

## Barclays PLC

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# Barclays PLC

(**Editor's Note:** We republished this article on Aug. 11, 2023, to correct the ratings score snapshot and the rating component scores table.)

## Ratings Score Snapshot

Issuer Credit Rating				
BBB+/Stable/A-2				
SACP: a- → Support: +2 → Additional factors: 0				
Anchor	bbb+		ALAC support	+2
Business position	Strong	+1	GRE support	0
Capital and earnings	Strong	+1	Group support	0
Risk position	Moderate	-1	Sovereign support	0
Funding	Adequate	0	Issuer credit rating	
Liquidity	Adequate		A+/Stable/A-1	
CRA adjustment		0	Resolution counterparty rating	
			AA-/A-1+	
			Holding company ICR	
			BBB+/Stable/A-2	

Issuer credit rating relates to core subsidiaries of the Barclays group, which include Barclays Bank UK PLC and Barclays Bank PLC. Holding company relates to Barclays PLC and we do not include ALAC uplift in the rating on the holding company.

## Credit Highlights

Overview	
Key strengths	Key risks
A leader in U.K. banking and global wholesale markets.	Persistent inflation and slow economic growth squeezing marginal borrowers' cash flows.
Diversified business model by business and geography.	Exposure to higher risk assets, including consumer credit and leveraged finance.
Robust capital, funding, and liquidity positions.	

**Barclays' strong strategic execution, international diversification, and cautious balance-sheet management support the rating.** Barclays' strategic and geographical diversification has borne fruit, enabling the bank to generate good earnings and maintain significant excess capital. At the same time, Barclays' balance sheet has been cautiously managed, leaving it in a good position to resist an uncertain global financial environment. To this end, Barclays' lending book is in a strong position, its liquidity pool is dominated by central bank reserves, and its funding is granular and well diversified.

**Barclays' solid performance is underpinned by proactive risk management and a good earnings outlook.** Barclays' strategic footing is the result of its consistent execution. We believe that the U.K. franchise underpins the business,

while Barclays' diversified capital markets franchise, and international cards and payments business give the bank material breadth and stability of earnings in varied market conditions. This broad strategic platform and the earnings resilience it brings drove our rating actions in May 2023 ("Barclays PLC Upgraded To 'BBB+' On Business Diversification And Resilient Performance; Outlook Stable", May 19, 2023).

***Peaking interest rates and Barclays' strategic diversification drive a solid earnings outlook.*** We expect Barclays' solid diversification to lead to a robust earnings outlook. Under our base case, we expect the net interest margin to peak late in 2023 or early in 2024, tapering off toward 2025, with solid noninterest income bolstering this. Earnings stability will be supported by good underlying cost control, even as Barclays continues to invest heavily in technology. In combination with a loan-loss rate of 45-60 basis points (bps) under our base case, we expect a return on tangible equity (RoTE) in excess of 10.0% between 2023 and 2025. This is a solid return and gives Barclays decent financial flexibility.

***The complex capital markets businesses and operational risk events weigh on our view of Barclays' risk position.*** Despite broadly solid and proactive risk management, our view of Barclays' risk position reflects the high weighting of volatile and complex capital markets activities in its business model. The operational risk events that stem from this have been manageable, however, and Barclays has had limited credit losses in its lending book. Furthermore, we believe that Barclays proactively manages idiosyncratic pockets of risk. Even so, and despite these supports, our view of Barclays' risk position will be an important ratings constraint in the medium term.

***Barclays' funding and liquidity are on a solid footing, comfortably absorbing global macroeconomic pressure.*** Barclays has consistently maintained a cautious funding and liquidity position. The group's cautious buffer positions Barclays' liquidity coverage ratio toward the upper end of the peer group of European global systemically important banks. Alongside this, the net stable funding ratio is on similarly stable ground and sits toward the upper end of the European peer group. This solid funding and liquidity stance supports the stability of our ratings on Barclays throughout the cycle.

## Outlook

The stable outlook indicates that we expect Barclays' ratings profile to 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.

### Downside scenario

We could lower the ratings 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.

### Upside scenario

A further upgrade is unlikely in the next 24 months. We could raise the ratings 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.

