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## Barclays Bank UK PLC

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# Barclays Bank UK PLC

## Credit Highlights

### Global Scale Ratings

#### Issuer Credit Rating

A+/Stable/A-1

#### Resolution Counterparty Rating

AA-/--/A-1+

### Overview

Key strengths	Key risks
Core subsidiary of the Barclays group.	The weak U.K. economy looks set to gradually erode asset quality.
Solid market position across U.K. retail and business banking, with elevated interest rates supporting earnings	Concentrated exposure to the U.K., including a material unsecured consumer credit portfolio.
Defensively positioned lending book supports asset quality.	

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

**BBUK is Barclays' domestic ring-fenced bank.** It operates in retail and business banking across the U.K. and is one of the traditional "big four" players alongside HSBC UK Bank PLC, Lloyds Bank PLC, and National Westminster Bank PLC. In first-half 2023, BBUK contributed 30% of Barclays' total income, and 22% of group equity.

**Interest rates have been a tailwind for earnings, although the benefit is set to diminish.** BBUK's preprovision earnings rose 45% to £1,737 million in first-half 2023 compared with first-half 2022, with an increase in its impairment charge more than offset by the benefits from rising interest rates. In the third quarter, the group reported the net interest margin in its U.K. reporting segment (which is not an exact equivalent to BBUK, but is broadly comparable) had contracted sharply to 3.04% from 3.22% on a sequential basis as deposit migration and customer churn accelerated meaningfully in the quarter. To this end, we anticipate that the bank's net interest margin will taper further in fourth-quarter 2023 and into 2024 as deposits continue to migrate to higher interest rates. Nonetheless, we expect earnings to remain strong in 2024 led by elevated net interest income, good cost discipline, and controllable asset quality. Indeed, BBUK's asset quality has been strong thus far in 2023 amid difficult domestic economic conditions, with the bank reporting an S&P Global Ratings-adjusted impairment rate of 21 basis points (bps). We expect this resilience to continue in 2024, serving as an incremental support to earnings as income tailwinds look set to slow.

**BBUK has a diversified loan portfolio.** Residential mortgages represented 74% of BBUK's gross loans at half-year 2023, and we see this portfolio as defensively positioned relative to those of peers. Consumer credit (7% of gross loans) and corporate lending (20%) are the main determinants of impairment charges.

**BBUK's asset quality remains strong, consistent with U.K. peers'. At June 30, 2023, BBUK reported stage 3 balances of 1.4% of gross loans, a level broadly consistent with that of U.K. peers. Stage 2 balances are higher, at about 11% of lending, but almost all these exposures are fully performing. BBUK's staging and provision coverage is prudent and anticipates deteriorating asset quality due to a worsening economy.**

**BBUK reports solid capital, funding, and liquidity metrics.** At the half year, the loan-to-deposit ratio was 82%. Excess deposits have kept the ratio consistently below the pre-pandemic level of above 90%. This is likely to normalize as the Bank of England continues to tighten monetary policy, and retail and commercial deposits slowly taper after years of successive growth. The liquidity coverage ratio was 175% and the 14.9% common equity Tier 1 ratio stood comfortably above the regulatory requirement.

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

## Outlook

The stable outlook on BBUK 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 BBUK will move in tandem with those on Barclays so long as we continue to view BBUK as a core subsidiary of the group.

### Upside scenario

An upgrade is unlikely in the next 24 months. We could raise the long-term issuer credit ratings on Barclays and BBUK 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, BBUK, and related entities.

### Downside scenario

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

## Key Statistics

**Table 1**

Barclays Bank UK PLC Key Figures					
	--Year-ended Dec. 31--				
(Mil. £)	2023*	2022	2021	2020	2019
Adjusted assets	299,635	308,651	316,169	283,971	254,868
Customer loans (gross)	205,952	204,990	208,546	204,876	194,981
Adjusted common equity	10,958	10,859	10,606	10,421	9,980
Operating revenues	3,997	7,397	6,482	6,424	7,322
Noninterest expenses	2,260	4,498	4,638	4,568	4,342
Core earnings	1,092	1,700	1,741	N/A	373

