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Barclays Bank PLC

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Barclays Bank PLC

Credit Highlights

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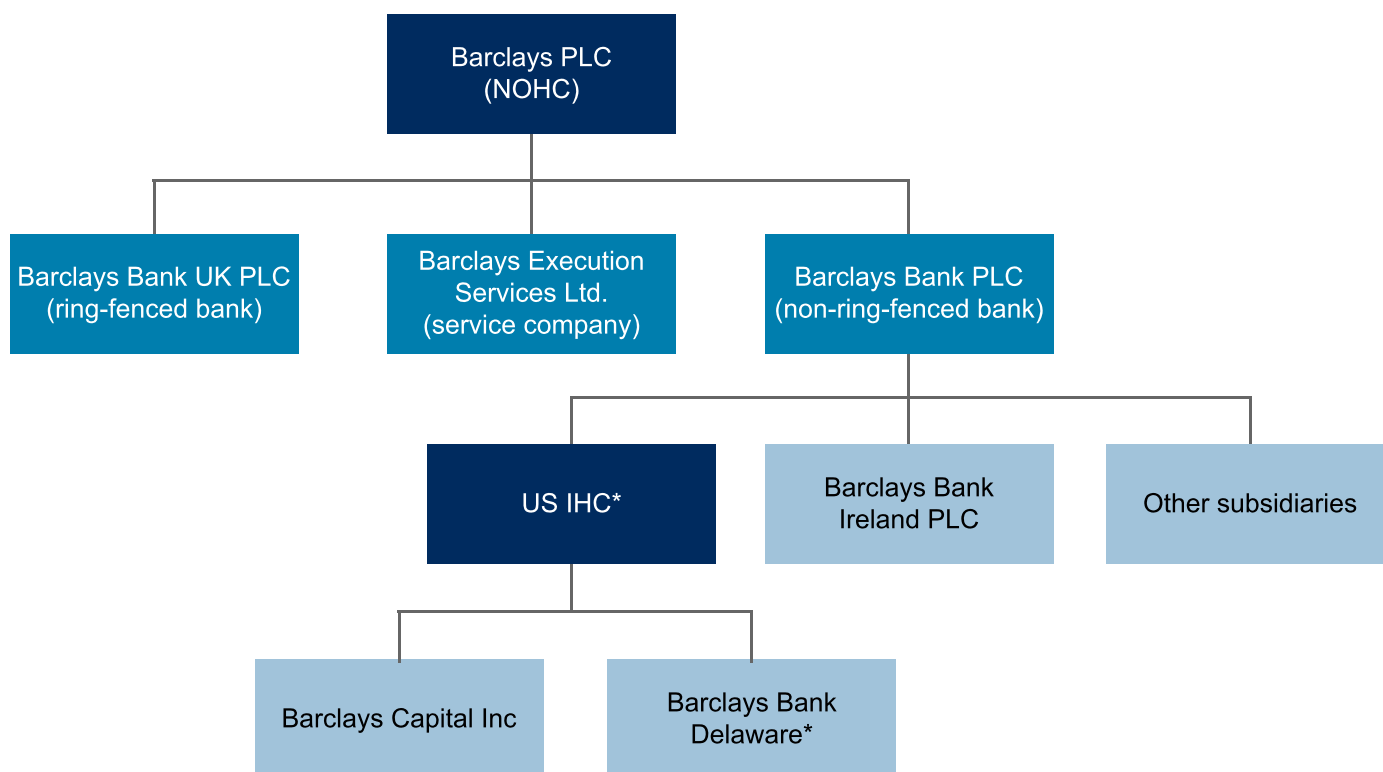
Overview

| Key strengths | Key risks |
|---|---|
| Core subsidiary of the Barclays group. | Focus on businesses prone to earnings volatility. |
| Good market positions in international wholesale and consumer businesses. | Inherent risks and opacity in investment bank activities. |
| Well-diversified investment banking franchise. | |

S&P Global Ratings assesses Barclays Bank PLC (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 a 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 two notches of uplift for additional loss-absorbing capacity (ALAC). We do not assess a stand-alone credit profile (SACP) for BB.

