

## CREDIT OPINION

1 December 2023

Update



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### RATINGS

#### Barclays Bank PLC

Domicile	London, United Kingdom
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Barclays Bank PLC

### Update to credit analysis

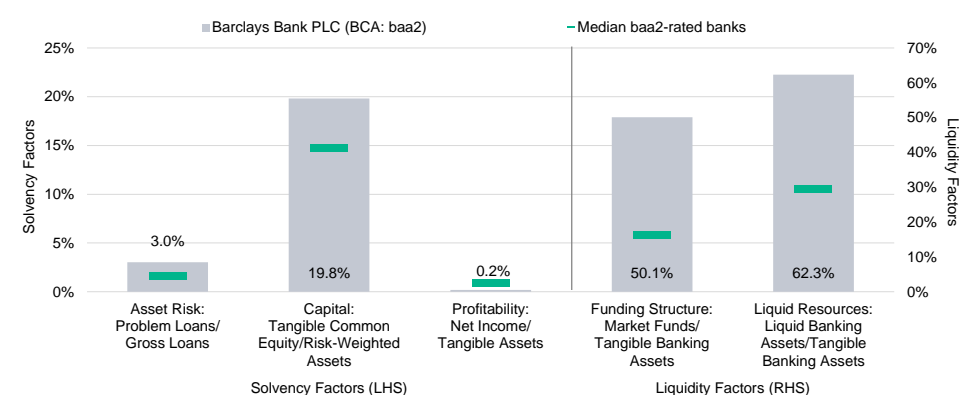
#### Summary

[Barclays Bank PLC's](#) (Barclays Bank) long-term deposit and senior unsecured debt ratings of A1, with a stable outlook, reflect the bank's standalone creditworthiness, illustrated by a baa2 Baseline Credit Assessment (BCA); our assessment of a high probability of support coming from the holding company [Barclays PLC](#) (Barclays, Baa1 stable, baa1<sup>1</sup>), which results in a one-notch uplift to an adjusted BCA of baa1; very low loss given failure under our Advanced Loss Given Failure (LGF) analysis and our assessment, which results in a three-notch uplift; and moderate probability of support from the [Government of the UK](#) (Aa3 stable), which does not result in any uplift.

Barclays Bank's baa2 BCA reflects the bank's robust risk management, good risk-weighted capitalisation, improving profitability and strong liquidity, but also market and operational risks arising from its significant exposure to capital markets activities, and high reliance on confidence-sensitive wholesale funding.

#### Exhibit 1

#### Rating scorecard - Key financial ratios As of 30 June 2023



Ratios are from Moody's banking scorecard. The capital ratio is as of the most recent period; the asset risk and profitability ratios are the worse of the most recent year-to-date period or the average of the last three years and the most recent year-to-date; the funding structure and liquid resources ratios are as of the most recent year-end.

Source: Company filings, Moody's Investors Service

## Credit strengths

- » Good credit quality and robust risk management
- » Good risk-weighted capitalisation
- » Improving profitability
- » Strong liquidity

## Credit challenges

- » High reliance on inherently more volatile capital markets revenue
- » Weak leverage
- » High exposure to more confidence-sensitive wholesale funding

## Outlook

The outlooks on Barclays Bank's long-term deposit and senior unsecured debt ratings are stable.

The stable outlooks reflect our expectation of a broad stability in the solvency and liquidity metrics, despite a weak macroeconomic environment.

## Factors that could lead to an upgrade

Barclays Bank's long-term deposit and senior unsecured debt ratings could be upgraded following an upgrade of Barclays Bank's Adjusted BCA. Additional issuance of bail-in-able debt to the group or to the market, or a larger stock of junior deposits would not result in further uplift to Barclays Bank's long-term deposit and senior unsecured debt ratings, because they already benefit from the maximum three-notch uplift that Moody's can assign under its Advanced LGF analysis. An upgrade of the UK's sovereign debt rating could also lead to an upgrade of Barclays Bank's long-term deposit and senior unsecured debt ratings.

Barclays Bank's Adjusted BCA could be upgraded following an upgrade of the bank's BCA and an upgrade of Barclays' notional BCA. An upgrade of Barclays Bank's BCA would not result in an upgrade of the bank's Adjusted BCA absent an upgrade of Barclays' notional BCA. Barclays Bank's BCA could be upgraded if the bank materially improved its profitability, while maintaining strong capital and liquidity and without increasing its risk appetite.

