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## Barclays Bank UK PLC

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# Barclays Bank UK PLC

## Credit Highlights

<b>Global Scale Ratings</b>
<b>Issuer Credit Rating</b> A+/Stable/A-1
<b>Resolution Counterparty Rating</b> AA-/--/A-1+

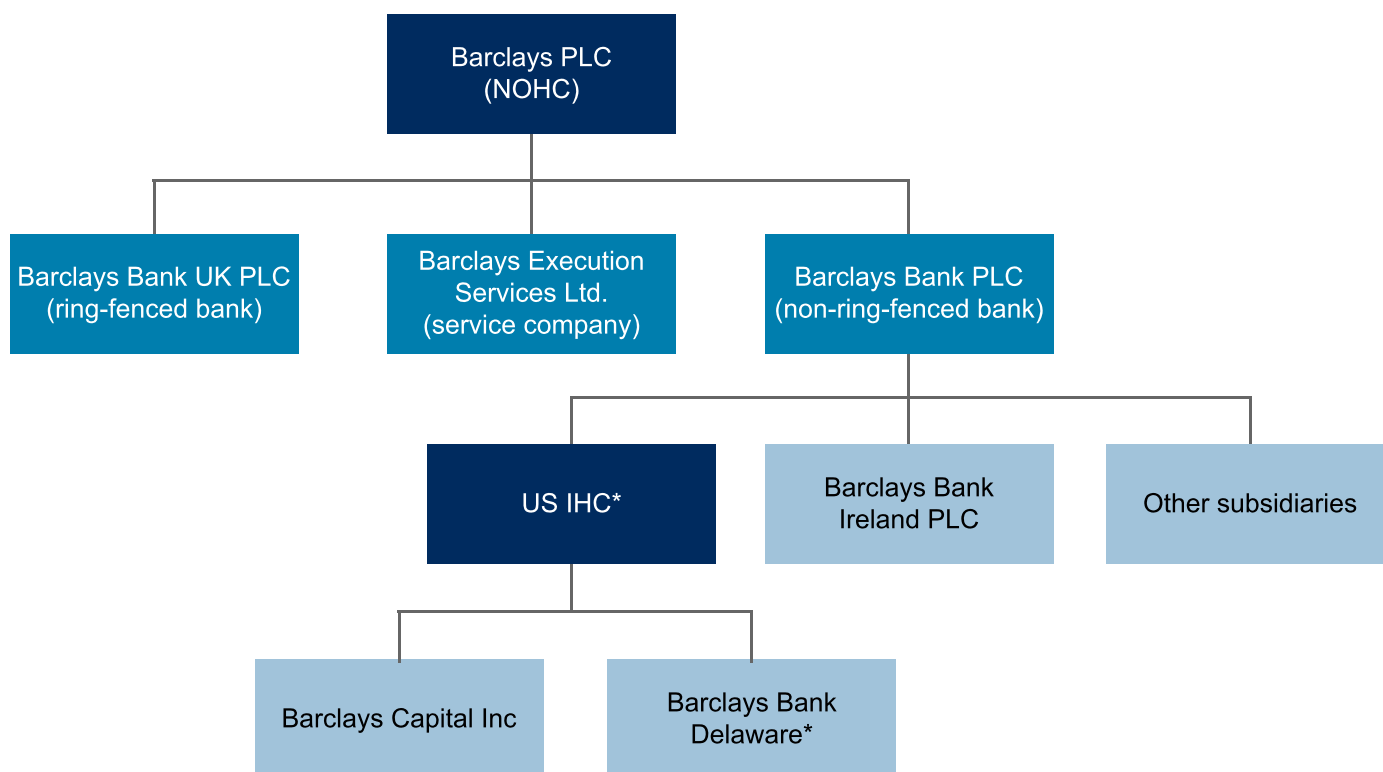
### Overview

Key strengths	Key risks
Core subsidiary of the Barclays group.	Normalizing asset quality after a benign 24-month period.
Solid market position across U.K. retail and business banking, with elevated interest rates and tailwinds from the bank's structural hedge supporting earnings.	Concentrated exposure to the U.K., including a material unsecured consumer credit portfolio.
Conservatively positioned lending book supports asset quality.	

