R&I Affirms Ratings: Barclays PLC & Subsidiaries

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Barclays PLC
Issuer Rating: A-, Affirmed
Rating Outlook: Stable

ISSUER: Barclays Bank PLC
Issuer Rating: A, Affirmed
Rating Outlook: Stable

ISSUER: Barclays Securities Japan Ltd.
Issuer Rating: A, Affirmed
Rating Outlook: Stable

RATIONALE:
Barclays PLC

The Barclays Group is one of the four leading banking groups in the U.K. R&I has affirmed the ratings for Barclays PLC and Barclays Bank PLC based on, among others, risk resilience commensurate with the ratings and an ample level of liquidity. The Rating Outlooks are Stable.

In light of what R&I considers as inherent structural subordination of holding companies and other factors, the rating for Barclays PLC is one notch below the rating for Barclays Bank PLC, which directly reflects the entire group’s creditworthiness.

In 2016, the group reorganized its core businesses into two divisions: Barclays UK, which became the U.K. ring-fenced bank (RFB), and Barclays International, which became the non-ring-fenced bank (NRFB). It transferred the relevant assets of the NRFB Barclays Bank PLC to the RFB Barclays Bank UK PLC in 2018 ahead of the regulatory deadline for ring-fencing. The RFB and the NRFB will both likely have strong asset quality and ample capital and liquidity buffers, with the loan to deposit ratio (LDR) of below 100%. While Barclays Bank PLC becomes the NRFB, R&I expects the bank’s strategic importance for the group to be unchanged. Therefore, the rating for Barclays Bank PLC has continued to directly reflect the creditworthiness of the entire group, even after the implementation of ring-fencing.

In 1Q 2018, the group’s cost to income ratio was 99%, or 63%, if litigation and conduct charges are excluded. Compared with a year earlier, the ratio was flat, but operating expenses fell as a result of the closure of the Non-Core segment. The group has strategic targets of reducing operating expenses by 300 million to 600 million pounds from the end-2017 level and lowering the cost to income ratio to less than 60% by 2019.

The group’s credit cost ratio in 1Q 2018 was below the historical average, reflecting a prudent lending attitude and other factors. In the credit card business, the 90 day arrears rate as of end-March 2018 was flat at 0.9% in the U.K., but slightly increased to 1.4% in the U.S., year on year. High-risk assets in the U.S. credit card portfolio were sold in 2017, however. Moreover, the loan to value of the U.K. mortgage portfolio was in the 40-50% range in 2017, making the group less susceptible to a drop in property prices. Even so, R&I will keep an eye on the possibility that asset quality may deteriorate if the U.K. economy comes under pressure in the process of the U.K.’s exit from the European Union and this causes unemployment rates to rise and property prices to fall.

The group’s risk resilience is commensurate with the rating. A lower shareholding in Barclays Africa Group Ltd. and a reduction in Non-Core assets helped improve the risk resilience. As of end-March 2018, the Common Equity Tier 1 (CET1) capital ratio was 12.7% on an IFRS9 transitional
basis. The group expects the end point CET1 regulatory requirement to be 11.4%. It aims to maintain a management buffer of 1.5-2% above the regulatory minimum level.

The group's LDR was 84% at end-March 2018. This is roughly the same as a year earlier, suggesting that the ratio is relatively stable. The liquidity coverage ratio is high at 147%. The group's pro forma Basel net stable funding ratio is also above 100%. Liquidity concern is thus small.

Barclays Securities Japan Ltd.
Barclays Securities Japan Ltd. is the Barclays Group's securities company in Japan. It is an indirect wholly-owned subsidiary of Barclays Bank PLC and engages in investment banking operations, one of the group's main businesses. Because of its importance for the group's business strategy and other factors, the rating for Barclays Securities Japan is the same as that for Barclays Bank PLC, which reflects the creditworthiness of the entire group. The Rating Outlook is Stable.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Depository Financial Institutions", "Securities Firms", "R&I's Analytical Approach to Financial Groups" and "R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

R&I RATINGS:

ISSUER: Barclays PLC
RATING: A-, Affirmed
RATING OUTLOOK: Stable

Japanese Yen Bonds No.1
Issue Date: Sep 17, 2015
Maturity Date: Sep 14, 2018
Issue Amount (mn): JPY 14,000
RATING: A-, Affirmed

Japanese Yen Bonds No.2
Issue Date: Sep 17, 2015
Maturity Date: Sep 17, 2020
Issue Amount (mn): JPY 42,000
RATING: A-, Affirmed

Japanese Yen Flt. Rate Bonds No.1
Issue Date: Sep 17, 2015
Maturity Date: Sep 17, 2020
Issue Amount (mn): JPY 4,000
RATING: A-, Affirmed

ISSUER: Barclays Bank PLC
RATING: A, Affirmed
RATING OUTLOOK: Stable
ISSUER: Barclays Securities Japan Ltd.
RATING: A, Affirmed
RATING OUTLOOK: Stable