## Factors that could lead to a downgrade

Barclays Bank's long-term deposit and senior unsecured debt ratings could be downgraded following a downgrade of the bank's Adjusted BCA and a material reduction in the stock of deposits or bail-in-able debt. Barclays Bank's Adjusted BCA could be downgraded following a material deterioration of profitability, a reduction in capitalisation, an increase in risk appetite, or a downgrade of Barclays' notional BCA.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Barclays Bank PLC (Consolidated Financials) [1]

	06-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (GBP Billion)	973.9	893.1	785.3	732.2	631.8	13.2 <sup>4</sup>
Total Assets (USD Billion)	1,238.2	1,074.4	1,059.9	1,000.9	836.9	11.8 <sup>4</sup>
Tangible Common Equity (GBP Billion)	52.6	53.0	46.9	43.5	52.0	0.3 <sup>4</sup>
Tangible Common Equity (USD Billion)	66.8	63.8	63.3	59.4	68.9	(0.9) <sup>4</sup>
Problem Loans / Gross Loans (%)	2.5	2.4	2.8	4.4	3.5	3.1 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	19.8	20.1	19.3	18.6	32.8	22.1 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.3	6.3	6.6	10.5	7.8	7.5 <sup>5</sup>
Net Interest Margin (%)	0.6	0.6	0.3	0.3	0.6	0.5 <sup>5</sup>
PPI / Average RWA (%)	2.5	2.1	2.0	2.9	2.6	2.4 <sup>6</sup>
Net Income / Tangible Assets (%)	0.4	-0.7	0.5	0.5	0.8	0.3 <sup>5</sup>
Cost / Income Ratio (%)	64.5	71.6	67.8	63.0	69.9	67.4 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	52.9	50.1	50.2	50.3	47.7	50.3 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	61.7	62.3	66.2	67.3	69.5	65.4 <sup>5</sup>
Gross Loans / Due to Customers (%)	50.3	55.3	49.2	50.7	54.2	51.9 <sup>5</sup>

[–] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

## Profile

Barclays Bank is the non ring-fenced bank of the Barclays group, accounting for around 80% of the group's total assets, following the transfer of the group's UK retail and small business banking operations to [Barclays Bank UK PLC](#) (A1 stable, a3) in 2018.

The bank houses the group's corporate and investment banking activities together with other non-capital markets activities including payments, wealth management, and international consumer and cards activities. The bulk of the bank's operations are split between the group's key markets of the UK and US but it also has a presence in continental Europe and other major global financial centres. Barclays Bank operates with its EEA clients and customers through its Irish subsidiary Barclays Bank Ireland PLC.

## Detailed credit considerations

### Barclays is predominantly exposed to the US, UK and EU

We assign a Strong+ Macro Profile to Barclays Bank, reflecting its large exposure to the [US \(Very Strong-\)](#), the [UK \(Strong+\)](#) and the EU (Strong).

### Risks from capital market activities, adding opacity and complexity, but improving credit quality

Our baa2 Asset Risk score incorporates Barclays Bank's strong credit quality, but also the risks associated with the bank's capital markets activities, which are not incorporated in the scorecard's historical ratio.

Capital markets activities are sensitive to market conditions, resulting in inherent earnings volatility and the tail risk of significant one-off losses. Capital markets activities are also more opaque than traditional retail and commercial banking operations. This, combined with Barclays Bank's complex legal structure and multinational footprint, makes reporting and oversight more difficult. We reflect these risks in a one-notch downward adjustment for Opacity and Complexity in the qualitative section of Barclays Bank's BCA scorecard; we apply the same adjustment to other banks with large investment banking and capital markets operations. At the same time, we believe that Barclays Bank's risk management is robust; for example, unlike some its peers, Barclays Bank avoided the risks related to the downfall of Archegos and Greensill.

Credit quality remains solid for Barclays Bank. The bank reported a level of problem loans equivalent to 2.5% of gross loans; around 36% of Barclays Bank's problem loans come from credit cards, and another 33% of problem loans are related to corporate loans. In line with the recent macroeconomic development<sup>2</sup>, Stage 2 loans increased to 10% of gross loans at the end of June 2023 from 8% at the

end of June 2022. The coverage ratios of Stage 3 wholesale loans declined to 28.6% at 30 June 2023 from 31.3% year-end 2022, and the coverage ratios of Stage 3 card loans remained elevated at 80% at the end of June 2023 (year-end 2022: 72.5%).