**S&P Global Ratings assesses Barclays Bank UK (BBUK) as a core subsidiary of parent Barclays PLC (Barclays).** BBUK 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 BBUK with the 'a+' group credit profile, which includes a two-notch uplift for additional loss-absorbing capacity (ALAC). We do not assess a stand-alone credit profile (SACP) for BBUK.

**BBUK 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. In first-half 2024, BBUK contributed 28% of Barclays' total income, and 25% of group equity.

## 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.

**Interest rates have been a tailwind for earnings.** BBUK's preprovision earnings fell 3% to £1,570 million in first-half 2024 compared with first-half 2023. This reduction was led by declining net interest income amid deposit migration in the second half of 2023 and early 2024. Even so, the group's reported net interest margin in its Barclays U.K. reporting segment (which is not an exact equivalent to BBUK, but is broadly comparable) increased to 3.22% from 3.09% on a sequential basis in the three months to June 30, 2024, as deposit migration and customer churn settled in the first half. Indeed, this resilience in net interest income, combined with an incredibly benign impairment charge representing 6 basis points of average gross assets in the period, led to a 8% increase in reported pre-tax profit. This is equivalent to a robust 15% return on S&P-adjusted common equity.

We anticipate that the bank's net interest margin will continue to rise incrementally through second-half 2024 and into 2025 as deposits remain stable, and the bank's structural hedge tailwind accelerates further, supported by the abating effects of back-book mortgage book repricing. In combination, elevated net interest income, good cost discipline, and controllable asset quality point toward a strong result for the bank in full-year 2024.

BBUK's asset quality has been robust in the past 24 months, amid mixed and volatile domestic economic conditions.

As conditions continue to ease, we expect the bank to release prudent provision overlays it has built to account for an uncertain U.K. environment. These releases will suppress impairment charges in the short term and outweigh the manageable impact of a steady flow of loans into arrears and nonperformance. This benign asset quality backdrop will serve as an incremental support to BBUK's earnings this year.

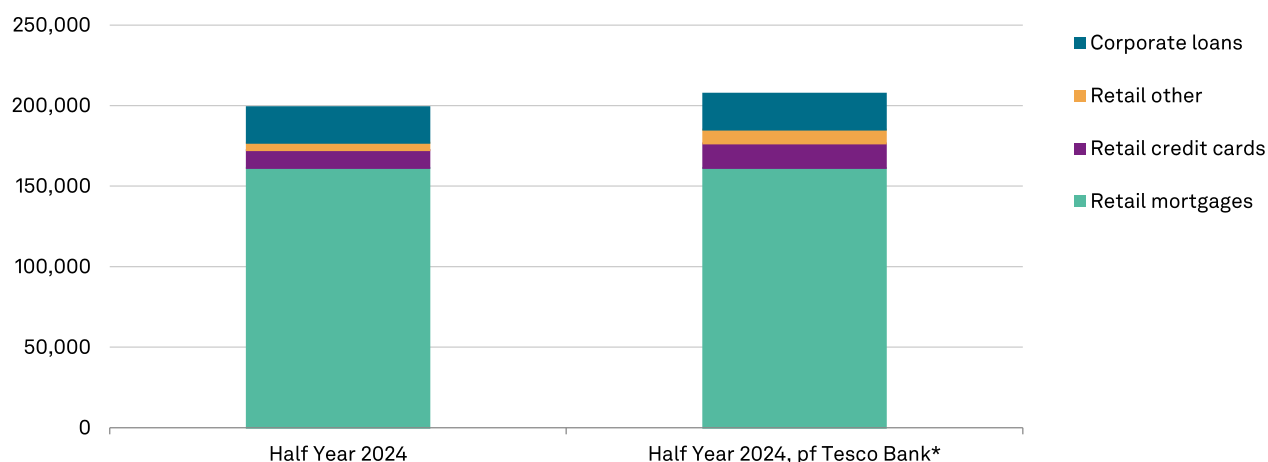
**BBUK has a diversified loan portfolio.** Residential mortgages represented 81% of BBUK's gross loans at half-year 2024 (excluding debt securities at amortized cost), and we see this portfolio as defensively positioned relative to those of peers. Consumer credit (8% of gross loans) and corporate lending (11%) are the main determinants of impairment charges.

