U.K. small and mid-cap companies); Investment Banking; Private Banking and Wealth Management; and the U.S. Consumer Bank. This model results in a diversified revenue base by business line, with good cyclical resilience by revenue type and geography (see chart 3).

Chart 3

Barclays' universal bank strategy results in a diversified and resilient revenue profile

Split of quarterly revenue by type and division (bil. £)



NII--Net interest income. Source: S&P Global Ratings.

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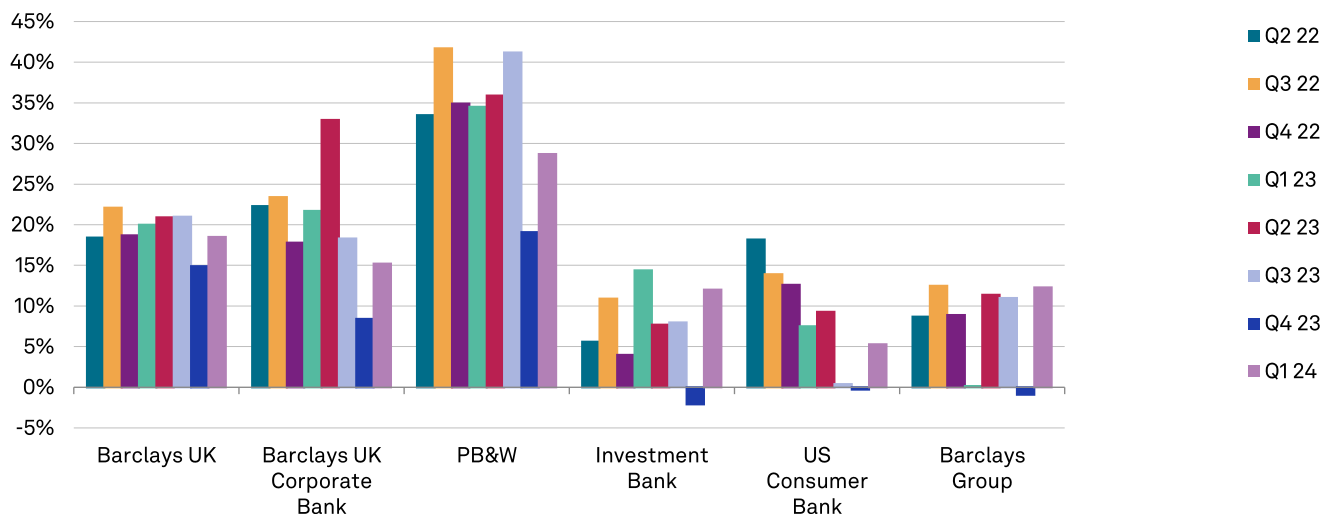
Barclays U.K. anchors the group's strategic position, and drives its updated strategic plan. As one of the U.K.'s large incumbent banks, it has market shares of 10%-15% in most products, and a historically strong share in credit cards and unsecured personal lending (chart 4). On the latter, Barclays' share dwindled during the pandemic. It reported £14.0 billion of gross receivables in its U.K. cards and personal loans book at year-end 2023, a significant reduction from the £22.6 billion pre-pandemic peak at year-end 2019. Restoring and growing this stock is central to the group's updated strategic plan and was kickstarted by Barclays Bank UK's acquisition of Tesco's banking balance sheet, which included £8.3 billion of gross unsecured loans. The acquisition, expected to close in the second half of 2024, provides a meaningful boost to Barclays' U.K. consumer franchise, in our view.

The other pillar of the group's growth agenda is Barclays U.K. Corporate Bank, which is focused on domestic small and mid-cap businesses. The bank's medium-term strategy focuses on material lending growth, above the broader market, and is centered on the existing client base. Indeed, the bank's loan-to-deposit ratio of 31% speaks to the relatively limited lending penetration in the division's corporate customers today. While this implies a material lending opportunity for the bank, we note that U.K. small cap leverage has been relatively contained in the past--so kickstarting this will require a broader strategic shift to stimulate lending demand and diversify Barclays' product offering.

Chart 4

Barclays' U.K. businesses are major profit centers for the group

Reported quarterly return on tangible equity by division (%)



Source: S&P Global Ratings.

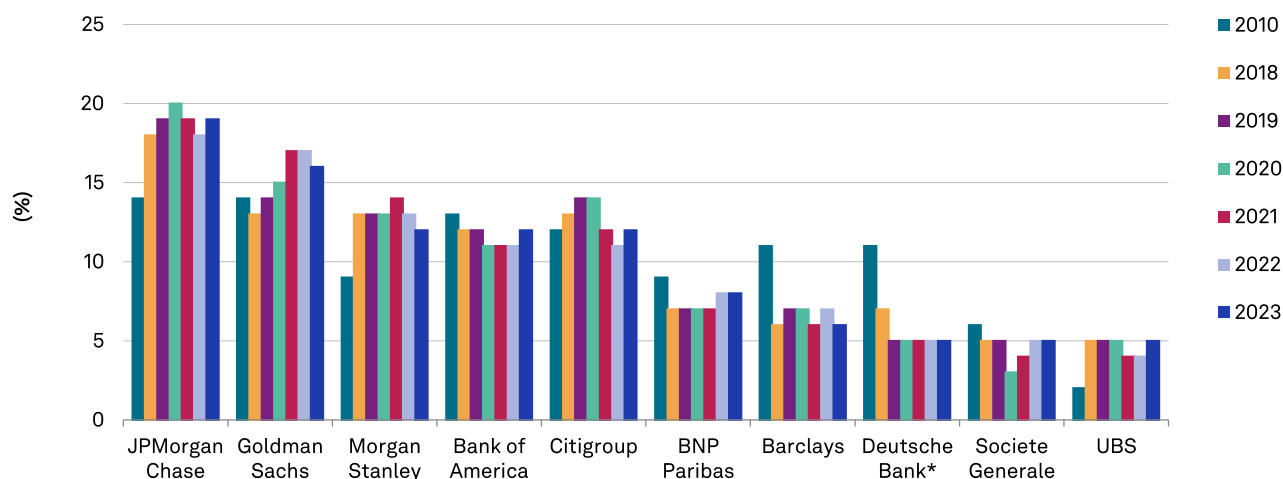
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Barclays' investment bank is well diversified. Although it ranks behind the five U.S. market leaders in terms of scale, Barclays has reported stable market share in the past three years, hovering around 6% in 2023, up from around 5% in 2017 (see chart 5).

Chart 5

Barclays' investment bank has held market share

Share of estimated capital market wallet (%)



We calculate market share by dividing each bank's capital markets revenue by the sum of the capital markets revenue of rated banks that are significant players in this area. *In 2019, Deutsche Bank exited the equities sales and trading business. Sources: Company disclosures and S&P Global Ratings.

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Under the group's revised strategy the investment bank is seeking high-single-digit growth through to 2026, while realizing only modest cost growth. Together, this points to a meaningfully stronger returns profile for the division by 2026, with an RoTE of around 12%--in line with the group target.

