

Rating Action: Moody's upgrades Barclays PLC's senior unsecured debt ratings and changes the outlook to stable

29 Jan 2020

Upgrade follows improvement in operating performance and profitability prospects. The rating agency also upgrades non ring-fenced subsidiary Barclays Bank PLC's senior unsecured debt ratings and changes the outlook to stable

London, 29 January 2020 -- Moody's Investors Service (Moody's) today upgraded the long-term senior unsecured debt ratings of Barclays PLC (Barclays, the holding company) to Baa2 from Baa3. The rating agency also changed the outlook to stable from positive, following the upgrade.

The upgrade of Barclays' ratings reflects Moody's view that its operating performance and profitability prospects have improved and will be sustained going forward, benefiting from stable earnings in its retail and commercial banking activities, improved earnings from the capital markets business and an expectation of a significant reduction in litigation and conduct risks going forward. Moody's assessment of the volume of loss absorbing debt under its Advanced Loss Given Failure analysis and of the probability of government support have not changed.

"Barclays' profitability has improved over the past year and its earnings are less volatile, benefitting from both stronger revenues, particularly from its non ring-fenced subsidiary, Barclays Bank PLC, improved efficiency and lower litigation and conduct charges" said Alessandro Roccati, Senior Vice President at Moody's. "Capital generation through earnings will be more sustainable going forward, whilst we expect the bank's liquidity to remain ample."

The stable outlook on Barclays' senior ratings reflects Moody's expectation that its operating performance and profitability prospects will largely stabilise. Moody's assessment of the volume of loss absorbing debt under its Advanced Loss Given Failure analysis and of the probability of government support have not changed.

The rating agency also upgraded all ratings of Barclays Bank PLC (Barclays Bank, the non ring-fenced bank) and changed the outlook to stable from positive on its senior unsecured debt and deposit ratings.

The upgrade of the ratings of Barclays Bank reflects the increased level of support provided by its parent company Barclays, following the upgrade of its Baseline Credit Assessment (BCA).

The stable outlook on Barclays Bank's ratings reflects Moody's expectation of a stabilisation of its operating performance, liquidity and capital positions.

RATINGS RATIONALE

Barclays PLC

The upgrade to Barclays' ratings reflects the firm's improved level of profitability, supported by the higher stability of earnings generated from capital markets activities, which represented more than one third of group revenue in the first half of 2019. The resolution of litigation matters, including settlements with the US Department of Justice and a reduction in further provisions for Payment Protection Insurance claims, will also reduce earnings volatility.

Moody's believes that going forward, Barclays is positioned to continue to demonstrate not only an improved profitability in both its retail and commercial banking businesses, but also from its investment banking and capital markets franchise in the US and Europe.

The baa2 BCA of Barclays reflects: (1) moderate credit risk, driven by strong loan quality, which is partly offset by its sizeable capital markets activities, which are confidence sensitive and expose the firm to higher earnings volatility than the more traditional commercial banking activities; (2) good regulatory capitalisation; (3) diversified funding and sound liquidity; and (4) improved profitability which we expect will be sustained going forward, supported by strong franchises in UK retail, business and corporate banking and credit cards.

Barclays Bank PLC

Moody's upgraded Barclays Bank's ratings due to a one notch increase in parental support from its parent Barclays, following the upgrade of Barclays' BCA to baa2.

Barclays Bank aspires to provide a global, full-service capital markets and investment banking platform focused on more capital-light products and services leveraging customer flows. The retreat of some European players provides a strategic opening for Barclays Bank to expand its customer base and gain market share, moving the bank further to the right on the industry returns' curve. However, in order to protect and grow its franchise, Moody's expects that the bank will have to maintain considerable investment costs to keep pace with its five US-based global investment bank (GIBs) peers as well as other less regulated competitors. This will be key to achieving an adequate return on the material amount of capital invested in Barclays Bank.

Barclays Bank's baa3 BCA reflects its: (1) significant exposure to capital markets earnings; (2) stable shock absorbers from retail, commercial and corporate transaction banking and stabilising level of profitability in the capital markets business; (3) good regulatory capitalisation; and its (4) high level of liquidity, which protect the bank against unexpected market shocks; (5) weakening in the UK economic performance leading to an expectation of a moderate increase in asset risk.

WHAT COULD MOVE THE RATINGS UP/DOWN

Barclays PLC

Barclays' baa2 notional BCA could be upgraded, following a sustained improvement in its asset risk, capital or liquidity profiles, or an improvement of the standalone credit profile at its main subsidiary Barclays Bank. An upgrade of Barclays' baa2 notional BCA would likely lead to a ratings upgrade. Barclays' ratings could also be upgraded if the group were to issue a substantially higher amount of bail-in-able liabilities or maintain excess financial resources at the level of the holding company, affording greater protection to its creditors.