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, could be lower than for the ring-fenced bank. However, BB's scale and centrality in group strategy mean it is critical to Barclays' overall success. For example, on a consolidated basis, BB accounted for 73% of the group's total income by half-year 2024, and 82% of total equity. As such, we do not see material barriers to group support for BB.

Barclays PLC – Highly Simplified Overview Of Barclays' Organization Structure And Significant Legal Entities

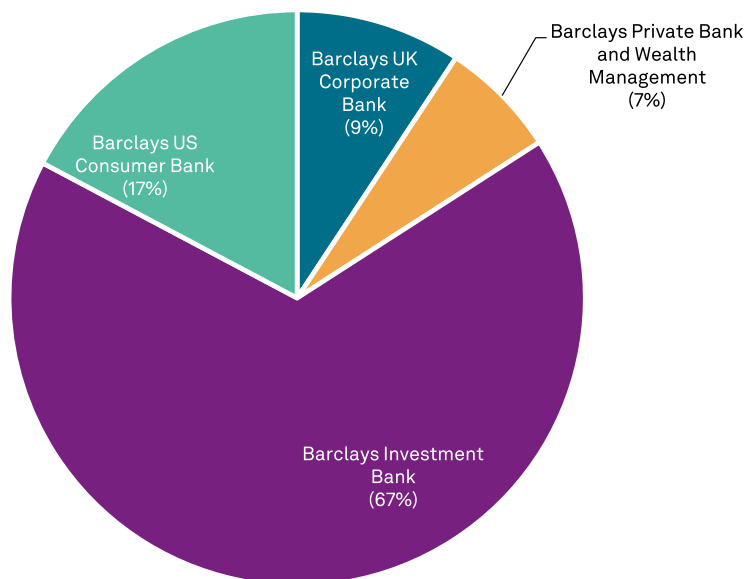


*Not rated. IHC--Intermediate holding company. NOHC--Nonoperating holding company. Source: S&P Global Ratings. Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

BB houses Barclays' investment bank. BB's business profile is formed of four divisions, the Barclays UK Corporate Bank; Private Banking and Wealth Management; Barclays Investment Bank; and the US Consumer Bank. The bank's revenues are dominated by the U.K. corporate bank and international investment bank, which together formed 77% of half-year revenues. These franchises combine to create a leading global competitor serving a broad range of products and global clients. The US Consumer Bank houses the U.S. credit card and deposit gathering portfolios; while the Private Bank and Wealth management divisions house the group's international high-net-worth banking services. Although the combination of these businesses gives the bank a degree of revenue diversification, the major businesses in the bank are prone to a degree of earnings volatility in stressed economic and market conditions.

Chart 2**Barclays Bank PLC's earnings are diverse, but exposed to volatility**

Split of reported revenue by segment for the six months to June 30, 2024



Note: Chart excludes the Head Office segment, which reported a loss of £116 million for the period.

Source: Company disclosures.

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The other reporting line in the bank is the Head Office segment, which includes the held for sale German consumer finance business and the bank's merchant acquiring and payments businesses. Each of these were previously reported under the bank's international Credit Cards & Payments division.

A diverse business model and higher-for-longer interest rates will support BB's earnings. Although we see the business model as carrying some through-the-cycle volatility, BB's resilient results in the first six months of 2024 demonstrate the benefits to its performance of its diversification. For example, slow markets performance and mixed advisory fees have been propped up by a rebound in its underwriting and syndication fees after strong debt capital market activity in the first half. This was alongside rising earnings in the US Consumer Bank, driven by the favorable year-on-year effects of rising average credit card balances. Results have also been supported by the Private Bank and Wealth Management division, which saw a solid boost to earnings from advisory and execution fees in the six months. In sum, BB's half-year 2024 revenue was down 1% on the prior year on a reported basis. At the same time, the reported result masks the impact of a net loss in the Head Office reporting division, which was driven by the loss on sale of the performing Italian mortgage portfolio and the disposal of the German consumer finance business. Looking through this, income was broadly flat. We expect this trend to continue through the remainder of the year, with limited market volatility and rising advisory activity, offset by elevated consumer bank, private bank, and underwriting income.