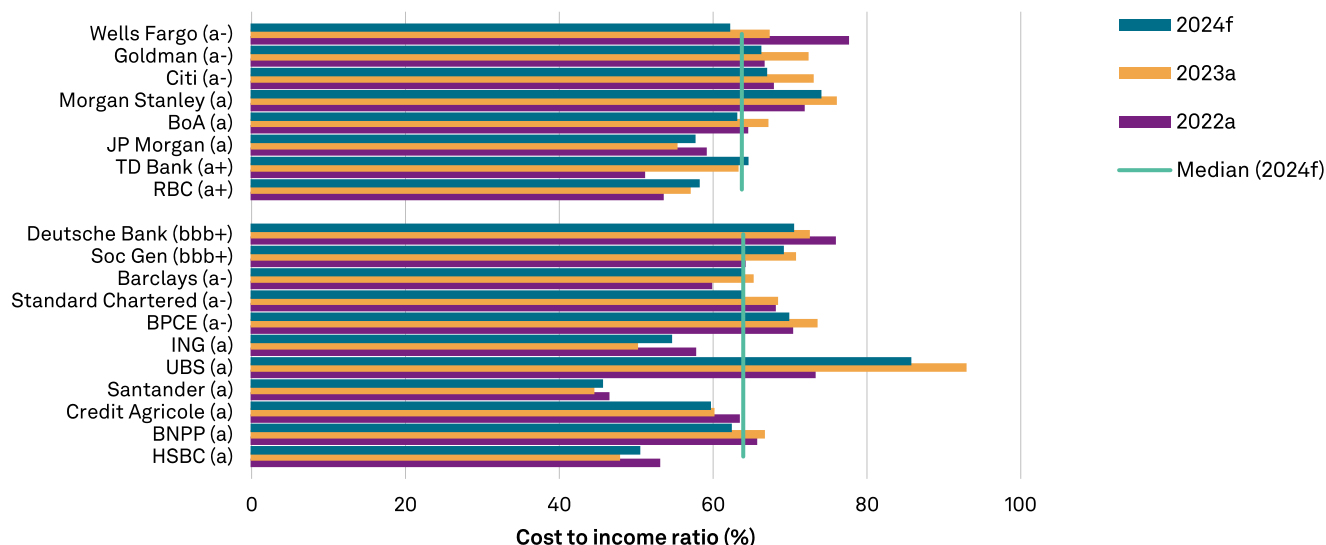
Barclays' franchise has translated into solid earnings, but it sits below the strongest rated names in its GSIB peer set.

We think that Barclays' consistent strategy and strong execution have allowed it to perform resiliently in uneven conditions. That said, the group's efficiency, looking through legacy regulatory charges, has been somewhat weaker than key global peers (chart 6). This in turn has led to a more contained level of return, below the strongest performing European peers, and materially below major U.S. benchmark names (chart 7). Even so, we believe that management's updated strategy acknowledges this and, if delivered successfully, should see Barclays' returns converge with international peers.

Chart 6

Barclays' efficiency has been relatively weaker than key peers'...

Cost to income ratio (%)

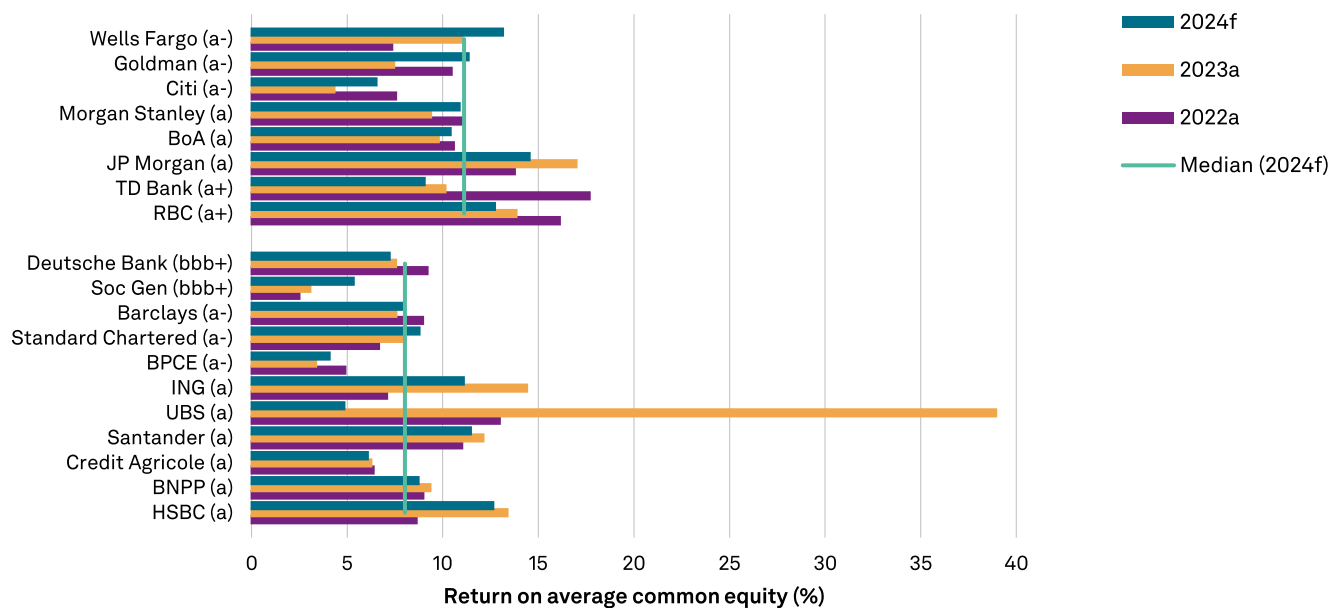


a--Actual. f--Forecast. Source: S&P Global Ratings.
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Chart 7

...in turn constraining its relative profitability

S&P Global Ratings-adjusted return on average common equity



a--Actual. f--Forecast. Source: S&P Global Ratings.
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Capital And Earnings: Robust Capitalization Despite Consistent Shareholder Distributions

Barclays' robust capital position supports the rating. The group's S&P Global Ratings-adjusted capital surplus and its resilient earnings leave our RAC ratio in a comfortable position over the next 36 months. The ratio was 12% at year-end 2023 and we project it will hover around the same level for our forecast period. This excess capital position is commensurate with a strong capital and earnings assessment and serves as a key rating support.

Additional tier 1 (AT1) capital is an important support to Barclays' capital position. AT1 instruments contributed 21.1% of our total adjusted capital ratio at year-end 2022, ahead of close U.K. and European peers. We consider Barclays' capital to be good quality, broadly speaking, but acknowledge that its somewhat greater reliance on hybrid capital is a point of differentiation from some peers.

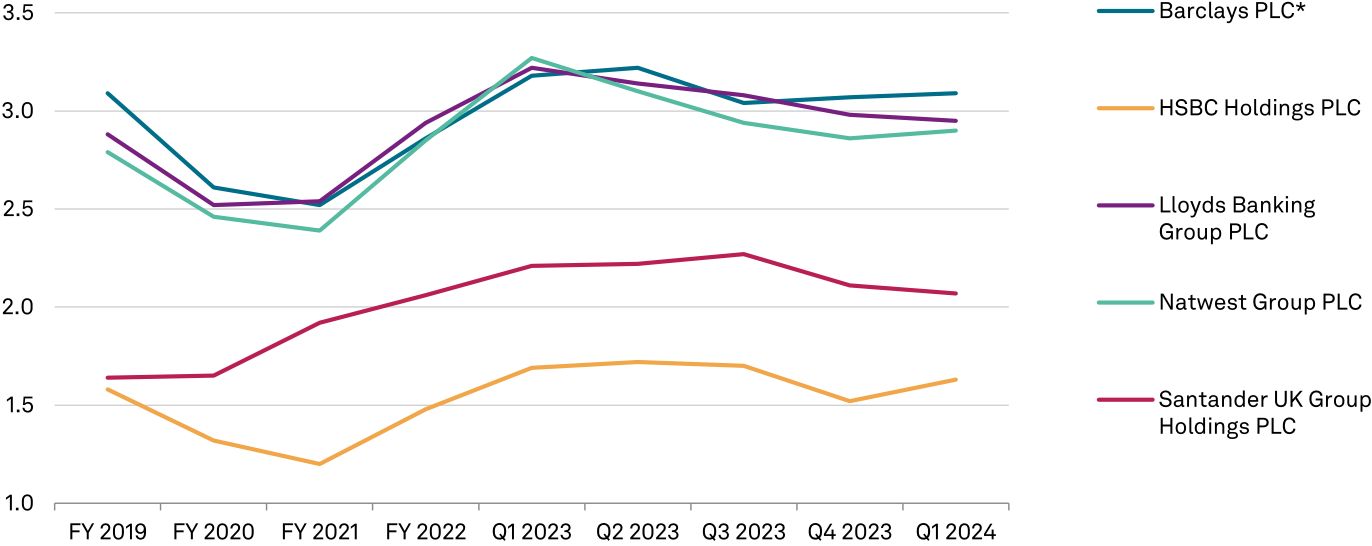
Barclays earnings outlook is solid. Its results were broadly resilient through the first quarter of the year. While revenues were mixed, cost control was tight and loan losses stayed under control. The U.K. net interest margin (NIM) improved sequentially in the first three months as deposit migration slowed and current account balances remained resilient. We expect NIM to temper gradually this year but rise materially in 2025 and 2026 as the bank reinvests its structural hedge. The investment bank's total income was down 7% in first-quarter 2024, with trading income down 19% on a strong comparator in first-quarter 2023, offset by a solid rise in fees--particularly in debt capital markets.