Barclays' baa2 notional BCA could be downgraded following a deterioration of the standalone credit profiles of its two main subsidiaries Barclays Bank and Barclays Bank UK. A lower notional BCA would likely lead to a downgrade of Barclays' ratings. Barclays' ratings could also be downgraded if we were to assess a lower degree of protection from the stock of bail-in-able liabilities, which we assess through our advanced LGF analysis.

Barclays Bank PLC

Barclays Bank's baa3 BCA could be upgraded if the bank were to increase profitability to a higher level on a sustainable basis. Lower reliance on confidence-sensitive wholesale funding, a decreased exposure to capital markets earnings or a more diversified sources of earnings would also be positive for the BCA. However, an upgrade of the BCA would not likely lead to a ratings upgrade, due to the loss of affiliate support offsetting the upgrade of the BCA, unless the BCA of the holding company was also upgraded.

Barclays Bank's baa3 BCA could be downgraded in the case of: (1) a deterioration in the operating environment beyond our current expectations; (2) a material risk management failure or increase in risk appetite or leverage; and/ or (3) a material deterioration in the bank's liquidity or capital positions. A downgrade of the bank's BCA would not result in a ratings downgrade absent downgrade of the parent's ratings. A downgrade of Barclays Bank's ratings could result from a downgrade of the BCA of Barclays (the holding company) due to a reduction of parental support notching to zero.

The ratings for Barclays Bank could be downgraded in the case of a lower degree of protection for its creditors from the stock of bail-in-able debt, which we assess through its Advanced LGF analysis.

LIST OF AFFECTED RATINGS

..Issuer: Barclays PLC

Upgrades:

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

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

.... Commercial Paper, Upgraded to P-2 from P-3

.... Long-term Issuer Rating, Upgraded to Baa2 from Baa3, Outlook Changed to Stable from Positive
.... Short-term Issuer Rating, Upgraded to P-2 from P-3
.... Senior Unsecured MTN Program, Upgraded to (P)Baa2 from (P)Baa3
.... Subordinate MTN Program, Upgraded to (P)Baa3 from (P)Ba1
.... Other Short Term, Upgraded to (P)P-2 from (P)P-3
.... Preferred Stock Non-cumulative, Upgraded to Ba2(hyb) from Ba3(hyb)
.... Senior Unsecured Regular Bond/Debenture, Upgraded to Baa2 from Baa3, Outlook Changed to Stable from Positive
.... Subordinate Regular Bond/Debenture, Upgraded to Baa3 from Ba1
.... Senior Unsecured Shelf, Upgraded to (P)Baa2 from (P)Baa3
.... Subordinate Shelf, Upgraded to (P)Baa3 from (P)Ba1

Outlook Action:

.... Outlook, Changed To Stable From Positive

..Issuer: Barclays Bank PLC

Upgrades:

.... Adjusted Baseline Credit Assessment, Upgraded to baa2 from baa3
.... Deposit Note/CD Program, Upgraded to (P)A1 from (P)A2
.... Senior Unsecured Regular Bond/Debenture, Upgraded to A1 from A2, Outlook Changed to Stable from Positive
.... Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)
.... Long-term Counterparty Risk Ratings, Upgraded to A1 from A2
.... Issuer Rating, Upgraded to A1 from A2, Outlook Changed to Stable from Positive
.... Senior Unsecured MTN Program, Upgraded to (P)A1 from (P)A2
.... Subordinate MTN Program, Upgraded to (P)Baa3 from (P)Ba1
.... Preferred Stock Non-cumulative, Upgraded to Ba2(hyb) from Ba3(hyb)
.... Preferred Stock, Upgraded to Ba1(hyb) from Ba2(hyb)
.... Junior Subordinate, Upgraded to Ba1(hyb) from Ba2(hyb)
.... Subordinate Regular Bond/Debenture, Upgraded to Baa3 from Ba1
.... Long-term Bank Deposit Ratings, Upgraded to A1 from A2, Outlook Changed to Stable from Positive
.... Senior Unsecured Shelf, Upgraded to (P)A1 from (P)A2

Affirmations:

.... Baseline Credit Assessment, Affirmed baa3
.... BACKED Commercial Paper, Affirmed P-1
.... Commercial Paper, Affirmed P-1

