

RatingsDirect®

Barclays Bank PLC

Primary Credit Analyst:

Richard Barnes, London (44) 20-7176-7227; richard.barnes@spglobal.com

Secondary Contact:

Nigel Greenwood, London (44) 20-7176-1066; nigel.greenwood@spglobal.com

Table Of Contents

Major Rating Factors

Outlook

Rationale

Related Criteria

Related Research

Barclays Bank PLC

Major Rating Factors

Global Scale Ratings

Issuer Credit Rating

A/Negative/A-1

Resolution Counterparty Rating

A+/-/A-1

Strengths:

- Core subsidiary of the Barclays group.
- Leading market positions in corporate and investment banking and international consumer, cards, and payments businesses.
- Strong growth in year-to-date trading revenue due to booming client flows triggered by the COVID-19 pandemic.

Weaknesses:

- Significant hit to asset quality from the sharp recession resulting from the pandemic.
- Uneven performance track record.
- Concentration in higher risk businesses prone to earnings volatility, including investment banking and consumer finance.

Outlook

S&P Global Ratings' negative outlook on Barclays Bank PLC (BBPLC) mirrors that on parent Barclays PLC (Barclays). It reflects increased downside risks to asset quality and earnings from the economic and market impact of the COVID-19 pandemic. Although we view positively Barclays' significant revenue diversity, robust balance sheet profile, and the unprecedented fiscal and monetary response, a deep and extended economic downturn could result in sustained earnings pressures over our two-year outlook horizon.

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

Downside scenario

There is headroom at the current rating level to withstand a marked deterioration in earnings. Nevertheless, we could lower the ratings on Barclays and BBPLC if we think the adverse economic environment is likely to result in a prolonged weakening of Barclays' asset quality, profitability, and capitalization. The likely trigger for us to consider a downgrade is a lowering of our Banking Industry Country Risk Assessments for the U.K. or U.S., which are Barclays' principal markets. In that scenario, we would consider the extent to which Barclays' intrinsic strengths may mitigate the adverse economic conditions in comparison with domestic and international peers.

We could lower the ratings on BBPLC independently of a rating action on Barclays if we saw BBPLC becoming less integral to the parent's strategy, which is not a likely scenario.

Upside scenario

We could revise the outlook on Barclays and BBPLC to stable if Barclays' earnings and balance sheet demonstrate resilience relative to similarly rated peers.

Rationale

We view U.K.-incorporated BBPLC as a core subsidiary of Barclays due to its significant contributions to the group's financials and strategy. We therefore position our long-term issuer credit rating on BBPLC in line with the 'a' group credit profile on Barclays, which includes a two-notch uplift for additional loss-absorbing capacity, and we do not assign a stand-alone credit profile to BBPLC.

BBPLC is Barclays' non-ring-fenced bank and largest operating entity. The U.K. ring-fencing regime is intended to protect critical banking functions and therefore group support for the non-ring-fenced bank, at the margin, may be lower than for the ring-fenced bank. However, we do not see a material distinction and BBPLC's scale means it is critical to Barclays' overall success. On a consolidated basis, BBPLC accounted for 74% of the group's total income in the first half of 2020, and 82% of total equity at June 30, 2020. Jes Staley is CEO of both Barclays and BBPLC, illustrating the latter's integral role within the group. The rating peers are other U.K. non-ring-fenced banks including

HSBC Bank plc and NatWest Markets Plc, and international banks with a significant focus on investment banking.

BBPLC's business profile is dominated by its corporate and investment bank (CIB) division, which is a leading competitor serving a broad range of products and clients. Consumer, cards, and payments (CC&P), the bank's other division, includes U.S. and German credit card portfolios, U.K.-focused payments business, and private banking. We see this business profile as prone to earnings volatility in stressed economic and market conditions, although BBPLC's results for the first-half of 2020 showed inverse correlation between the performance of CIB and CC&P.

According to its interim results announcement, BBPLC's pretax earnings fell 12% year-on-year to £1.5 billion in the first half of 2020. This was a resilient outcome in the context of the severe economic shock triggered by COVID-19, which caused a significant increase in credit impairment charges across the bank. CIB's pretax earnings increased by 52% due to highly favorable market conditions for its trading and origination businesses. In contrast, CC&P fell to a £0.5 billion loss because its revenue was squeezed by lower credit card balances and continued margin compression.

We think that BBPLC has been proactive in recognizing expected losses on its loan portfolio. Its impairment charges should steadily moderate as economic activity rebuilds, but a deeper recession or delayed recovery could prompt further material provisioning. BBPLC had £156 billion gross loans at amortized cost at June 30, 2020, of which 3.4% were classified as stage 3 and 28.5% as stage 2. The latter ratio is high relative to peers and partly reflects a comparatively low threshold for determining a significant increase in credit risk. As a result, 90% of stage 2 exposures at June 30, 2020, were not past due. We expect stage 3 and past-due stage 2 balances will increase as borrowers' cash flows remain under pressure and governments begin to taper fiscal measures.

Although BBPLC 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 liquidity coverage ratio for its domestic liquidity subgroup improved to 166% at June 30, 2020, since strong deposit inflows were reinvested in liquid assets. The solo-consolidated common equity Tier 1 ratio increased to 14.3% at June 30, 2020, and International Financial Reporting Standard 9 transitional relief provided a 50-basis-point benefit.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And

Assumptions, July 17, 2013

- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- European Investment Banks Face A Continued Fight To Remain Competitive, Sept. 28, 2020
- Barclays PLC, July 7, 2020
- COVID-19 Effects Might Quadruple U.K. Bank Credit Losses In 2020, May 4, 2020
- United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable, April 24, 2020
- Outlooks Revised On Six U.K. Banks On Deepening COVID-19 Downside Risks, April 23, 2020

Ratings Detail (As Of October 6, 2020)*

Barclays Bank PLC

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/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	BB+
Junior Subordinated	BBB-
Preference Stock	BB
Resolution Counterparty Liability	A+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BB+
Subordinated	BBB-

Issuer Credit Ratings History

23-Apr-2020	A/Negative/A-1
15-Nov-2017	A/Stable/A-1
17-Oct-2017	A/Negative/A-1
07-Jul-2016	A-/Negative/A-2

Sovereign Rating

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

Ratings Detail (As Of October 6, 2020)*(cont.)

Related Entities**Barclays Bank Ireland PLC**

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1

Barclays Bank Ireland PLC (Milan Branch)

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1

Barclays Bank Ireland PLC, Sucursal en Espana (Madrid Branch)

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1

Barclays Bank Mexico S.A.

Issuer Credit Rating	
<i>CaVal (Mexico) National Scale</i>	mxAAA/Negative/mxA-1+

Barclays Bank PLC (Cayman Branch)

Commercial Paper	A-1
------------------	-----

Barclays Bank PLC (New York Branch)

Commercial Paper	A-1
------------------	-----

Barclays Bank UK PLC

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/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/Negative/A-1
Resolution Counterparty Rating	A/-/A-1

Barclays Capital Luxembourg

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1

Barclays Capital Trading Luxembourg

Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/-/A-1

Barclays Execution Services Ltd.

Issuer Credit Rating	A/Negative/A-1
----------------------	----------------

Barclays PLC

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

BARCLAYS US CCP FUNDING LLC

Commercial Paper	
<i>Foreign Currency</i>	A-1

Ratings Detail (As Of October 6, 2020)*(cont.)

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.

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.