We expect a resilient 2024 for Barclays' earnings, with NIM at around 1.40%-1.45% by our measures for the full year against 1.50% for full year 2023 (charts 8 and 9). Alongside this we expect non-interest income will rise this year led by a normalization in the debt and equity underwriting wallet in particular. Together, this supports broadly flat earnings year-on-year.

Chart 8

Barclays' U.K. net interest margin was resilient in the first quarter...

U.K. bank reported net interest margins



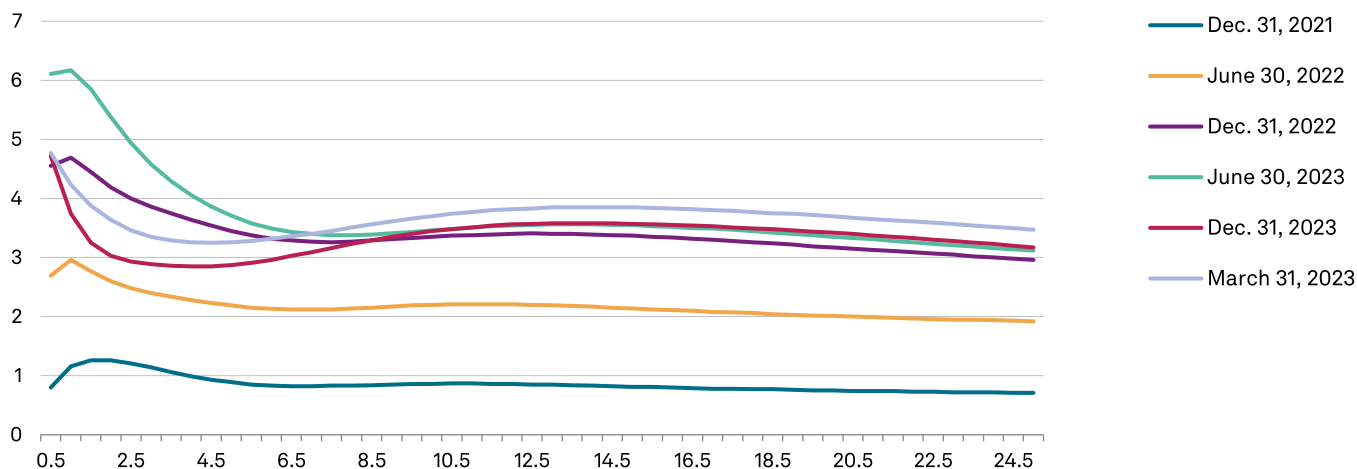
*Barclays PLC data is for Barclays Bank UK PLC, which is the only entity for which Barclays reports explicit net interest income guidance. Source: Company financials.

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Chart 9

...and the medium-term interest rate outlook is supportive

U.K. overnight instantaneous swap forward curve (%)



Source: S&P Global Ratings.

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Cost to income should taper and impairments stabilize. Barclays' returns targets seek to balance solid income growth with tight controls, with the bank aiming for a medium-term cost-to-income ratio close to, but somewhat below, 60%. To this end, underlying cost control was tight in first-quarter 2024, with costs (excluding levies) broadly flat even as services inflation persisted in the bank's major economies. Under our base case, we expect ongoing tight underlying operating expense controls and lower one offs to lead to a fall in total operating expenses for the year. Even so, maintaining cost discipline remains challenging, with ongoing, if slowing, inflationary pressures and significant technological investment in the next 12 to 18 months. We forecast the group will approach a 60% cost-to-income ratio by 2026.

Our base case is that credit losses will remain around 50 bps of average gross lending. The U.S. cards business will lead impairment charges this year as it builds its provision stock to account for rising arrears in the country. As this normalizes, we think rising losses in the U.K. credit card business and a normalization in international corporate asset quality will drive the medium-term impairment outlook. At around 50 bps of average gross lending, this is at the lower end of management's guidance of 50-60 bps through the cycle.

We assume Barclays will return a material portion of the capital it generates to shareholders. Central to management's medium-term planning is its intention to distribute more than £10 billion to shareholders in the next three years. This is being underpinned by the group's solid growth outlook and its material RWA expansion. Even if management's growth targets fall short, we view the capital returns targets as feasible--with lower growth freeing up more capital for the bank to release to shareholders. We anticipate the group will maintain a progressive dividend policy and continue to use buy backs to supplement these returns. Improving capital generation will be broadly offset by shareholder distributions and

balance-sheet inflation, keeping the group's S&P Global Ratings-adjusted capital ratio around 12%.

Barclays' regulatory capital position remains prudent. It reported a 13.5% common equity tier 1 (CET1) ratio at March 31, 2023, above the 12.0% minimum regulatory requirement. This was down by 40 bps from the full year as dividend accrual (9 bps of CET1 capital), share buybacks (29 bps of CET1 capital), and quarterly RWA expansion (27 bps of CET1 capital) consumed the vast majority of capital generated. That said, the 44 bps of CET1 generated in the first quarter is healthy and enables the group to operate comfortably within its CET1 target of 13%-14%.

Risk Position: Complex Investment Banking And Higher Risk International Credit Cards Temper Our Assessment

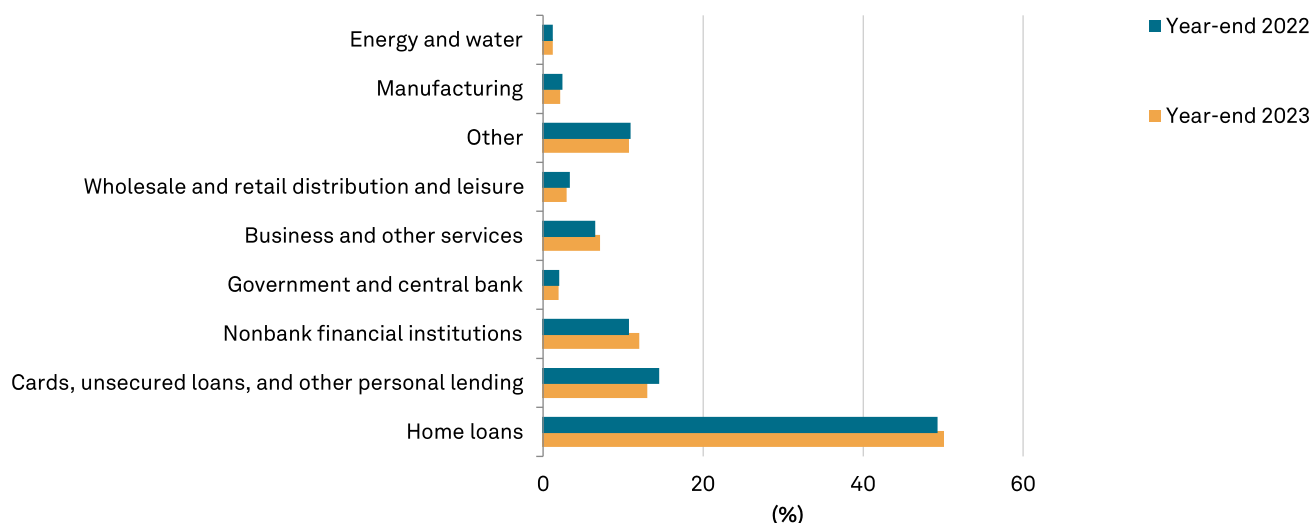
Barclays' business remains highly exposed to volatile and complex capital markets, and higher risk unsecured lending. Although a durable surplus capital position is a rating strength, our view of the group's risk position reflects the high weighting of volatile and complex capital markets activities, and Barclays' exposure to higher-risk lending such as consumer credit, leveraged loans, and certain corporate sectors.