## Key Metrics

### Barclays PLC--Key ratios and forecast

	--Fiscal year ended Dec. 31--							
(%)	2018a	2019a	2020a	2021a	2022a	2023f	2024f	2025f
Growth in operating revenue	0.3	2.3	0.4	2.0	12.4	4.0-4.9	2.1-2.5	1.1-1.3
Growth in customer loans	(15.4)	4.1	1.9	4.5	10.3	1.3-1.5	1.4-1.8	1.2-1.4
Net interest income/average earning assets	1.3	1.4	1.2	1.1	1.3	1.4-1.6	1.4-1.6	1.4-1.5
Cost to income ratio	66.2	61.8	60.5	59.5	59.8	60.3-63.3	60.7-63.8	60.5-63.6
Return on equity	3.0	4.6	2.8	11.4	9.0	8.0-8.9	8.3-9.2	8.4-9.2
New loan loss provisions/average customer loans	0.4	0.6	1.4	(0.2)	0.4	0.5-0.6	0.4-0.5	0.4-0.4
Gross nonperforming assets/customer loans	2.7	2.4	2.7	2.0	1.8	1.8-1.9	1.8-2.0	1.8-1.9
Risk-adjusted capital ratio	10.1	11.2	11.0	11.4	12.0	11.9-12.5	12.0-12.6	12.1-12.7

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast.

## Anchor: An Internationally Diversified Group

The 'bbb+' anchor reflects our Banking Industry Country Risk Assessment (BICRA) methodology and our view of the weighted-average economic risk in countries where Barclays operates. We weight each jurisdiction according to the geographic distribution of credit exposures, excluding governments and central banks, at year-end 2022. The split for our anchor calculation is 55% in the U.K., 25% in the U.S., and the remainder in Germany, continental Europe, and the

rest of the world. It would take a downward revision of the economic risk scores for all regions in which Barclays operates to move our weighted-average economic risk score down, which would result in a lower anchor.

The U.K. economy remains under pressure—characterised by slow to no growth, and sticky inflation. Our latest projection for 2023 is for a modest contraction in GDP of -0.4%, with inflation remaining elevated on the back of high input costs and persistent wage inflation (see "U.K. Economic Outlook For Q2 2023 Is For Growth To Remain Elusive This Year Even As Inflation Eases", March 27, 2023). We forecast a continuation in policy rate increases by the Bank of England (BoE), which will give some uplift to bank earnings, but also further squeeze households, who will be hit by a broad-based fall in living standards. Low unemployment, a containable decline in house prices, and solid corporate asset quality should give banks some room to see out this turbulent period.

The industry risk trend is also stable. The BoE and government measures throughout the pandemic era speak to the U.K.'s well developed regulatory framework. On top of this, a strong earnings outlook for the industry supports our view of the system's financial resilience. Continued policy rate increases by the BoE will support income; we expect costs to be stable, even as investment continues at pace and inflation puts strain on operating expenses; and impairments look set to normalize gradually through to late 2023—although we believe U.K. banks are well placed to manage through this period of turbulence ("U.K. Bank Credit Losses Will Rise Modestly To £5.2 Billion In 2023 As Marginal Borrowers Feel The Strain", April 26, 2023). Amid volatile funding markets, U.K. banks' funding and liquidity positions are also stable. In addition, following active issuance earlier in the year, rated banks have limited wholesale funding needs in the remainder of 2023.

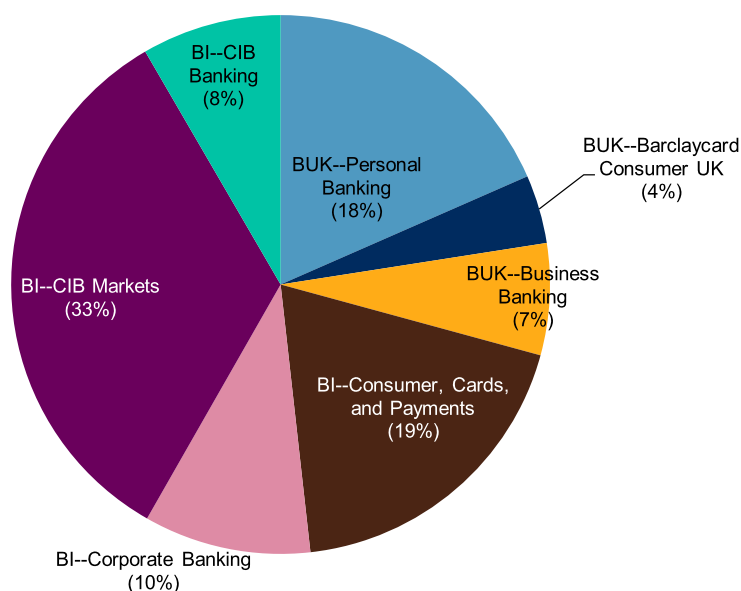
## Business Position: Diversified Business Model Supports Resilient Performance

***Barclays' diversified international banking franchise gives it resilience through difficult economic and financial conditions.*** Our business position assessment reflects Barclays' leading market positions and diversified franchise, and its solid track record of strategic execution and stable earnings.