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

.... Short-term Counterparty Risk Ratings, Affirmed P-1

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

.... Other Short Term, Affirmed P-1

.... Short-term Bank Deposit Ratings, Affirmed P-1

Outlook Action:

....Outlook, Changed To Stable From Positive

..Issuer: Barclays Bank PLC, Australia Branch

Upgrades:

.... Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)

.... Long-term Counterparty Risk Ratings, Upgraded to A1 from A2

Affirmations:

.... Commercial Paper, Affirmed P-1

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

.... Short-term Counterparty Risk Ratings, Affirmed P-1

Outlook Action:

....Outlook, Changed To Stable From Positive

..Issuer: Barclays Bank PLC, Cayman Branch

Affirmations:

.... Commercial Paper, Affirmed P-1

No Outlook Assigned

..Issuer: Barclays Bank PLC, Hong Kong Branch

Upgrades:

.... Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)

.... Long-term Counterparty Risk Ratings, Upgraded to A1 from A2

Affirmations:

.... Commercial Paper, Affirmed P-1

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

.... Short-term Counterparty Risk Ratings, Affirmed P-1

No Outlook Assigned

..Issuer: Barclays Bank PLC, New York Branch

Upgrades:

.... Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)

.... Long-term Counterparty Risk Ratings, Upgraded to A1 from A2

Affirmations:

- Commercial Paper, Affirmed P-1
- Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
- Short-term Counterparty Risk Ratings, Affirmed P-1

Outlook Action:

-Outlook, Changed To Stable From Positive
- ..Issuer: Barclays Bank PLC, Paris Branch

Upgrades:

- Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)
- Long-term Counterparty Risk Ratings, Upgraded to A1 from A2
- Senior Unsecured MTN Program, Upgraded to (P)A1 from (P)A2
- Long-term Bank Deposit Ratings, Upgraded to A1 from A2, Outlook Changed to Stable from Positive

Affirmations:

- Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
- Short-term Counterparty Risk Ratings, Affirmed P-1
- Short-term Bank Deposit Ratings, Affirmed P-1

Outlook Action:

-Outlook, Changed To Stable From Positive
- ..Issuer: Barclays Bank PLC, Singapore Branch

Upgrades:

- Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)
- Long-term Counterparty Risk Ratings, Upgraded to A1 from A2

Affirmations:

- Commercial Paper, Affirmed P-1
- Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
- Short-term Counterparty Risk Ratings, Affirmed P-1

No Outlook Assigned

- ..Issuer: Barclays Bank PLC, Tokyo Branch

Upgrades:

- Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)
- Long-term Counterparty Risk Ratings, Upgraded to A1 from A2

Affirmations:

- Commercial Paper, Affirmed P-1

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

... Short-term Counterparty Risk Ratings, Affirmed P-1

No Outlook Assigned

..Issuer: Barclays Bank of Canada

Upgrades:

... Long-term Counterparty Risk Assessment, Upgraded to A1(cr) from A2(cr)

Affirmations:

... BACKED Commercial Paper, Affirmed P-1

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

No Outlook Assigned

..Issuer: Barclays Capital (Cayman) Limited

Upgrades:

... BACKED Senior Unsecured MTN Program, Upgraded to (P)A1 from (P)A2

... BACKED Subordinate MTN Program, Upgraded to (P)Baa3 from (P)Ba1

Affirmations:

... BACKED Other Short Term, Affirmed (P)P-1

Outlook Action:

...Outlook, Changed To Stable From Positive

..Issuer: Barclays Financial LLC

Upgrades:

... BACKED Senior Unsecured MTN Program, Upgraded to (P)A1 from (P)A2

Affirmations:

... BACKED Other Short Term, Affirmed (P)P-1

Outlook Action:

...Outlook, Changed To Stable From Positive

..Issuer: Barclays Overseas Investment Company B.V.

Upgrades:

... BACKED Junior Subordinate, Upgraded to Ba1(hyb) from Ba2(hyb)

Outlook Action:

...Outlook, Changed To Stable From Positive

..Issuer: Barclays US CCP Funding LLC

Affirmations:

... Commercial Paper, Affirmed P-1

No Outlook Assigned

..Issuer: Barclays US Funding LLC

Affirmations:

... BACKED Commercial Paper, Affirmed P-1

No Outlook Assigned

..Issuer: Woolwich plc

Upgrades:

... BACKED Junior Subordinate, Upgraded to Ba1(hyb) from Ba2(hyb)

... BACKED Subordinate, Upgraded to Baa3 from Ba1

Outlook Action:

...Outlook, Changed To Stable From Positive

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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