We think that Barclays' risk-management capabilities are sound. Its credit losses remain in line with its guidance; the bank closely manages idiosyncratic pockets of risk, like its hung leveraged finance or commercial real estate books; and it has prioritized operational risk in recent years. Even so, the investment banking business and diverse lending franchise create incremental risks. For example, even though the hung leveraged finance book has been closely monitored, and exposures reduced and extensively hedged, it still generated a £335 million loss in the corporate and transaction banking division in 2022, and an additional £85 million mark-to-market loss in the fourth quarter of 2023. As such, and despite the group's solid risk management being a rating support, our view of Barclays' risk position will remain an important ratings constraint in the medium term, absent a material narrowing in the bank's risk profile, which we do not foresee.

Mortgage lending forms the bedrock of the group's lending. Residential mortgage loans represent half of Barclays' drawn customer loans (see chart 10). As with other U.K. banks, Barclays underwrites its mortgage book based on borrowers' stressed repayment capacity—that said, the loan-to-value (LTV) profile of the group's owner-occupied book indicates good collateral at a 53% average indexed LTV ratio as of full year 2023.

Chart 10**Barclays' diversified loan portfolio**

Sectoral breakdown of net customer loans and advances at amortized cost



Excludes loans to banks. Source: Company disclosures, S&P Global Ratings.

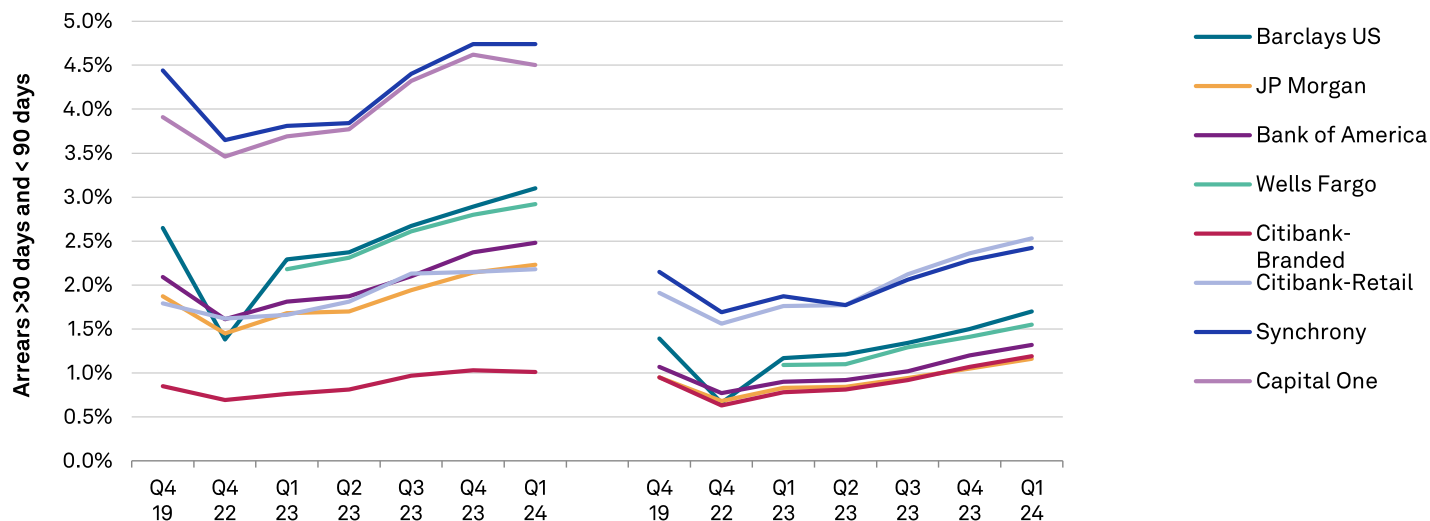
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Barclays' exposure to U.S. consumer credit is showing early signs of credit deterioration. Arrears in this area have continued to climb in the past year, to between 30 and 90 days at 3.10% of the loan book as of the first quarter of 2024 (see chart 11). This pattern of deterioration is in line with the peer set and Barclays' rate of nonperformance is more or less in the middle of the peer set. For example, its loans in arrears of more than 90 days of 1.70% is in line with the peer set average.

Chart 11

Barclays' US credit card arrears moving back above pre-pandemic levels

Arrears as a % of gross receivables



Source: S&P Global Ratings.

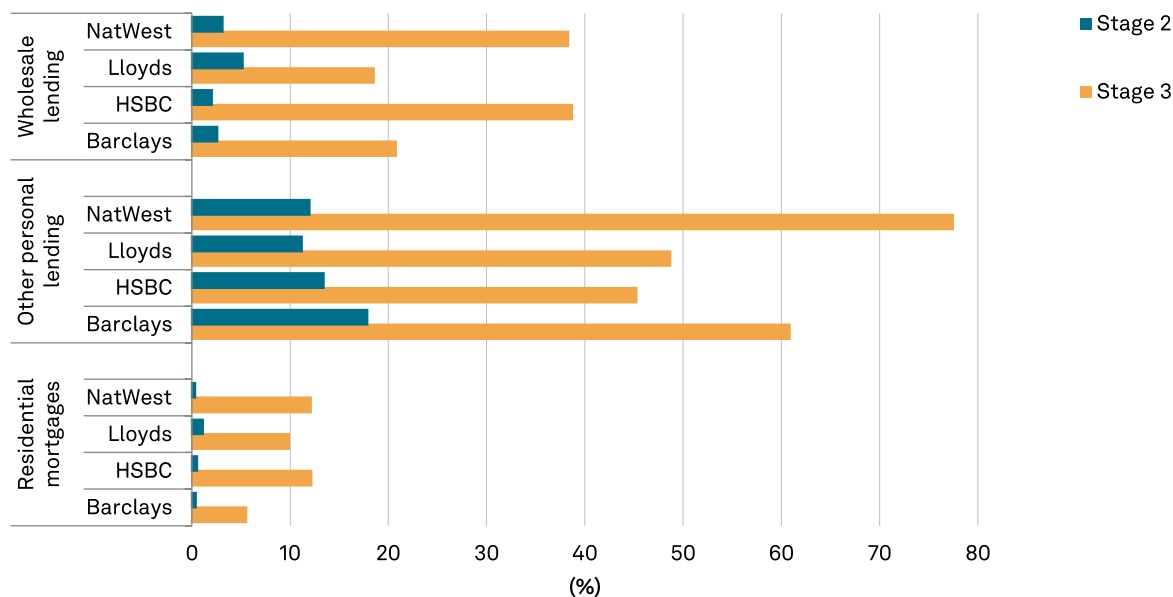
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Barclays' provision coverage on consumer credit exposure is above the U.K. peer set (see chart 9). Its coverage of stage 2 and stage 3 consumer credit exposure compares well with that of peers at 17.8% and 60.9% respectively. These ratios appear prudent and are above the U.K. peer average, although Barclays unsecured loan book mix differs greatly from U.K. peers (chart 12).

Chart 12

Barclays' ECL coverage is similar to its domestic peers'

ECL provision cover at March 31, 2024



ECL--Expected credit loss. Source: S&P Global Ratings; Company disclosure. In HSBC, for Q1 24 personal lending included residential mortgages and hence the data represented is as of Dec 2023.

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Barclays' wholesale lending is well diversified between sectors, and the bank is an active user of synthetic risk transfer.