***Barclays' footprint reflects a consistent strategic focus.*** It follows a universal banking strategy divided between two divisions: Barclays UK (which broadly aligns with ring-fenced legal entity Barclays Bank UK PLC) and Barclays International (which broadly aligns with nonring-fenced entity Barclays Bank PLC). This model results in a diversified revenue base by business line (see chart 1). By geography, Barclays' strategy prioritizes the U.K. and Americas (primarily the U.S.), which contributed 59% and 25%, respectively, of revenue in 2022.

**Chart 1****Barclays' universal bank strategy results in a diversified revenue profile**

Total income by division in the 12 months ending March 31, 2023



Excludes head office segment. BUK--Barclays UK. BI--Barclays International. CIB--Corporate and Investment Bank. Source: S&P Global Ratings; Company disclosure.  
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**Barclays UK anchors the group's strategic position, and underpins its resilient earnings.** As one of the U.K.'s large incumbent banks, it has market shares of 10%-15% in most products, and a notably strong share in credit cards. Barclays UK's franchise has been resilient to steep competition and volatile economic conditions in the U.K., growing its loan book cautiously while accumulating a significant volume of deposits—by our measures total deposits stood at £258 billion at year end 2022, up from £197 billion in 2018. Together, the bank's cautious U.K. loan book and profitable deposit base underpin Barclays' solid income outlook.

**Barclays International gives the group a solid platform of geographic and business diversification.** The business comprises two units: the Corporate and Investment Bank (CIB) and the Consumer, Cards, and Payments (CC&P) businesses.

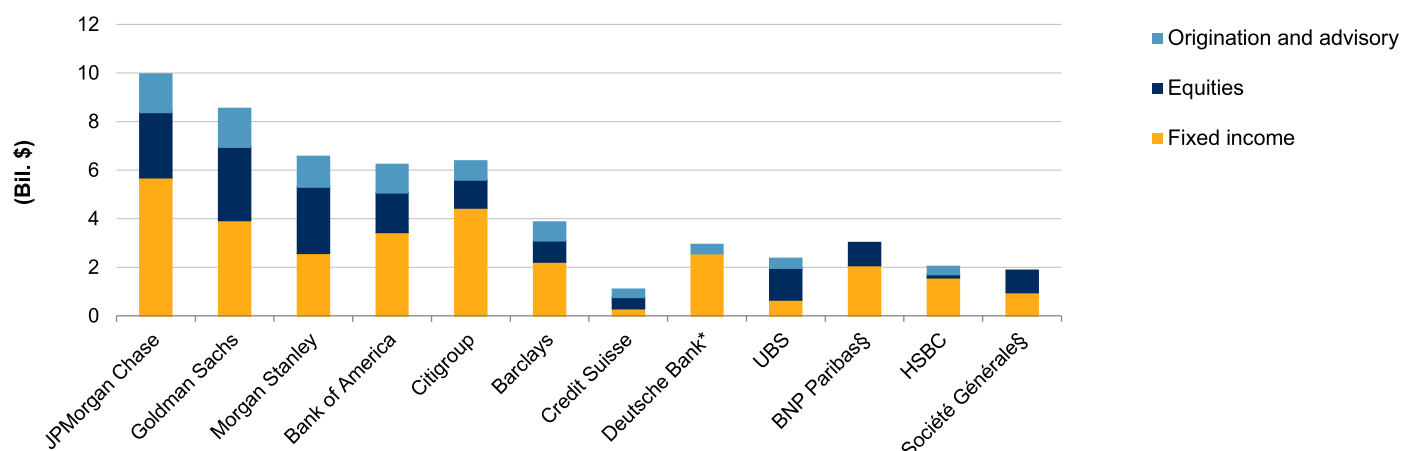
- CIB operates a full-service model in the U.K. and U.S., and targets selected market segments elsewhere. Although it ranks behind the five U.S. market leaders in terms of scale, it has been steadily gaining market share in the past three years, and by our measures its market share of global capital markets revenue was around 7% in 2022, up from around 5% in 2017 (see chart 2). The CIB contributed over half of Barclays' total revenue in first-quarter 2023, which we expect to reduce as elevated interest rates support Barclays UK's revenue contribution.
- CC&P provides payments, merchant acquisition, U.S. cards, and international private banking services. Thanks to strategic partnerships with airlines, retailers, and other consumer companies, it reported \$28.5 billion in balances as