### **Good risk-weighted capitalisation, weak leverage**

We assign an aa3 Capital score for Barclays Bank, two notches below the Macro Adjusted score.

Our assigned score reflects our view on the bank's consolidated capital position, our expectation that capitalisation will modestly reduce in line with the group's target, and weak leverage.

Barclays Bank reports an unconsolidated Common Equity Tier 1 ratio of 12.5% as of 30 June 2023, and a leverage ratio, calculated according to the policy statement of the Bank of England's Prudential Regulation Authority (UK leverage ratio), of 5.9%.

### **Income will decrease from exceptional levels, offset by lower litigation and conduct costs**

We assign a Profitability score of baa3, reflecting our expectation on Barclays Bank's return on tangible assets.

In first half of 2023, Barclays Bank profit after tax increased by 20% to £3.1 billion from £2.6 billion in the first half year of 2022 driven by growth within both CIB (Corporate and Investment Bank) and CC&P (Consumer, Cards and Payments) revenues and partially offset by loss in Head Office. Excluding the impact from prior year hedging arrangements related to the over-issuance of securities, revenues grew by 6% in the first half of 2023 compared to the same period a year ago.

We believe that Barclays Bank's income from capital markets and investment banking will likely decrease after the exceptional 2021 and 2022, and credit costs will be higher (in particular for credit cards). These trends will be however offset by the likely absence of large extraordinary charges that Barclays Bank booked in recent years, and because earnings from corporate and transaction banking, and international credit cards and consumer lending will improve as macroeconomic conditions stabilise and while interest rates remain higher.

### **Solid liquidity mitigates high reliance on confidence-sensitive market funding**

We assign a ba1 Combined Liquidity Score to Barclays Bank, reflecting high reliance on confidence-sensitive capital markets funding but also strong liquidity.

We assign a b3 Funding Structure score, in line with the Macro Adjusted score to reflect the higher proportion of non-operational deposits compared with traditional commercial banks. As of June 2023, Barclays Bank's market funding was 50.1% of the bank's tangible banking assets (the threshold between Macro Adjusted scores of b1 and b3 is 50%), which is high but it also reflects Barclays Bank's business model. As a partially mitigating factor, among market funds Barclays Bank has a portion of bail-in-able liabilities issued to the holding company, which have a moderate maturity, and a good degree of diversification by investor type and currency.

Liquidity is a key credit strength for Barclays Bank; the quantity and quality of Barclays Bank liquid assets is higher than that of many of its peers, and we believe that the bank has a conservative liquidity risk management framework. We assign an aa3 score for Liquid Resources, one notch below the Macro Adjusted score to reflect the encumbrance of some assets that we classify as liquid in our metrics.

Barclays Bank has a sizeable pool of liquid assets, which at the end of June 2023 accounted for 62.3% of the bank's tangible banking assets. The bank's liquidity coverage ratio (LCR) was strong at 155% as of June 2023. Deposits are well in excess of the customer loan book, as indicated by the 50% loan-to-deposit ratio that we calculate as of June 2023.

## ESG considerations

### Barclays Bank PLC's ESG credit impact score is CIS-3

Exhibit 3

#### ESG credit impact score

# CIS-3



ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Investors Service

Barclays Bank's **CIS-3** indicates limited impact of ESG considerations on the ratings to date, with the overall assessment largely reflecting our industry view of the opacity, complexity and tail risks inherent to capital market activities captured under our governance assessment. The bank's track record in managing these risks and its strong financial fundamentals are important mitigating factors to this exposure.

Exhibit 4

#### ESG issuer profile scores

ENVIRONMENTAL

## E-3



SOCIAL

## S-4



GOVERNANCE

## G-3



Source: Moody's Investors Service

### Environmental

Barclays Bank faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk. In line with peers, it is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, the entire Barclays group continues to develop its comprehensive risk management and climate risk reporting frameworks, including its BlueTrack climate methodology built in 2020.

### Social

Barclays Bank faces high social risks from customer relations (regulatory risk, litigation exposure and high compliance standards). The bank also faces social risks related to potential competition from technological firms; as for all banks, cybersecurity risk and the financial and reputational implications of data breaches are high. The design of complex, opaque or speculative financial products for institutional clients, which reflects Barclays Bank' business model, increases exposure to the potential for reputational risk and litigation as for all the other global investment banks.