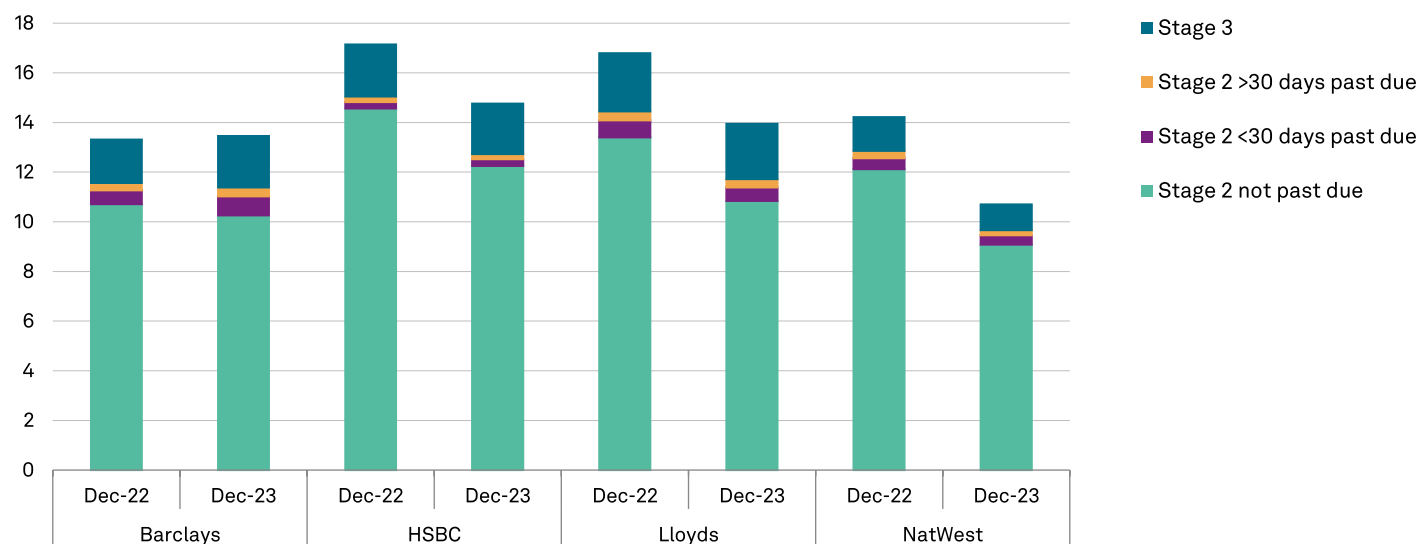
We see its diversification and active hedging as essential asset-quality supports. In the corporate loan book the largest single exposure is to non-bank financial institutions, followed by business services, and materials and construction. These three broad sectors accounted for 68% of the total lending book at the end of 2023. The bank's £15.8 billion international commercial real estate (CRE) book includes modest office exposure of £1.7 billion and no CRE sub sector has more than a 57% LTV. The bank also employs synthetic risk transfer under its Colonnade program, through which it can generate synthetic protection on around £50 billion of on-balance-sheet exposures in its corporate book, thereby reducing its credit risk exposure.

Barclays' stage 2 and stage 3 loan balances are comparable to those of its U.K. peers. The majority of stage 2 loans are fully performing but arrears are slowly rising in this portion of the book; migration to stage 3 rose in 2023 and we expect this to persist (chart 13).

Chart 13

Barclays' stage two loans are broadly similar to domestic peers'

Stage 2 and 3 loans as percentages of total customer loans (%)



Sources: Company disclosures, S&P Global Ratings.

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Barclays' investment banking business generates material market and counterparty risks. The average one-day 95% management value-at-risk increased to £42 million in 2023, from £36 million in 2022, mostly on the impact of fair-value hung-leverage loan exposures in the book. Barclays also faces market risks from structural interest rate and foreign exchange positions and its large defined-benefit employee pension schemes.

Barclays has a mixed history of operational risk events, though its recent track record is solid. The bank's last major operational risk event was the overissuance of securities under a U.S. shelf program. While the financial impact was manageable, the breach of the program's limit was a control lapse and the final cost of remediation was £894 million as of September 2022. Its recent track record has been robust and the impact of operational risk control breaches in 2023 was negligible.

Funding And Liquidity: Balanced And Stable Profiles

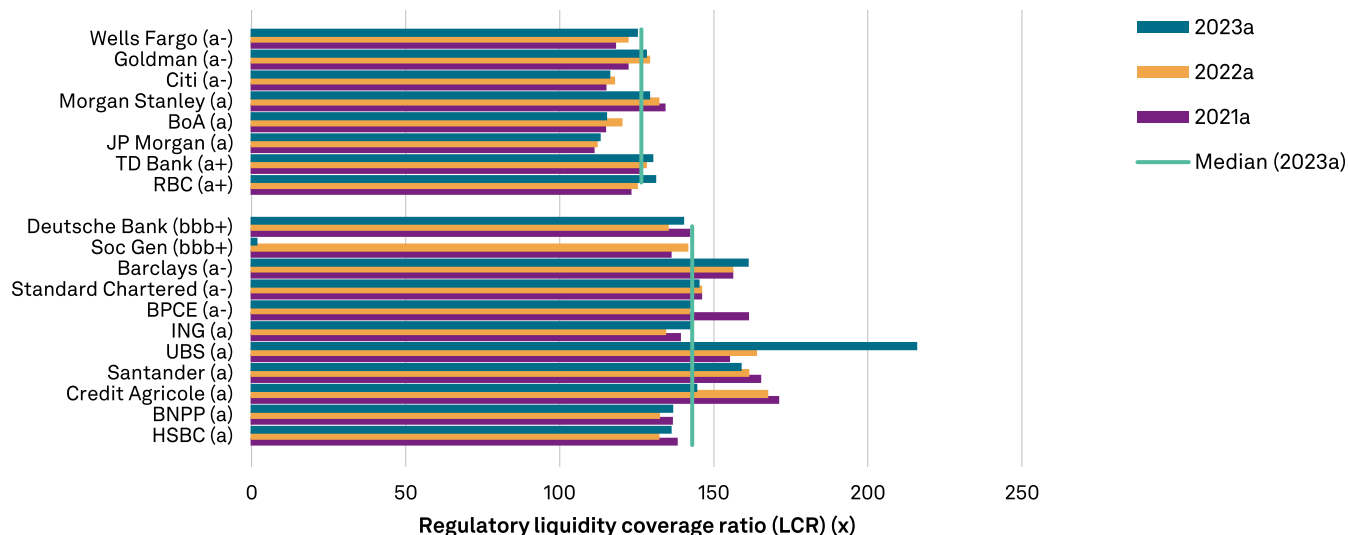
Barclays' funding profile benefits from its diverse deposit base, including its granular U.K. retail and corporate franchise, and its proven ability to access wholesale funding in varied market conditions. We view Barclays' liquidity as adequate, considering its large liquid asset portfolio and solid liquidity metrics. On March 31, 2024, its liquidity buffer was £128 billion above the minimum regulatory requirement, with 80% of this in cash at central banks and 20% in government bonds. The cautious buffer positions Barclays' liquidity coverage ratio toward the upper end of the peer

group of European and international global systemically important banks. The net stable funding ratio is on similarly stable ground and also sits toward the upper end of the European peer group (charts 14 and 15).

Chart 14

Barclays' liquidity coverage ratio consistently exceeds most global peers'

Regulatory liquidity coverage ratio (x)