of first quarter 2023, focusing largely on prime client segments—although the integration of the GAP portfolio in the third quarter of 2022 did see the proportion of US customers with FICO score less than 660 tick upwards modestly.

## Chart 2

### Barclays' investment bank continues gaining market share but ranks behind the leaders

Investment bank revenue and contributions to group revenue in first-quarter 2023



\*Does not disclose equities revenue. \$Does not disclose origination and advisory revenue.

Source: S&P Global Ratings; company disclosure.

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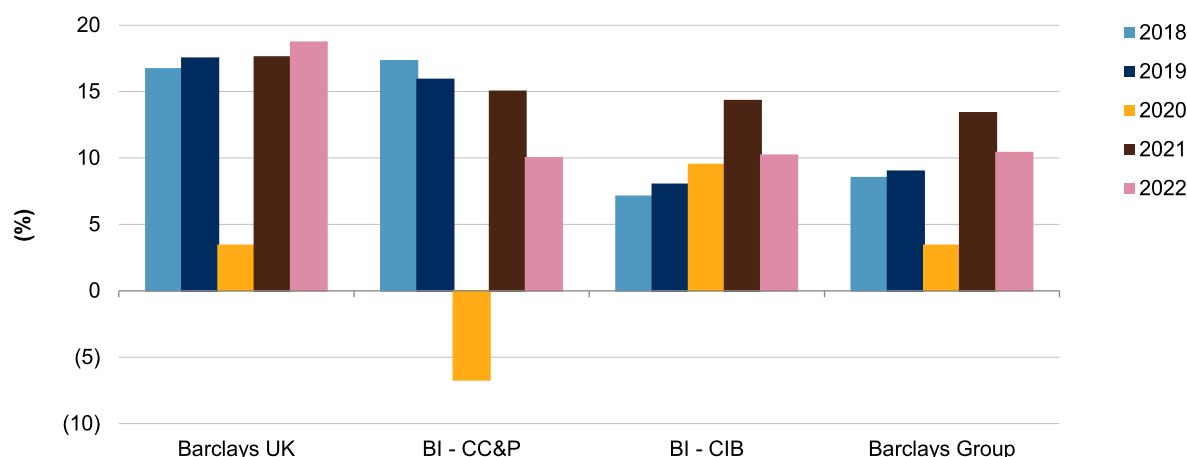
**Barclays' earnings have shown resilience amid choppy economic conditions.** We think that its consistent strategy and strong execution have allowed Barclays to perform resiliently amid uneven conditions (see chart 3). Significant conduct and litigation charges have dented the group's performance, but these were largely absorbable by earnings and we consider that major legacy legal and regulatory matters appear to be largely resolved.



Chart 3

**Barclays targets a 10% group return on tangible equity**

Reported returns on tangible equity excluding conduct and litigation charges



RoTE calculations for 2018 and 2019 exclude conduct and litigation charges. BI--Barclays International. CC&P--Consumer, cards, and payments. CIB--Corporate and Investment Bank. Source: S&P Global Ratings; company disclosure.