### Governance

Barclays Bank has strong corporate governance practices, and prudent capital, liquidity and risk management policies and procedures. However, the opacity and complexity of capital market activities, which account for the majority of the bank's revenue, exposes the firm to tail risks. Barclays Bank is effectively controlled by Barclays PLC, which fully owns it. Therefore, we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given the bank's strategic importance and public affiliation with

the group, the parent's oversight of its subsidiary board and the regulated nature of both entities. Six out of the current nine Board members of Barclays Bank are independent non-executive directors (the others are the Chair, the Group CEO and the Group CFO).

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Affiliate support considerations

We expect a high probability of support from Barclays, leading to a one-notch uplift of the BCA to an adjusted BCA of baa1.

Our assessment reflects the strong willingness to support Barclays Bank's activities, balanced against limited resources in the rest of the group and limitations related to the ring-fencing legislation.

### Loss Given Failure (LGF) analysis

Barclays Bank is subject to the UK's implementation of the European Union's (EU) Bank Recovery and Resolution Directive, which we consider an operational resolution regime.

We apply our advanced Loss Given Failure (LGF) analysis to Barclays Bank, taking into account the bank's consolidated tangible assets and the externally issued debt and deposits of Barclays Bank and its non-UK subsidiaries. Our approach reflects the fact that the main material subsidiaries of Barclays Bank operate in operational resolution regimes and have been required to issue internal loss-absorbing capital. Our approach also takes into account our view that Barclays as a group has adopted a resolution strategy with a credible mechanism for passing on losses to Barclays Bank from subsidiaries.

Our analysis assumes a residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets and a 25% runoff of junior wholesale deposits, and we assign a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions. We also assume that the junior proportion of Barclays Bank's deposits is consistent with the estimated EU-wide average of 26%.

Our LGF analysis indicates that Barclays Bank's deposits and senior unsecured debt are likely to face extremely low loss given failure because of the loss absorption provided by subordinated debt (including the debt downstreamed from the holding company), and the volume of deposits and senior debt themselves. This results in a three-notch uplift for the long-term deposit and senior unsecured debt ratings from the bank's adjusted BCA.

Subordinated debt issued by Barclays Bank is likely to face moderate loss given failure, resulting in a rating in line with the adjusted BCA, reflecting the volume of more junior debt and the residual equity that we expect in a resolution scenario.

Junior subordinated debt is likely to face high loss given failure, because of the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate additional notching for junior subordinated and preference share instruments, reflecting coupon features.

### Government support considerations

Because of the systemic importance of Barclays Bank, reflecting its sizeable capital market operations, there is a moderate probability of government support for its deposit and senior unsecured debt, which however does not result in a rating uplift due to the proximity of the unsupported ratings to the UK's Aa3.

We apply a low government support assumption to subordinated junior securities, also resulting in no uplift.

### Counterparty Risk (CR) Assessment

#### Barclays Bank's CR Assessments are A1(cr)/Prime-1(cr)

The long-term CR Assessments, before government support, are three notches above the banks' adjusted BCA of baa1. The uplift results from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support does not result in any uplift.

### Counterparty Risk Ratings (CRRs)

#### Barclays Bank's CRRs are A1/Prime-1

The long-term CRRs, before government support, are three notches above the bank's Adjusted BCA of baa1. The uplift derives from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support does not result in any uplift. Although Barclays Bank is likely to have more than a nominal volume of CRR liabilities at failure, this has no impact on the CRRs because the significant level of subordination below the CRR liabilities at the bank already provides the maximum amount of uplift under our rating methodology.

