



Fitch Rates Barclays Bank Ireland 'A'; on Rating Watch Positive

Fitch Ratings-London-03 July 2018: Fitch Ratings has assigned Barclays Bank Ireland plc (BBI) a Long-Term Issuer Default Rating (IDR) of 'A' a Short-Term Issuer Default Rating of 'F1', a Support Rating (SR) of '1' and a Derivative Counterparty Rating (DCR) of 'A(dcr)'. The Long-Term IDR and the DCR have been placed on Rating Watch Positive (RWP).

The Long- and Short-Term IDRs of BBI are equalised with its parent, Barclays Bank plc's IDRs (BB plc; A/F1/RWP), which along with the SR of '1', reflects our view of an extremely high likelihood that BBI would be supported by its 100% parent if needed.

KEY RATING DRIVERS IDRS, SR AND DCR

Fitch has equalised the IDRs of BBI with BB plc's to reflect its core role in the group, high level of integration, reputational considerations and small size relative to the group.

The ratings reflect Fitch's expectation that BBI will be expanded from a domestic Irish corporate bank to house BB plc's EU operations (mainly corporate and investment banking, credit cards and mortgages), with the aim of avoiding business disruption following the UK's departure from the EU. Fitch views the businesses that will be housed in BBI as core to the group and vital for client relationships that are important to the parent and the wider group's business.

Fitch expects BBI to be highly integrated with BB plc in management, governance and common group risk policies. Capital and liquidity are likely to be fungible above the requirements that will be imposed by the local regulator. Fitch also believes that the parent's propensity to support BBI, if needed, is underpinned by potentially huge reputational implications for BB plc from a default of BBI given the entities' common branding and business relationships, and the parent's funding structure.

Fitch has equalised the IDR with BB plc's IDR rather than the parent's VR because the parent will fund BBI with sufficient and sustainable internal debt subordinated to external senior creditors and with qualifying junior debt (QJD).

Fitch has equalised the DCR with BBI's IDR. The Short-Term IDR of 'F1'

corresponds to a Long-Term IDR of 'A' and is at the same level as BB plc's.

RATING SENSITIVITIES

IDRS, SR AND DCR

BBI's ratings are primarily sensitive to BB plc's ratings. They are also sensitive to Fitch's assessment of BB plc's propensity to support BBI, which is primarily driven by the parent's strategy in the products and geographies to be covered by BBI, as well as integration and reputational considerations.

Fitch expects to upgrade BBI's Long-Term IDRs once sufficient QJD is injected by the parent, and if BB plc's IDR will benefit from a QJD uplift at that point. We expect this to occur once the group changes the internal funding relationships with its main subsidiaries ahead of 1 January 2019 when the Bank of England's internal minimum required eligible liabilities (MREL) come into effect. BBI's IDR would be equalised with BB plc's VR if the bank's QJD remains below our required amount, which is at least the level of 8% Pillar 1 total capital requirements relative to risk-weighted assets, but could be higher depending on future Pillar 2 or capital buffer requirements.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Bank Rating Criteria (pub. 22 Jun 2018)

(<https://www.fitchratings.com/site/re/10034713>)

Bank Rating Criteria - Effective from 23 March 2018 to 22 June 2018 (pub. 23 Mar 2018) (<https://www.fitchratings.com/site/re/10023430>)

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