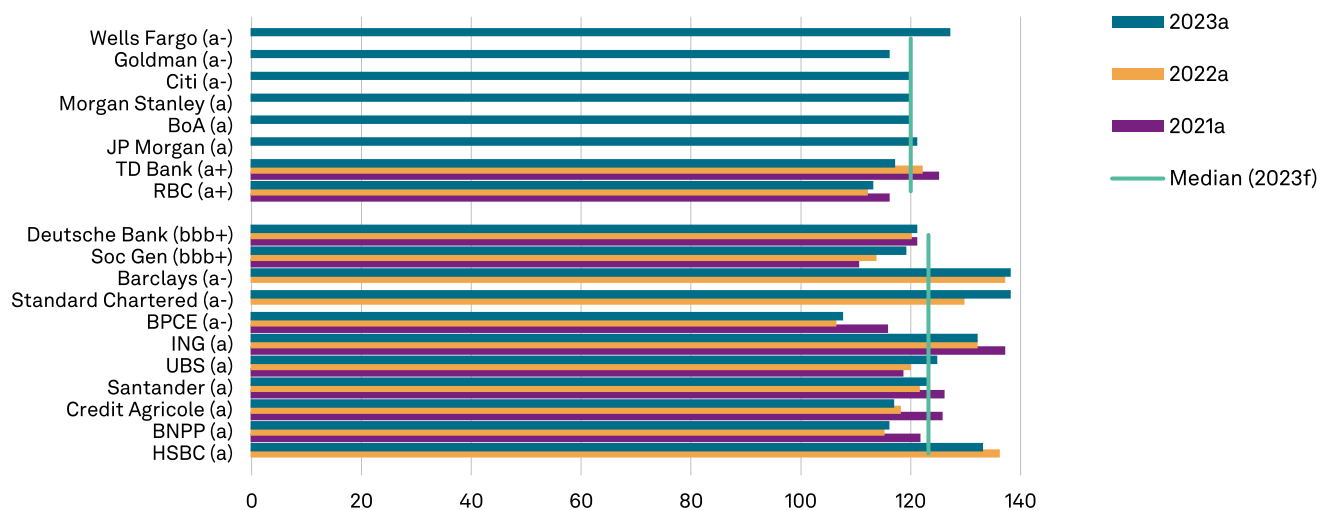


a--Actual. f--Forecast. Source: S&P Global Ratings.
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Chart 15

...as does its regulatory gross stable funding ratio

(%)



a--Actual. f--Forecast. Source: S&P Global Ratings.
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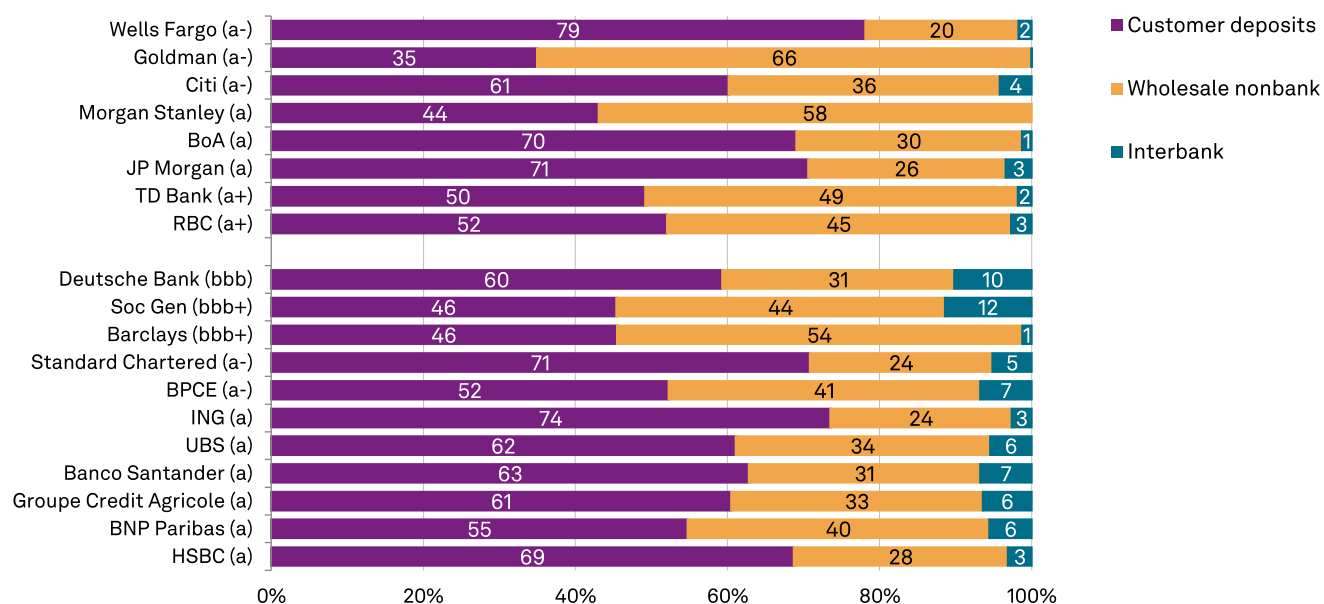
Barclays' strong deposit franchise underpins the bank's funding profile. Its S&P Global Ratings-adjusted loan-to-deposit ratio was 64% at Dec. 31, 2023, down modestly from 65% at the end of 2022 (78% at end-2019). This has been fueled by a sharp increase in customer deposits over the past five years, propelled by persistent U.K. retail deposit accumulation, and the positive effects of international quantitative easing and historic fiscal stimulus on corporate and financial institution balance sheets. We expect this deposit funding base to remain well diversified and stable. Under our base case, deposits remain elevated across Barclays' key markets as money supply is still high, balancing the effects of quantitative tightening against moderate levels of international credit and nominal GDP growth.

We expect Barclays to remain somewhat more reliant on wholesale funding than some global peers. This reflects the fact that its investment bank is an active borrower in confidence-sensitive wholesale markets. The investment bank funds most of its inventory on a secured basis, and Barclays' short-term unsecured borrowing primarily funds its liquidity portfolio in this business. By our measure, and excluding repurchase agreements and derivative trading liabilities, the bank had £54.9 billion of short-term wholesale funding maturing within one year at year-end 2023, which represented around 6% of its total funding base. This greater reliance on wholesale funding channels is an important constraint to us giving a stronger funding and liquidity assessment (chart 16).

Chart 16

Barclays' funding is relatively more reliant on wholesale markets than peers – though its track record is resilient

S&P Global Ratings-adjusted funding mix by type (as a % of funding base)



Source: S&P Global Ratings.

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We expect Barclays' funding and liquidity metrics will remain broadly stable. In the next 12-to-24 months we expect Barclays' funding and liquidity profiles will remain broadly unchanged. In the medium term, change could arise if the group shifts more of its investment bank funding toward wholesale deposits--though this is outside our current base case.

Peer Comparison

Barclays' operational complexity and track record of robust, but lower, risk-adjusted profitability are relative drags versus U.K.-focused, universal banking peers with an 'a-' stand-alone credit profile (SACP). That said, the bank's business diversification, revenue resilience, and prudent funding and liquidity offset this. This leaves the 'a-' SACP in a comfortable position relative to narrower domestic peers. Compared to higher-rated investment banking peers, including U.S. banks like JPMorgan Chase and Morgan Stanley, Barclays' lower SACP factors in its weaker strategic position, generally narrower scope, and somewhat weaker earnings profile. For example, Barclays' capital markets wallet share is materially smaller than those of major incumbents; it lacks the broader asset-gathering franchises of many global benchmark peers; and its absolute and risk-adjusted returns are much lower. By the same token, a globally diversified, highly profitable, and tightly risk-controlled group like HSBC will continue to have a stronger credit profile than Barclays. This positions Barclays' SACP stably at 'a-', with limited upside over our two-year horizon.

Support: Stable, Large ALAC Buffers

We incorporate a two-notch uplift in our long-term ratings on the core operating subsidiaries due to Barclays' comfortable additional loss-absorbing capacity (ALAC). We project the ALAC ratio will remain above our 6.5% threshold over the next two years. The threshold for a two-notch ALAC uplift is 6.5% for Barclays rather than the standard 6.0% because it operates through multiple regulated legal entities and we think this might constrain the flexible deployment of ALAC in a stress scenario. We view the U.K. resolution regime as effective because, among other factors, we believe it contains a well-defined bail-in process, under which authorities would permit systemically important banks to continue as going concerns following a bail-in of eligible liabilities.

Barclays operates with a significant stock of bail-in-able liabilities. We include the majority of the consolidated Barclays group's junior and holding company instruments in our ALAC assessment because, over our projection period, we believe they have capacity to absorb losses without triggering a default on the operating entities' senior obligations. On this basis, the ALAC ratio was in excess of 10% at year-end 2023, and we expect it will stay around this level--a comfortable surplus.

Barclays had £116.8 billion of MREL resources at end-March 2024 and its binding constraint, according to the BoE's indicative MREL requirements, was £105.2 billion based on RWAs in the same period.