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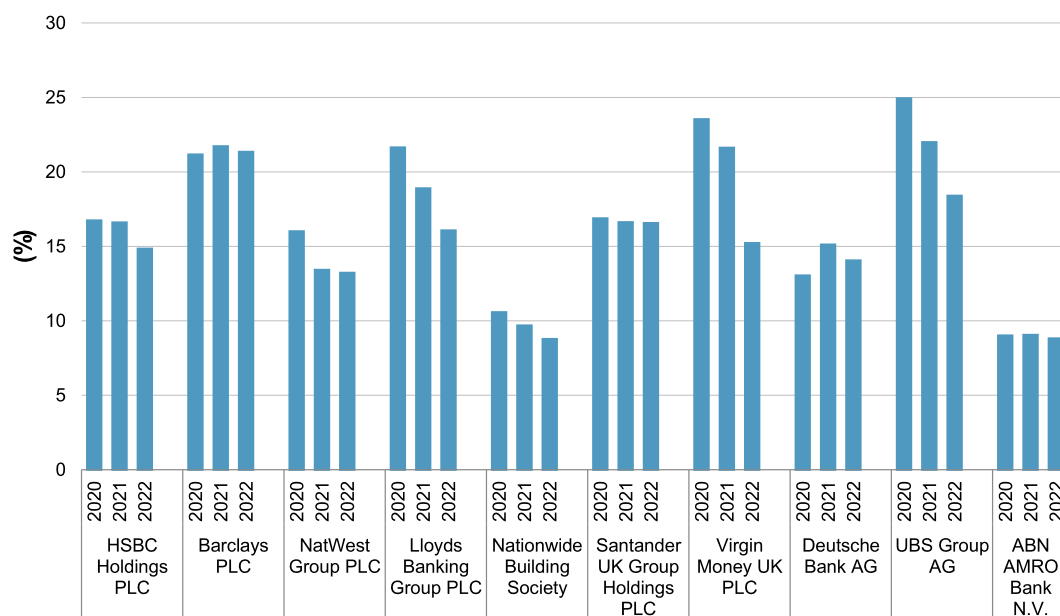
## Capital And Earnings: Robust Capitalization Despite Increasing Payments To Shareholders

**Barclays' robust capital position supports the rating.** The group's S&P Global Ratings-adjusted capital surplus and its strong, resilient earnings leave our risk adjusted capital position in a comfortable position over the next 36 months. To this end, our RAC ratio was 12% at year-end 2022, and we project it will hover around the same level across our forecasts. This comfortable excess capital position is commensurate with a strong capital and earnings assessment and serves as a key rating support.

**AT1 capital is an important support to Barclays' capital position.** Additional tier 1 instruments contributed 21.3% of our total adjusted capital metric at year-end 2022, ahead of close U.K. or European peers (see chart 4). In the round, we consider Barclays' capital to be of good quality, but acknowledge that its relatively greater reliance on hybrid capital is an important source of differentiation versus some peers.

Chart 4

**Barclays is relatively more reliant on At1s than U.K. and European peers**  
Intermediate equity content hybrids / S&P Global Ratings-total-adjusted capital



Source: S&P Global Ratings; company disclosure.

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**Barclays earnings outlook is solid for 2023.** Revenues were strong through the first quarter of 2023 and we expect this to persist across the remainder of the year. Most impactfully, rising rates have continued to bear fruit for Barclays' net interest income, which continued to accelerate in the first three months of 2023 despite rising funding costs. Although the uneven economic environment saw advisory revenues remain subdued in early 2023, volatility supported the markets division, with rising policy rates and market uncertainty keeping volatility high. This strong performance has broadly offset sluggish advisory business, with the corporate and investment bank's total income flat in Q1 2023 versus a solid prior year comparison (see table 1 and chart 5). Together, we expect a resilient 2023 for Barclays' earnings, with NIM pushing up to around 1.5% by our measures for the full year against 1.33% for full year 2022. Alongside this we expect non-interest income will hold broadly flat to modestly lower this year. Together, this supports a solid uplift in earnings year on year.

Table 1

### Barclays' earnings strengthened in the first quarter of 2023

(Mil. £)	Q1 2023	Q4 2022	Q3 2022	% change Q1 2023 versus Q4 2022	% change Q1 2023 versus Q3 2022
Net interest income	3,053	2,741	3,068	11	-0
Non-interest income	4,184	3,060	2,883	37	45
Operating expenses	-4,111	-3,748	-3,939	10	4