BB reports contained stage 2 balances. BB's stage 2 loans represented 8% of the total portfolio at half-year 2024, the vast majority of which are fully performing. We expect stage 3 and past-due stage 2 balances will remain broadly stable in the next 12 months as the credit environment normalizes after a benign 24 months. In particular, we would expect to see selective defaults in the Investment Bank continue, and a steady flows of U.S. credit card balances into arrears and default. We think that BB's provisions anticipate this scenario, but that credit losses will remain at or around current levels in the next 12-24 months as loan performance normalizes amid elevated rates and mixed global economic growth.

BB faces material market and operational risks. The CIB division engages 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 earnings, even before those related to the over-issuance of securities in the U.S.

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 trailing 12-month average liquidity coverage ratio for its liquidity subgroup was 152.6% as of half-year 2024, with a consistent liquidity position reflecting significant excess deposits on the balance sheet and cautiously allocated liquid assets. The solo-consolidated common equity Tier 1 ratio stood at 11.7%, above its minimum regulatory requirement of 10.6%.

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 stable outlook on BB mirrors that on Barclays (BBB+/Stable/A-2). 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 on Barclays and BB 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.

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.

Upside scenario

An upgrade is unlikely in the next 24 months. We could raise the long-term issuer credit ratings on Barclays and BB 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.

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

Key Statistics

Table 1

| Barclays Bank PLC--Key figures | | | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-----------|
| --Year-ended Dec. 31-- | | | | | | |
| (Mil. £) | 2024* | 2023 | 2022 | 2021 | 2020 | 2019 |
| Adjusted assets | 1,282,929.0 | 1,184,082.0 | 1,201,872.0 | 1,060,329.0 | 1,058,577.0 | 875,460.0 |
| Customer loans (gross) | 194,730.0 | 141,194.0 | 150,063.0 | 120,513.0 | 115,167.0 | 124,711.0 |
| Adjusted common equity | 52,757.0 | 51,905.0 | 52,796.0 | 45,261.0 | 42,336.0 | 40,568.0 |
| Operating revenues | 9,695.0 | 18,264.0 | 18,197.0 | 15,412.0 | 15,785.0 | 14,208.0 |
| Noninterest expenses | 6,065.0 | 12,419.0 | 10,971.0 | 9,885.0 | 9,383.0 | 9,718.0 |
| Core earnings | 2,255.0 | 3,558.0 | 5,635.0 | 4,871.1 | 2,369.1 | 2,896.2 |

*Data as of June 30.

Table 2

| Barclays Bank PLC--Business position | | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2024* | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total revenues from business line (mil. £) | 9,695.0 | 18,264.0 | 18,198.0 | 15,412.0 | 15,911.0 | 14,296.0 |
| Commercial banking/total revenues from business line | 77.1 | 71.6 | 75.4 | 80.9 | 79.3 | 70.8 |
| Retail banking/total revenues from business line | 24.1 | 29.2 | 25.0 | 21.7 | 22.7 | 31.5 |
| Commercial & retail banking/total revenues from business line | 101.2 | 100.9 | 100.4 | 102.6 | 102.0 | 102.3 |
| Other revenues/total revenues from business line | (1.2) | (0.9) | (0.4) | (2.6) | (2.0) | (2.3) |
| Return on average common equity | 8.7 | 7.2 | 9.2 | 10.3 | 5.5 | 6.6 |

*Data as of June 30.

Table 3

| Barclays Bank PLC--Capital and earnings | | | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2024* | 2023 | 2022 | 2021 | 2020 | 2019 |
| Tier 1 capital ratio | 15.1 | 16.0 | 16.7 | 17.6 | 18.1 | 18.1 |
| Adjusted common equity/total adjusted capital | 84.2 | 82.8 | 84.3 | 82.4 | 83.1 | 83.0 |
| Double leverage | N.M. | 35.9 | 36.7 | 36.2 | 34.8 | 34.9 |
| Net interest income/operating revenues | 32.1 | 36.4 | 29.7 | 19.9 | 20.0 | 27.5 |
| Fee income/operating revenues | 33.5 | 29.9 | 29.8 | 42.7 | 35.9 | 39.9 |
| Market-sensitive income/operating revenues | 34.2 | 33.4 | 40.1 | 37.0 | 44.1 | 31.6 |
| Cost to income ratio | 62.6 | 68.0 | 60.3 | 64.1 | 59.4 | 68.4 |
| Preprovision operating income/average assets | 0.6 | 0.5 | 0.6 | 0.5 | 0.7 | 0.5 |
| Core earnings/average managed assets | 0.4 | 0.3 | 0.5 | 0.5 | 0.2 | 0.3 |

*Data as of June 30. N.M.--Not Meaningful.