Environmental, Social, And Governance (ESG)

Overall, we see ESG credit factors for Barclays as broadly in line with those of the industry, including U.K. peers. The

bank faces elevated conduct and legal risks in its main markets--the U.K. and U.S.--and has incurred material charges related to legacy business practices. These were absorbable from a purely financial point of view, principally at the expense of larger shareholder distributions. We consider that successive management teams have tightened risk controls in this regard, and believe that the management and awareness of conduct and other operational risks are now firmly embedded into the organization.

As a major corporate and investment bank, Barclays is exposed as a lender, investor, or advisor to sectors exposed to environmental risks and changing regulation or norms with regards to these assets. Alongside this, Barclays has faced vocal criticism from some U.K. climate activists for financing the international fossil fuel sector. That said, Barclays has adopted a series of clear commitments on climate change including:

- An ambition to be a "net zero" bank by 2050;
- A plan to reduce its financed emissions, which includes a global phase-out of financing to thermal coal mining and thermal coal-fired power generation by 2035; and
- An intention to facilitate £1 trillion of "Sustainable and Transition" financing between 2023 and 2030.

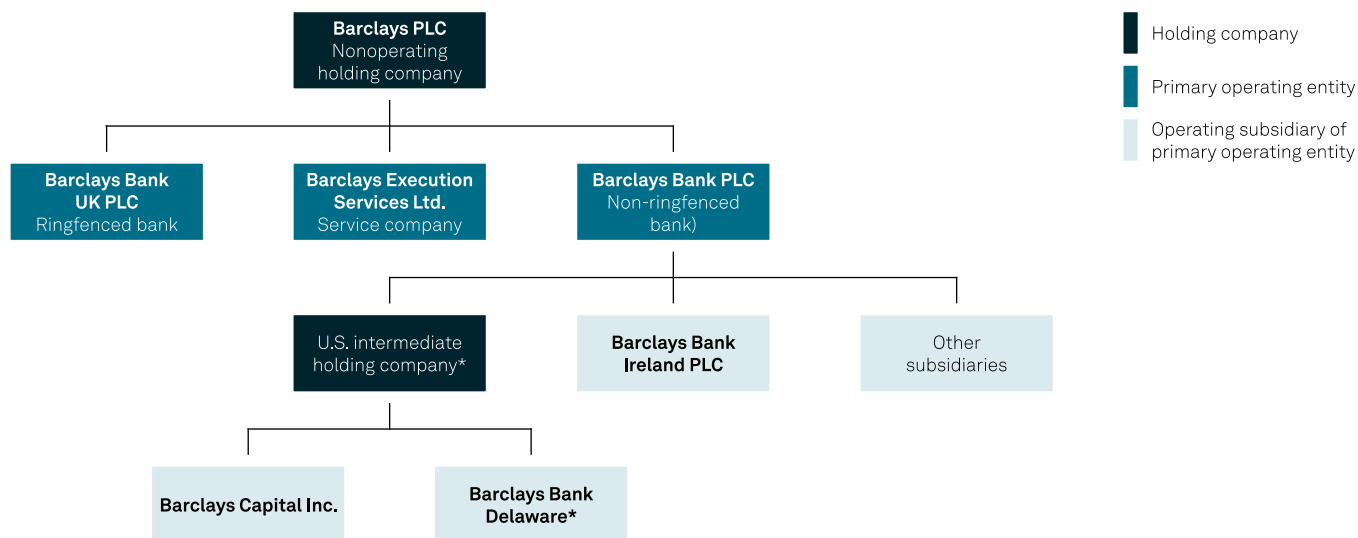
In support of this, in Barclays' lending activities we see increasing evidence of environmental risk being treated as a mainstream credit risk factor given the potential materiality of transition risks in the lending portfolio. We think that the bank is prudently managing the strategic and credit risks associated with the global energy transition.

Group Structure, Rated Subsidiaries, And Hybrids

Barclays PLC is the nonoperating holding company of the group. Barclays Bank PLC and Barclays Bank UK PLC are the main operating entities. We view both as core to the group and, in common with the other core subsidiaries, we rate them in line with the ALAC-supported 'a+' group credit profile.

Chart 17

Barclays PLC - Highly simplified overview of Barclays' organization structure and significant legal entities

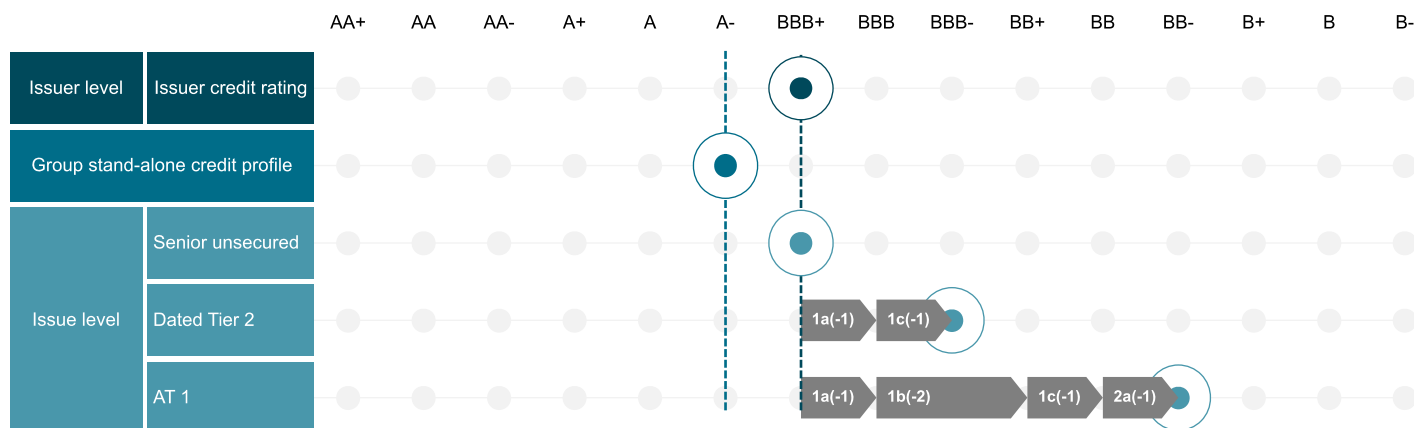


*Not rated. Source: S&P Global Ratings.
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We do not include ALAC uplift in the rating on Barclays PLC because we do not believe that its senior obligations would necessarily continue to receive full and timely payment in a resolution scenario. We rate Barclays PLC one notch below the 'a-' group SACP.

We rate Barclays' hybrid instruments according to their respective features.

Barclays PLC: NOHC notching



Key to notching

- Issuer credit rating
- Group stand-alone credit profile
- 1a Contractual subordination
- 1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
- 1c Mandatory contingent capital clause or equivalent
- 2a Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.

The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.

AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

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Additional Tier 1 instruments face coupon nonpayment risk if, among other factors, the issuer's regulatory capital ratios breach applicable hurdles, commonly known as minimum distributable amount (MDA) thresholds. Barclays has previously been willing to operate with narrower MDA headroom than most peers, and its 13%-14% CET1 target indicates that its headroom could again fall below 200 bps. Without revising the group SACP, we could lower our ratings on capital securities with discretionary coupons (including AT1 instruments) if we think Barclays' prospective MDA headroom could result in a higher risk of coupon nonpayment.

Resolution Counterparty Ratings (RCRs)

Our resolution counterparty ratings (RCRs) on core subsidiaries and their rated branches based in the U.K. and EU are 'AA-/A-1+'. In contrast, our 'A+' long-term RCR on Barclays Capital Inc. is in line with the long-term issuer credit rating. This is because, in our U.S. jurisdiction assessment, we have insufficient visibility regarding whether some senior liabilities have lower default risk than others in a bail-in resolution.

