

Barclays Bank PLC

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Credit Highlights

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Issuer Credit Rating

A+ / Stable / A-1

Resolution Counterparty Rating

AA- / -- / A-1+

Overview

Key strengths	Key risks
Core subsidiary of the Barclays group.	Uneven global economic environment will pressure asset quality and revenue.
Good market positions in international wholesale and consumer businesses.	Focus on businesses prone to earnings volatility.
Well-diversified investment banking franchise.	Inherent risks and opacity in investment bank activities.

S&P Global Ratings assesses Barclays Bank PLC (BB) as a core subsidiary of parent Barclays PLC (Barclays). BB has an integral role in the parent's strategy, material contribution to the group's capital base and financial performance, and a strong link to the group's brand and reputation. We therefore align our long-term issuer credit rating on BB with the 'a+' group credit profile, which includes two notches of uplift for additional loss-absorbing capacity (ALAC). We do not assess a stand-alone credit profile (SACP) for BB.

BB is Barclays' non-ring-fenced bank and largest operating entity. The U.K. ring-fencing regime is intended to protect critical banking functions. Therefore, group support for the non-ring-fenced bank, at the margin, could be lower than for the ring-fenced bank. However, BB's scale and centrality in group strategy mean it is critical to Barclays' overall success. For example, on a consolidated basis, BB accounted for 73% of the group's total income by half-year 2023, and 85% of total equity. As such, we do not see material barriers to group support for BB.

BB houses Barclays' investment bank. BB's business profile is dominated by its corporate and investment bank (CIB) division, which is a leading global 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 a degree of earnings volatility in stressed economic and market conditions.

A diverse business model and higher-for-longer interest rates will support BB's earnings. Although we see the business model as carrying some through-the-cycle volatility, BB's results have been supported in 2023 by its diversification. For example, weak market performance and sluggish advisory fees have been propped up by strong growth in its transaction banking and CC&P earnings. The latter was driven by the favorable year-on-year effects of the onboarding of the Gap card portfolio, which supports average credit card balances. Results have also been supported by the shift of the group's wealth management and investments (WM&I) activities into BB from Barclays Bank UK PLC. The acquisition of the platform brought about £28 billion of invested assets, and ties in well with the group's broader private

banking strategy. In sum, BB's half-year 2023 revenue was down 2% on the prior year. We expect underlying earnings growth in 2023 to be mixed, with limited market volatility and advisory activity throughout the year offset by elevated CC&P, private bank, and transaction banking income.

BB reports relatively high stage 2 balances. BB's stage 2 loans represented 10% of the total portfolio at half-year 2023, the vast majority of which are fully performing. We expect stage 3 and past-due stage 2 balances will increase moderately in the next 12 months as pressure on households and corporate rises amid weaker economic growth, persistent inflationary pressures, and heightened interest rates. We think that BB's provisions anticipate this scenario, but that credit losses will rise in the next 12-24 months as loan performance weakens against a testing macroeconomic backdrop.

BB faces material market and operational risks. The CIB division engages heavily in derivatives and other traded products, resulting in material market, counterparty, and operational risks. Conduct and litigation charges have been a burden on BB's earnings, even before those related to the over-issuance of securities in the U.S.

BB reports solid capital, funding, and liquidity metrics. Although BB 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 trailing 12-month average liquidity coverage ratio for its liquidity subgroup was 148% as of third-quarter 2023, with a consistent liquidity position reflecting significant excess deposits on the balance sheet and cautiously allocated liquid assets. The solo-consolidated common equity Tier 1 ratio stood at 12.6%.

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

Outlook

The stable outlook on BB mirrors that on Barclays (BBB+/Stable/A-2). It reflects our view that Barclays' ratings profile will 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 BB will move in tandem with those on Barclays so long as we continue to view BB as a core subsidiary of the group.

Upside scenario

A further upgrade is unlikely in the next 24 months. We could raise the long-term issuer credit ratings on Barclays and BB during our two-year outlook horizon if Barclays demonstrates exceptional asset quality and risk management, and if its risk-adjusted capital ratio moves above 15% on a sustained basis. We view this scenario 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, BB, and related entities.

Downside scenario

We could lower the ratings on Barclays and BB if Barclays' performance weakens materially, whether as a consequence of significant adverse credit, market, or operational risk events, or broader macroeconomic pressures that weaken Barclays' asset quality and earnings materially. A sustained weakening in its funding and liquidity would also likely precipitate a negative rating action.

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

Key Statistics

Table 1

Barclays Bank PLC--Key Figures					
	--Year-ended Dec. 31--				
(Mil. £)	2023*	2022	2021	2020	2019
Adjusted assets	1,245,105	1,201,872	1,060,329	1,058,577	875,460
Customer loans (gross)	187,068	150,063	120,513	115,167	124,711
Adjusted common equity	52,089	52,796	45,261	42,336	40,568
Operating revenues	9,806	18,197	15,412	15,785	14,208
Noninterest expenses	5,952	10,971	9,885	9,383	9,718
Core earnings	2,635	5,635	4,871	2,369	2,896

*Data as of June 30.