**BBUK's acquisition of Tesco's banking business will accelerate its efforts to grow unsecured lending.** BBUK is a central pillar of the group's updated strategy, which aims to deploy around £30 billion of additional risk-weighted assets into the U.K. by the end of 2026 (Barclays Eyes Higher Returns In Its U.K. Heartland, Feb. 21, 2024). The acquisition of Tesco's banking book and the announcement of a 10-year strategic partnership are key to this, accelerating efforts to regrow BBUK's consumer franchise after a period of conservative lending and balance sheet decline. For example, on June 30, 2024, Barclays reported £15.5 billion of receivables in its U.K. cards and personal loans book--a significant reduction from its £22.6 billion pre-pandemic peak at year-end 2019. The acquisition of £8.3 billion of gross unsecured lending balances (composed of £4.2 billion of gross credit card receivables and £4.1 billion of gross unsecured personal) therefore meaningfully increases the bank's consumer lending footprint. In addition, the strategic partnership gives Barclays access to Tesco's broad customer base, though the experience of retailers like Tesco and Sainsbury's in the U.K. banking market shows that expanding a banking book through high street retail channels is not straightforward.

**Chart 2**

**BBUK's lending is dominated by secured retail exposures, but the Tesco Bank deal will boost unsecured lending**

Split of BBUK's gross loan book at June 30, 2024



Source: Company disclosure \*Balances as per acquisition announcement on Feb. 09, 2024  
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**BBUK's asset quality remains strong, consistent with U.K. peers'. At June 30, 2024, BBUK reported stage 3 balances of 1.6% of gross loans, a level broadly consistent with that of U.K. peers. Stage 2 balances are higher, at about 13.7% of lending, but around 90% of these exposures are fully performing, with only 3% of balances in stage 2 more than 30 days past due. BBUK's staging and provision coverage is relatively prudent and its provision modelling incorporates a protracted economic decline in the U.K., including an economic contraction in 2025 of up to 3% of gross domestic product.**

**BBUK reports solid capital, funding, and liquidity metrics.** At the half year, the loan-to-deposit ratio was 84%. Excess deposits have kept the ratio consistently below the pre-pandemic level of above 90%. This is likely to normalize slowly in the medium term as the Bank of England begins to slowly tighten monetary policy, and retail and commercial deposits taper gradually after years of successive growth. The liquidity coverage ratio was 191% and the 15.2% common equity Tier 1 ratio stood comfortably above the regulatory requirement.

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

## Outlook

The stable outlook on BBUK 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.

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

### Downside scenario

We could lower the ratings on Barclays and BBUK 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 BBUK independently of a rating action on Barclays if we saw BBUK 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 BBUK 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, BBUK, and related entities.

## Key Statistics

Table 1

Barclays Bank UK PLC--Key figures						
--Year-ended Dec. 31--						
(Mil. £)	2024*	2023	2022	2021	2020	2019
Adjusted assets	290,478.0	289,689.0	308,651.0	316,169.0	283,971.0	254,868.0
Customer loans (gross)	198,784.0	202,438.0	204,990.0	208,546.0	204,876.0	194,981.0
Adjusted common equity	11,348.0	11,052.0	10,859.0	10,605.9	10,421.0	9,980.0
Operating revenues	3,753.0	7,670.0	7,397.0	6,482.0	6,424.0	7,322.0
Noninterest expenses	2,122.0	4,529.0	4,498.0	4,638.0	4,568.0	4,342.0

**Table 1**

<b>Barclays Bank UK PLC--Key figures (cont.)</b>						
<b>--Year-ended Dec. 31--</b>						
<b>(Mil. £)</b>	<b>2024*</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Core earnings	1,172.0	1,875.0	1,700.0	1,741.2	N/A	372.8

\*Data as of June 30. N/A--Not applicable.

**Table 2**

<b>Barclays Bank UK PLC--Business position</b>						
<b>--Year-ended Dec. 31--</b>						
<b>(%)</b>	<b>2024*</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total revenues from business line (mil. £)	3,753.0	7,679.0	7,397.0	6,483.0	6,440.0	7,322.0
Commercial banking/total revenues from business line	25.6	24.8	22.0	21.6	20.3	18.6
Retail banking/total revenues from business line	74.9	75.6	78.3	81.0	80.4	83.4
Commercial & retail banking/total revenues from business line	100.5	100.4	100.4	102.6	100.7	102.0
Other revenues/total revenues from business line	(0.5)	(0.4)	(0.4)	(2.6)	(0.7)	(2.0)
Return on average common equity	15.4	12.8	11.8	11.6	1.4	0.0

\*Data as of June 30.

