

**Rating Action: Moody's assigns definitive long-term deposit rating of A1 to Barclays' ring-fenced bank Barclays Bank UK PLC; outlook stable**

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Global Credit Research - 03 Apr 2018

**Action follows UK authorities' approval to complete the group's restructuring to comply with ring-fencing rules**

London, 03 April 2018 -- Moody's Investors Service ("Moody's") has assigned a definitive long-term deposit rating of A1 and affirmed its standalone Baseline Credit Assessment (BCA) of a3 to Barclays Bank UK PLC (Barclays Bank UK), the ring-fenced bank of Barclays PLC (Barclays, LT issuer rating Baa2 on review for downgrade). The rating assignment reflects Moody's assessment of Barclays Bank UK's moderate asset risk, robust capitalization, solid funding and adequate liquidity.

"Barclays Bank UK's creditors benefit from good and stable profits from the group's domestic retail and business banking activities, which are underpinned by the bank's strong franchise in the UK", said Mr. Andrea Usai, Senior Vice President at Moody's. "Nevertheless, we also expect the bank's profitability to be challenged by the weakening operating conditions in the UK and residual conduct costs, over the next 12-18 months".

Moody's has also assigned a definitive short-term deposit rating of Prime-1 to the bank and a (P)Prime-1 programme rating to its GBP10 billion Euro Commercial Paper Programme. The bank's Counterparty Risk (CR) assessment of Aa2(cr)/Prime-1(cr) were affirmed.

The assignment of the A1 long-term deposit rating to Barclays Bank UK reflects the a3 standalone BCA and incorporates a one-notch uplift resulting from Moody's advanced Loss Given Failure (LGF) analysis. The A1 long-term deposit rating also includes one notch of government support, reflecting Moody's assessment of a moderate probability of support for Barclays Bank UK from the government of the United Kingdom (Aa2 stable), if needed.

The list of assigned ratings is available at the bottom of this press release

**RATINGS RATIONALE**

On 30 October 2017, Moody's assigned provisional deposit ratings of (P)A1/(P)Prime-1 to Barclays Bank UK, conditional on the set-up of Barclays Bank UK in line with its expectation in 2018. Barclays has obtained approvals from the UK Prudential Regulation Authority and the High Court of Justice of England and Wales on 9 March 2018, to complete the separation of its retail and business banking operations from Barclays Bank PLC (LT deposits and senior unsecured debt A1 review for downgrade, BCA baa2 review for downgrade). On 1 April 2018, the group has therefore implemented the relevant legal changes, ahead of ring-fencing regulation coming into force on 1 January 2019.

The affirmation of Barclays Bank UK's a3 BCA reflects that the set-up of Barclays' ring-fenced bank has been executed in line with Moody's expectations. Barclays Bank UK's a3 BCA reflects the bank's (1) moderate asset risk, given that its activities will focus predominantly on secured and unsecured lending to retail and small business customers, (2) robust capitalisation and adequate leverage, (3) good and stable profits from the retail and business banking activities, underpinned by the bank's strong franchise in the UK. However, Moody's considers that Barclays Bank UK holds a higher proportion of problem loans than rated peers, partly reflecting greater exposures to higher margin, unsecured retail lending. Moody's also expects that Barclays Bank UK's profitability could be challenged by the weakening operating conditions in the UK and residual conduct costs, over the next 12-18 months. The a3 BCA also incorporates Moody's assessment of Barclays Bank UK's (4) solid funding profile, owing to a large deposit base and limited reliance on wholesale funding; and, (5) adequate liquidity.

**WHAT COULD MOVE THE RATINGS UP/DOWN**

An upgrade of the bank's a3 BCA could result from a much lower asset risk, a considerable increase in profitability and liquidity. A higher BCA could then lead to a rating upgrade. An upgrade of Barclays Bank UK's long-term deposit rating could also result from a higher stock of bail-in-able liabilities that would provide higher

protection for its junior depositors.

The bank's BCA could be downgraded in the case of a deterioration in operating conditions in the UK, beyond Moody's current expectations, which would increase its asset risk and weaken profitability. Lower capitalisation or a deterioration in the bank's liquidity profile could also lead to a lower BCA. A downgrade of the BCA would likely lead to a rating downgrade. The ratings could also be downgraded in the case of a reduction in the stock of bail-in-able debt that would reduce protection for junior creditors.

#### LIST OF AFFECTED RATINGS

Issuer: Barclays Bank UK PLC

Assigned Definitive:

...LT Bank Deposits, Assigned A1 Stable from (P)A1

...ST Bank Deposits, Assigned P-1 from (P)P-1

Assignment:

...Commercial Paper, Assigned (P)P-1

Affirmations:

...Adjusted Baseline Credit Assessment, Affirmed a3

...Baseline Credit Assessment, Affirmed a3

...LT Counterparty Risk Assessment, Affirmed Aa2(cr)

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

Outlook Actions:

...Outlook, Changed To Stable From No Outlook

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in September 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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