### About Moody's scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 5

### Barclays Bank PLC

Macro Factors												
Weighted Macro Profile		Strong +	100%									
Factor		Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2					
Solvency												
Asset Risk												
Problem Loans / Gross Loans		3.0%	a3	↑	baa2	Market risk	Operational risk					
Capital												
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)		19.8%	aa2	↓	aa3	Expected trend	Nominal leverage					
Profitability												
Net Income / Tangible Assets		0.2%	b1	↑↑	baa3	Expected trend						
Combined Solvency Score			a3		a3							
Liquidity												
Funding Structure												
Market Funds / Tangible Banking Assets		50.1%	b3	↔	b3	Deposit quality						
Liquid Resources												
Liquid Banking Assets / Tangible Banking Assets		62.3%	aa2	↔	aa3	Asset encumbrance						
Combined Liquidity Score			baa3		ba1							
Financial Profile					baa1							
Qualitative Adjustments					Adjustment							
Business Diversification					0							
Opacity and Complexity					-1							
Corporate Behavior					0							
Total Qualitative Adjustments					-1							
Sovereign or Affiliate constraint					Aa3							
BCA Scorecard-indicated Outcome - Range					baa1 - baa3							
Assigned BCA					baa2							
Affiliate Support notching					1							
Adjusted BCA					baa1							
Balance Sheet			in-scope (GBP Million)		% in-scope	at-failure (GBP Million)		% at-failure				
Other liabilities			481,627		54.0%	509,315		57.1%				
Deposits			271,455		30.4%	243,767		27.3%				
Preferred deposits			200,877		22.5%	190,833		21.4%				
Junior deposits			70,578		7.9%	52,934		5.9%				
Senior unsecured bank debt			61,600		6.9%	61,600		6.9%				
Junior senior unsecured bank debt			26,472		3.0%	26,472		3.0%				
Dated subordinated bank debt			12,780		1.4%	12,780		1.4%				
Junior subordinated bank debt			543		0.1%	543		0.1%				
Preference shares (bank)			10,262		1.2%	10,262		1.2%				
Equity			26,744		3.0%	26,744		3.0%				
Total Tangible Banking Assets			891,483		100.0%	891,483		100.0%				
Debt Class		De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional	Preliminary	
	Instrument	Sub-instrument	Instrument	Sub-instrument	De Jure	De Facto	De Jure	De Facto	Notching	LGF	Notching	Preliminary
	volume + ordination		volume + ordination						Guidance	notching		Rating
	subordination		subordination						vs. Adjusted BCA			Assessment
Counterparty Risk Rating	21.5%	21.5%	21.5%	21.5%	3	3	3	3	3	0	a1	
Counterparty Risk Assessment	21.5%	21.5%	21.5%	21.5%	3	3	3	3	3	0	a1 (cr)	
Deposits	21.5%	8.6%	21.5%	15.5%	3	3	3	3	3	0	a1	
Senior unsecured bank debt	21.5%	8.6%	15.5%	8.6%	3	2	3	3	3	0	a1	



Dated subordinated bank debt	5.6%	4.2%	5.6%	4.2%	0	0	0	0	0	baa1
Junior subordinated bank debt	4.2%	4.2%	4.2%	4.2%	0	0	0	0	-1	baa2
Non-cumulative bank preference shares	4.2%	3.0%	4.2%	3.0%	-1	-1	-1	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	3	0	a1	0	A1	A1
Senior unsecured bank debt	3	0	a1	0	A1	A1
Dated subordinated bank debt	0	0	baa1	0	Baa1	Baa1
Junior subordinated bank debt	0	-1	baa2	0	Baa2 (hyb)	Baa2 (hyb)
Non-cumulative bank preference shares	-1	-2	ba1	0		Ba1 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

## Ratings

Exhibit 6

Category	Moody's Rating
<b>BARCLAYS BANK PLC</b>	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Subordinate	Baa1
Jr Subordinate	Baa2 (hyb)
Pref. Stock Non-cumulative	Ba1 (hyb)
Commercial Paper	P-1
Other Short Term -Fgn Curr	P-1
Other Short Term -Dom Curr	(P)P-1
<b>PARENT: BARCLAYS PLC</b>	
Outlook	Stable
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Issuer Rating -Dom Curr	Baa1
Senior Unsecured	Baa1
Subordinate	Baa1
Pref. Stock Non-cumulative	Ba1 (hyb)
Commercial Paper	P-2
Other Short Term -Dom Curr	(P)P-2
<b>BARCLAYS BANK PLC, NEW YORK BRANCH</b>	
Commercial Paper	P-1
<b>BARCLAYS US CCP FUNDING LLC</b>	
Commercial Paper	P-1
<b>BARCLAYS BANK PLC, CAYMAN BRANCH</b>	
Commercial Paper	P-1

Source: Moody's Investors Service

## Endnotes

- <sup>1</sup> Unless otherwise noted, the bank ratings shown in this report are the long-term deposit rating, the senior unsecured debt rating (where available) and the standalone baseline credit assessment (BCA).
- <sup>2</sup> For our latest macroeconomic forecasts, please refer to [Global Macro Outlook 2024-25: G-20 growth dynamics diverge amid ongoing global slowdown](#), published on 8 November 2023.

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1388296

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