**Table 3**

<b>Barclays Bank UK PLC--Capital and earnings</b>						
<b>--Year-ended Dec. 31--</b>						
<b>(%)</b>	<b>2024*</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Tier 1 capital ratio	19.2	18.1	18.2	18.8	19.2	16.9
Adjusted common equity/total adjusted capital	78.8	82.0	80.9	80.6	80.3	79.6
Net interest income/operating revenues	84.6	83.8	76.3	77.2	80.6	79.3
Fee income/operating revenues	14.8	16.1	18.5	19.2	16.6	17.8
Market-sensitive income/operating revenues	N/A	(0.7)	5.2	3.4	2.5	2.8
Cost to income ratio	56.5	59.1	60.8	71.6	71.1	59.3
Preprovision operating income/average assets	1.1	1.0	0.9	0.6	0.7	1.2
Core earnings/average managed assets	0.8	0.6	0.5	0.6	N/A	0.1

\*Data as of June 30. N/A--Not applicable.

**Table 4**

<b>Barclays Bank UK--PLC Risk position</b>						
<b>--Year-ended Dec. 31--</b>						
<b>(%)</b>	<b>2024*</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Growth in customer loans	(1.8)	(1.2)	(1.7)	1.8	5.1	2.4
Total managed assets/adjusted common equity (x)	25.9	26.6	28.8	30.1	27.6	25.9
New loan loss provisions/average customer loans	0.1	0.2	0.1	(0.2)	0.7	0.4
Net charge-offs/average customer loans	0.1	0.1	0.3	0.3	0.3	0.3
Gross nonperforming assets/customer loans + other real estate owned	1.6	1.7	1.7	1.9	1.9	1.8
Loan loss reserves/gross nonperforming assets	48.7	49.1	49.1	56.6	82.6	73.0

\*Data as of June 30.

Table 5

Barclays Bank UK PLC--Funding and liquidity						
	--Year-ended Dec. 31--					
(%)	2024*	2023	2022	2021	2020	2019
Core deposits/funding base	86.5	88.1	88.0	87.1	90.0	86.6
Customer loans (net)/customer deposits	83.3	83.2	78.8	79.2	83.9	93.6
Long-term funding ratio	93.1	93.6	91.9	91.7	95.8	93.0
Stable funding ratio	113.6	114.0	121.1	123.8	118.9	108.5
Short-term wholesale funding/funding base	7.2	6.8	8.4	8.7	4.4	7.4
Broad liquid assets/short-term wholesale funding (x)	2.8	3.0	3.2	3.3	5.1	2.5
Broad liquid assets/total assets	18.7	18.8	25.4	27.0	21.1	16.8
Broad liquid assets/customer deposits	23.3	22.9	30.7	33.2	25.2	21.1
Net broad liquid assets/short-term customer deposits	15.2	15.6	21.4	23.4	20.5	12.8
Regulatory liquidity coverage ratio (LCR)	191.0	180.0	183.0	204.0	N/A	N/A
Short-term wholesale funding/total wholesale funding	49.6	52.6	65.3	63.2	40.5	50.8

\*Data as of June 30. N/A--Not applicable.

## 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

- 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 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

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

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

Senior Secured	AA-
Senior Unsecured	A+
Short-Term Debt	A-1
Short-Term Secured Debt	A-1+
Subordinated	BBB
<b>Barclays Bank PLC (Cayman Branch)</b>	
Commercial Paper	A-1
<b>Barclays Bank PLC (New York Branch)</b>	
Commercial Paper	A-1
<b>Barclays Capital Inc.</b>	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
<b>Barclays Capital Luxembourg</b>	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/-/A-1+
<b>Barclays Treasury Luxembourg S.a.r.l.</b>	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/-/A-1+
<b>Barclays Execution Services Ltd.</b>	
Issuer Credit Rating	A+/Stable/A-1
<b>Barclays PLC</b>	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Junior Subordinated	BB-
Senior Unsecured	BBB+
Subordinated	BBB-
<b>BARCLAYS US CCP FUNDING LLC</b>	
Resolution Counterparty Liability	A-1+
<b>Barclays US Funding LLC</b>	
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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