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

**Table 2**

Barclays Bank UK PLC Business Position					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Total revenues from business line (mil. £)	3,997	7,397	6,483	6,440	7,322
Commercial banking/total revenues from business line	23.7	22	21.6	20.3	18.6
Retail banking/total revenues from business line	75.8	78.3	81	80.4	83.4
Commercial & retail banking/total revenues from business line	99.5	100.4	102.6	100.7	102
Trading and sales income/total revenues from business line	N/A	N/A	N/A	N/A	N/A
Other revenues/total revenues from business line	0.53	(0.4)	(2.6)	(0.7)	(2.0)
Return on average common equity	15.7	11.8	11.6	1.4	0

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

**Table 3**

Barclays Bank UK PLC Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Tier 1 capital ratio	18.3	18.2	18.8	19.2	16.9
Adjusted common equity/total adjusted capital	81.9	80.9	80.6	80.3	79.6
Net interest income/operating revenues	84	76.3	77.2	80.6	79.3
Fee income/operating revenues	16	18.5	19.2	16.6	17.8
Market-sensitive income/operating revenues	N/A	N/A	3.4	2.5	2.8
Cost to income ratio	56.5	60.8	71.6	71.1	59.3
Preprovision operating income/average assets	1.1	0.9	0.6	0.7	1.2
Core earnings/average managed assets	0.7	0.5	0.6	N/A	0.1

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

**Table 4**

(%)	--Year-ended Dec. 31--				
	2023*	2022	2021	2020	2019
Growth in customer loans	0.5	-1.7	1.8	5.1	2.4
Total managed assets/adjusted common equity (x)	27.7	28.8	30.1	27.6	25.9
New loan loss provisions/average customer loans	0.2	0.1	-0.2	0.7	0.4
Net charge-offs/average customer loans	0.2	0.3	0.3	0.3	0.3
Gross nonperforming assets/customer loans + other real estate owned	1.5	1.7	1.8	1.9	1.8
Loan loss reserves/gross nonperforming assets	54.1	49.1	56.6	82.6	73

\*Data as of June 30.

**Table 5**

(%)	--Year-ended Dec. 31--				
	2023*	2022	2021	2020	2019
Core deposits/funding base	88.7	88	87.1	90	86.6
Customer loans (net)/customer deposits	81.8	78.8	79.2	83.9	93.6
Long-term funding ratio	92.0	91.9	91.7	95.8	93
Stable funding ratio	115.1	121.1	123.8	118.9	108.5
Short-term wholesale funding/funding base	8.4	8.4	8.7	4.4	7.4
Broad liquid assets/short-term wholesale funding (x)	2.9	3.2	3.3	5.1	2.5
Broad liquid assets/total assets	22.1	25.4	27	21.1	16.8
Broad liquid assets/customer deposits	26.9	30.7	33.2	25.2	21.1
Net broad liquid assets/short-term customer deposits	17.7	21.4	23.4	20.5	12.8
Regulatory liquidity coverage ratio (LCR) (x)	175	183	204	N/A	N/A
Short-term wholesale funding/total wholesale funding	68.8	65.3	63.2	40.5	50.8

\*Data as of June 30.

N/A--Not applicable.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017

- Criteria | Structured Finance | Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria | Structured Finance | Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- 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

### Ratings Detail (As Of November 24, 2023)\*

#### 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

#### 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+
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#### 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+

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

**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

*CaVal (Mexico) National Scale* mxAAA/Stable/mxA-1+**Barclays Bank PLC**

Issuer Credit Rating A+/Stable/A-1

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

Certificate Of Deposit

*Foreign Currency* A+/A-1/A-1

Commercial Paper

*Local Currency* A-1

Junior Subordinated BB+

Junior Subordinated BBB

Junior Subordinated BBB-

Preference Stock BB+

Resolution Counterparty Liability A-1+

Resolution Counterparty Liability AA-

Senior Secured AA-

Senior Unsecured A+

Short-Term Debt A-1

Short-Term Secured Debt A-1+

Subordinated BBB

**Barclays Bank PLC (Cayman Branch)**

Commercial Paper A-1

**Barclays Bank PLC (New York Branch)**

Commercial Paper 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

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

Commercial Paper	A-2
Junior Subordinated	BB-
Senior Unsecured	BBB+
Subordinated	BBB-
<b>BARCLAYS US CCP FUNDING LLC</b>	
Resolution Counterparty Liability	A-1+
<b>Barclays US Funding LLC</b>	
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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