Key Statistics

Table 1

Barclays PLC--Key figures					
	--Year ended Dec. 31--				
(Mil. £)	2023	2022	2021	2020	2019
Adjusted assets	1,469,693	1,505,460	1,376,224	1,341,566	1,132,110
Customer loans (gross)	339,009	348,869	325,664	318,262	318,047
Adjusted common equity	49,628	48,975	45,577	42,995	41,608
Operating revenues	25,369	24,962	22,200	21,772	21,693
Noninterest expenses	16,531	14,919	13,211	13,171	13,402
Core earnings	4,731	6,620	7,534	2,203	4,105

Table 2

Barclays PLC--Business position					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Total revenues from business line (mil. £)	25,369.0	24,962.0	22,200.0	21,789.0	21,703.0
Commercial and retail banking/total revenues from business line	64.4	56.4	54.6	54.7	65.6
Trading and sales income/total revenues from business line	28.5	35.4	28.9	34.9	24.2
Corporate finance/total revenues from business line	7.7	8.9	16.5	12.5	11.7
Other revenues/total revenues from business line	(0.5)	(0.7)	(0.0)	(2.2)	(1.5)
Investment banking/total revenues from business line	36.2	44.3	45.4	47.5	35.9
Return on average common equity	7.6	9.0	11.4	2.8	4.6

Table 3

Barclays PLC--Capital and earnings					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Tier 1 capital ratio	17.7	17.9	19.2	19.0	17.7
S&P Global Ratings' RAC ratio before diversification	12.0	12.0	11.4	11.0	11.2
S&P Global Ratings' RAC ratio after diversification	13.2	13.2	12.4	12.1	12.4
Adjusted common equity/total adjusted capital	78.9	78.7	78.3	78.8	78.5
Double leverage	111.1	111.9	108.1	107.3	105.5
Net interest income/operating revenues	50.1	42.4	36.4	37.3	43.4
Fee income/operating revenues	25.7	26.4	34.6	30.2	31.2
Market-sensitive income/operating revenues	24.1	31.5	28.3	33.1	25.4
Cost to income ratio	65.2	59.8	59.5	60.5	61.8
Provision operating income/average assets	0.6	0.7	0.7	0.7	0.7
Core earnings/average managed assets	0.3	0.5	0.6	0.2	0.4

N/A--Not applicable. RAC--Risk adjusted capital.

Table 4

Barclays PLC--Risk-adjusted capital framework data					
(Mil. £)	Exposure*	Basel III RWA	Average Basel III RW(%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government & central banks	398,483.0	14,384.0	3.6	6,726.0	1.7
Of which regional governments and local authorities	5,887.0	788.0	13.4	259.0	4.4
Institutions and CCPs	68,651.0	7,613.0	11.1	13,310.5	19.4
Corporate	112,018.3	82,740.5	73.9	94,182.7	84.1
Retail	256,295.7	75,506.0	29.5	147,198.9	57.4
Of which mortgage	181,846.0	31,187.0	17.2	66,909.3	36.8
Securitization§	97,147.5	17,686.0	18.2	24,194.9	24.9
Other assets†	136,497.0	51,264.0	37.6	96,888.5	71.0
Total credit risk	1,069,092.6	249,193.5	23.3	382,501.5	35.8
Credit valuation adjustment					
Total credit valuation adjustment	--	3,393.0	--	4,858.7	--
Market Risk					
Equity in the banking book	1,990.0	3,650.0	183.4	15,052.3	756.4
Trading book market risk	--	40,761.0	--	60,651.4	--
Total market risk	--	44,411.0	--	75,703.7	--
Operational risk					
Total operational risk	--	45,558.0	--	61,114.3	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	342,716.7	--	524,178.2	100.0
Total Diversification/ Concentration Adjustments	--	--	--	(48,906.8)	(9.3)
RWA after diversification	--	342,716.7	--	475,271.4	90.7
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)	
Capital ratio before adjustments	60,507.0	17.7	62,887.0	12.0	
Capital ratio after adjustments‡	60,507.0	17.7	62,887.0	13.2	

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2023', S&P Global Ratings.

Table 5

Barclays PLC--Risk position					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Growth in customer loans	(2.8)	7.1	2.3	0.1	0.4
Total diversification adjustment/S&P Global Ratings' RWA before diversification	(9.3)	(9.2)	(8.3)	(9.4)	(9.2)

Table 5

Barclays PLC--Risk position (cont.)					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Total managed assets/adjusted common equity (x)	29.8	30.9	30.4	31.4	27.4
New loan loss provisions/average customer loans	0.5	0.4	(0.2)	1.5	0.6
Net charge-offs/average customer loans	0.3	0.5	0.5	0.6	0.6
Gross nonperforming assets/customer loans + other real estate owned	2.1	2.0	2.2	2.9	2.6
Loan loss reserves/gross nonperforming assets	79.6	78.9	79.4	91.0	77.0

N/A--Not applicable. RWA--Risk weighted assets.

Table 6

Barclays PLC--Funding and liquidity					
	--Year ended Dec. 31--				
(%)	2023	2022	2021	2020	2019
Core deposits/funding base	46.0	46.1	48.0	47.7	47.9
Customer loans (net)/customer deposits	63.6	65.3	63.8	66.8	77.9
Long-term funding ratio	71.7	70.7	71.4	72.0	75.0
Stable funding ratio	116.7	118.6	120.2	123.2	119.9
Short-term wholesale funding/funding base	29.9	30.8	30.3	29.7	26.7
Broad liquid assets/short-term wholesale funding (x)	1.5	1.4	1.5	1.6	1.6
Net broad liquid assets/short-term customer deposits	29.1	29.0	30.5	34.9	34.1
Short-term wholesale funding/total wholesale funding	54.2	55.9	56.9	55.5	50.0
Narrow liquid assets/3-month wholesale funding (x)	5.0	3.9	4.7	5.3	5.4

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Update: Barclays PLC, Dec. 14, 2023
- U.K. Economic Outlook Q3 2024: A Cooling Labor Market Paves The Way For Rate Cuts, June 24, 2024
- U.K. Banks Squeeze Another Quarter Of Solid Earnings From Higher Rates, April 30, 2024
- Unsecured Consumer Lending Will Drive U.K. Banks' Credit Losses To £4.4 Billion, April 18, 2024
- Six Takeaways From U.K. Banks' Full-Year 2023 Results, March 6, 2024
- U.K. Banks Credit Outlook 2024: Earnings Stay Solid As Margins Ease, Jan. 4, 2024
- Banking Industry Country Risk Assessment: United Kingdom, Nov. 28, 2023
- As Their Funding Evolves, U.K. Banks Have Flexibility, Sept. 14, 2023
- U.K. Banks Enjoy Another Strong Half Year As Margins Peak, Aug. 24, 2023

Ratings Detail (As Of July 3, 2024)*

Barclays PLC

Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Junior Subordinated	BB-
Senior Unsecured	BBB+
Subordinated	BBB-

Issuer Credit Ratings History

19-May-2023	BBB+/Stable/A-2
24-Jun-2021	BBB/Positive/A-2
26-Feb-2021	BBB/Stable/A-2
23-Apr-2020	BBB/Negative/A-2

Sovereign Rating

United Kingdom	AA/Stable/A-1+
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Related Entities

Barclays Bank Ireland PLC

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

Barclays Bank Ireland PLC (Milan Branch)

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA/--/A-1+

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

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA/--/A-1+

Barclays Bank Mexico S.A., Institucion de Banca Multiple, Grupo Financiero Barclays Mexico

Issuer Credit Rating	mxAAA/Stable/mxA-1+
<i>CaVal (Mexico) National Scale</i>	

Ratings Detail (As Of July 3, 2024)*(cont.)

Barclays Bank PLC	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/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	BBB
Junior Subordinated	BBB-
Preference Stock	BB+
Resolution Counterparty Liability	A-1+
Resolution Counterparty Liability	AA-
Senior Secured	AA-
Senior Unsecured	A+
Short-Term Debt	A-1
Short-Term Secured Debt	A-1+
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+/Stable/A-1
Resolution Counterparty Rating	AA-/--/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+/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Barclays Capital Luxembourg	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Barclays Capital Trading Luxembourg	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Barclays Execution Services Ltd.	
Issuer Credit Rating	A+/Stable/A-1
BARCLAYS US CCP FUNDING LLC	
Resolution Counterparty Liability	A-1+

Ratings Detail (As Of July 3, 2024)*(cont.)**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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