Table 2

Barclays Bank PLC--Business Position					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Total revenues from business line (mil. £)	9,806	18,198	15,412	15,911	14,296
Commercial banking/total revenues from business line	75.1	75.4	80.9	79.3	70.8
Retail banking/total revenues from business line	27.0	25	21.7	22.7	31.5
Commercial & retail banking/total revenues from business line	101.6	100.4	102.6	102	102.3
Other revenues/total revenues from business line	(1.6)	(0.4)	(2.6)	(2.0)	(2.3)
Return on average common equity	11.0	9.2	10.3	5.5	6.6

*Data as of June 30.

Table 3

Barclays Bank PLC--Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Tier 1 capital ratio	16.9	16.7	17.6	18.1	18.1
Adjusted common equity/total adjusted capital	82.2	84.3	82.4	83.1	83
Double leverage	N.M.	36.7	36.2	34.8	34.9
Net interest income/operating revenues	31.8	29.7	19.9	20	27.5
Fee income/operating revenues	28.6	29.8	42.7	35.9	39.9
Market-sensitive income/operating revenues	39.2	40.1	37	44.1	31.6
Cost to income ratio	60.1	60.3	64.1	59.4	68.4
Preprovision operating income/average assets	0.6	0.6	0.5	0.7	0.5
Core earnings/average managed assets	0.4	0.5	0.5	0.2	0.3

*Data as of June 30. N.M.--Not Meaningful.

Table 4

Barclays Bank PLC--Risk Position					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Growth in customer loans	24.7	24.5	4.6	(7.7)	(3.1)
Total managed assets/adjusted common equity (x)	23.9	22.8	23.5	25.0	21.6
New loan loss provisions/average customer loans	0.8	0.7	(0.2)	2.8	0.9
Net charge-offs/average customer loans	0.5	0.7	1.0	(0.1)	1.0
Gross nonperforming assets/customer loans + other real estate owned	1.9	2.4	2.8	4.4	3.5
Loan loss reserves/gross nonperforming assets	108.3	107.0	104.5	99.0	85.0

*Data as of June 30.

Table 5

Barclays Bank PLC--Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Core deposits/funding base	30.4	32.2	33.1	32.6	33.1

Table 5

Barclays Bank PLC--Funding And Liquidity (cont.)					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Customer loans (net)/customer deposits	65.2	53.9	47.8	48.4	61.8
Long-term funding ratio	45.5	47.3	48.6	47.6	51.3
Stable funding ratio	70.9	76.0	76.6	76.3	78.1
Short-term wholesale funding/funding base	57.9	56.3	55.3	56.3	52.8
Broad liquid assets/short-term wholesale funding (x)	0.7	0.8	0.8	0.8	0.8
Broad liquid assets/total assets	29.5	29.6	29.1	28.4	27.4
Broad liquid assets/customer deposits	130.9	131.3	126.3	132.6	122.7
Net broad liquid assets/short-term customer deposits	(60.2)	(44.2)	(41.2)	(41.0)	(37.3)
Short-term wholesale funding/total wholesale funding	81.7	81.5	81.0	82.0	77.3

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

Related Criteria

- 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
- 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
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook U.K. Q4 2023: High Rates Keep Growth Muted, Sept. 25, 2023
- As Their Funding Evolves, U.K. Banks Have Flexibility, Sept. 14, 2023
- U.K. Banks Enjoy Another Strong Half Year As Margins Peak, Aug. 24, 2023
- Barclays PLC, June 30, 2023
- U.K. Banks Compete Strongly As Rates Climb, June 16, 2023
- U.K. Bank Credit Losses Will Rise Modestly To £5.2 Billion In 2023 As Marginal Borrowers Feel The Strain, April 26, 2023

- U.K. Bank Credit Losses Will Rise Modestly To £5.2 Billion In 2023 As Marginal Borrowers Feel The Strain, April 26, 2023

Ratings Detail (As Of November 24, 2023)*	
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-
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB
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+
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+
Barclays Bank PLC (Cayman Branch)	
Commercial Paper	A-1

Ratings Detail (As Of November 24, 2023)*(cont.)

Barclays Bank PLC (New York Branch)

Commercial Paper A-1

Barclays Bank UK PLC

Issuer Credit Rating A+/Stable/A-1

Resolution Counterparty Rating AA-/--/A-1+

Commercial Paper A-1

Senior Unsecured A+

Short-Term Debt A-1

Barclays Capital Inc.

Issuer Credit Rating A+/Stable/A-1

Resolution Counterparty Rating A+/--/A-1

Commercial Paper

Local Currency A-1**Barclays Capital Luxembourg**

Issuer Credit Rating A+/Stable/A-1

Resolution Counterparty Rating AA-/--/A-1+

Barclays Capital Trading Luxembourg

Issuer Credit Rating A+/Stable/A-1

Resolution Counterparty Rating AA-/--/A-1+

Barclays Execution Services Ltd.

Issuer Credit Rating A+/Stable/A-1

Barclays PLC

Issuer Credit Rating BBB+/Stable/A-2

Commercial Paper A-2

Junior Subordinated BB-

Senior Unsecured BBB+

Subordinated BBB-

BARCLAYS US CCP FUNDING LLC

Resolution Counterparty Liability A-1+

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.

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