Table 4

| Barclays Bank PLC--Risk position | | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2024* | 2023 | 2022 | 2021 | 2020 | 2019 |
| Growth in customer loans | 37.9 | (5.9) | 24.5 | 4.6 | (7.7) | (3.1) |
| Total managed assets/adjusted common equity (x) | 24.3 | 22.8 | 22.8 | 23.5 | 25.0 | 21.6 |
| New loan loss provisions/average customer loans | 1.0 | 1.1 | 0.7 | (0.2) | 2.8 | 0.9 |
| Net charge-offs/average customer loans | 0.7 | 0.6 | 0.7 | 1.0 | (0.1) | 1.0 |
| Gross nonperforming assets/customer loans + other real estate owned | 2.1 | 2.7 | 2.4 | 2.8 | 4.4 | 3.5 |
| Loan loss reserves/gross nonperforming assets | 104.1 | 106.2 | 107.0 | 104.5 | 99.0 | 85.0 |

*Data as of June 30.

Table 5

| Barclays Bank PLC--Funding and liquidity | | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2024* | 2023 | 2022 | 2021 | 2020 | 2019 |
| Core deposits/funding base | 31.5 | 33.3 | 32.2 | 33.1 | 32.6 | 33.1 |

Table 5

| Barclays Bank PLC--Funding and liquidity (cont.) | | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2024* | 2023 | 2022 | 2021 | 2020 | 2019 |
| Customer loans (net)/customer deposits | 62.6 | 47.8 | 53.9 | 47.8 | 48.4 | 61.8 |
| Long-term funding ratio | 46.7 | 48.6 | 47.3 | 48.6 | 47.6 | 51.3 |
| Stable funding ratio | 70.3 | 75.7 | 76.0 | 76.6 | 76.3 | 78.1 |
| Short-term wholesale funding/funding base | 56.5 | 54.9 | 56.3 | 55.3 | 56.3 | 52.8 |
| Broad liquid assets/short-term wholesale funding (x) | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Broad liquid assets/total assets | 28.7 | 29.9 | 29.6 | 29.1 | 28.4 | 27.4 |
| Broad liquid assets/customer deposits | 121.0 | 123.3 | 131.3 | 126.3 | 132.6 | 122.7 |
| Net broad liquid assets/short-term customer deposits | (59.3) | (42.1) | (44.2) | (41.2) | (41.0) | (37.3) |
| Short-term wholesale funding/total wholesale funding | 81.2 | 80.8 | 81.5 | 81.0 | 82.0 | 77.3 |

*Data as of June 30.

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 | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, 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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Barclays PLC, July 3, 2024
- U.K. Banks Are Well Positioned For Sustained Strong Performance After First-Half Results, Aug. 8, 2024
- U.K. Economic Outlook Q3 2024: A Cooling Labor Market Paves The Way For Rate Cuts, June 24, 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

Ratings Detail (As Of October 25, 2024)*

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 |

Issuer Credit Ratings History

| | |
|-------------|----------------|
| 19-May-2023 | A+/Stable/A-1 |
| 24-Jun-2021 | A/Positive/A-1 |
| 26-Feb-2021 | A/Stable/A-1 |
| 23-Apr-2020 | A/Negative/A-1 |

Sovereign Rating

| | |
|----------------|----------------|
| United Kingdom | AA/Stable/A-1+ |
|----------------|----------------|

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 | |
| <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 |
|------------------|-----|

Ratings Detail (As Of October 25, 2024)*(cont.)

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 Treasury Luxembourg S.a.r.l.

| | |
|--------------------------------|---------------|
| 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 PLC

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

BARCLAYS US CCP FUNDING LLC

| | |
|-----------------------------------|------|
| Resolution Counterparty Liability | 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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