Table 1

## Barclays' earnings strengthened in the first quarter of 2023 (cont.)

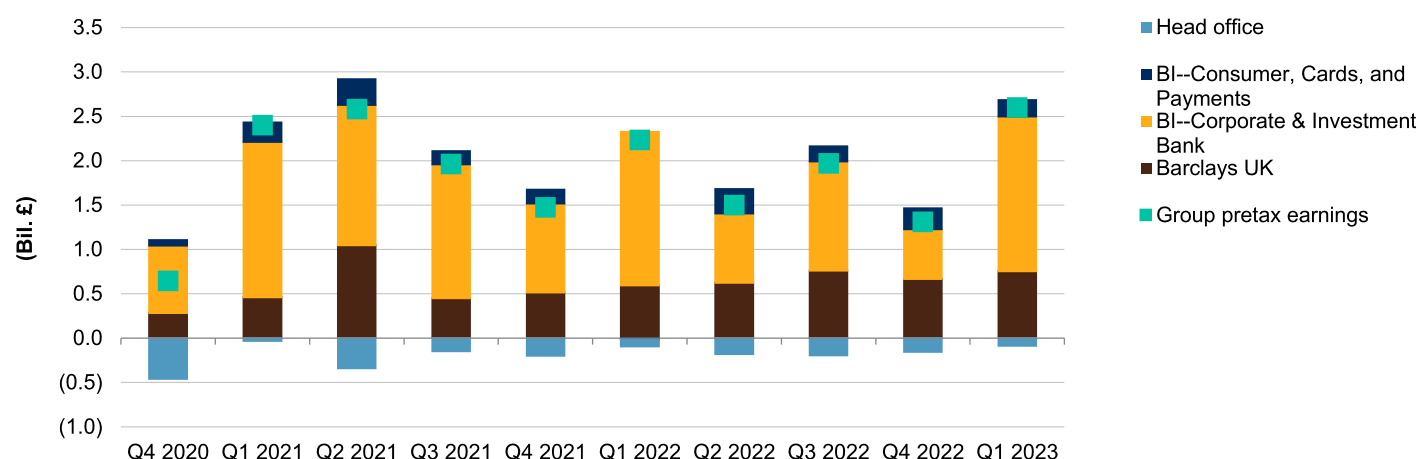
(Mil. £)	Q1 2023	Q4 2022	Q3 2022	% change Q1 2023 versus Q4 2022	% change Q1 2023 versus Q3 2022
Litigation and conduct charges	1	-79	339	-101	-100
Credit impairment charges	-524	-498	-381	5	38
Other net income	-5	10	-1	-150	400
Pre-tax profit	2,598	1,310	1,969	98	32
Return on tangible equity (%)	15	9	13	N.A.	N.A.

N.A.--Not applicable. Q--Quarter. Source: Barclays.

Chart 5

## Diversified business profile supports earnings resilience

Quarterly pretax profit by division



Q--Quarter. BI-Barclays International. Source: S&P Global Ratings; company disclosure.

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**Provisioning costs and expenses will rise over the next 24 months.** Even as the group looks set to grow its operating income, the economic environment will strain its cost base and asset quality. Under our base case, we expect mid-single-digit growth in operating expenses in 2023 after sharp growth in underlying operating expenses in 2022. Even if this tapers off modestly to low single digits thereafter it remains an elevated cost base, characterized by ongoing inflationary pressures and significant technological investment. As costs increase, we expect credit losses to widen materially in 2023 after accelerating gradually through the second half of 2022. Barclays' reported loan loss rate widened to 49bps for the fourth quarter of 2022, and ticked up to 52bps in the first quarter of 2023. We expect credit costs to stick around 55bps in full year 2023, with the U.S. cards business responsible for a material portion of our forecast. Although the rising cost of risk marks a sharp reversal from a benign period spanning 2021 and the first half 2022, the absolute increase should be manageable for Barclays.

***We assume Barclays will continue to consume the material capital it generates.*** We expect the group to gradually increase its dividend distributions to shareholders and to continue to use buy backs to supplement these returns. At the same time, we believe that the group has a solid growth outlook and forecast that it will continue to expand its risk weighted assets – whether through further growth in its consumer lending book in the US, modest growth in the international wholesale book, or through incremental growth in its market risk exposure. All told, solid capital generation will be broadly offset by shareholder distributions and RWA inflation, keeping the group's S&P adjusted capital ratio around 12%.

***Barclays' regulatory capital position remains prudent.*** Barclays reported a 13.6% common equity tier 1 (CET1) ratio at March 31, 2023, comfortably above the 11.4% minimum regulatory requirement. The decrease from 13.9% as of end-2022 is largely driven by the impact of dividends and share buybacks on capital, solid RWA expansion, with the reduction in IFRS9 transitional relief and the acquisition of Kensington mortgages pulling down CET1 further in the quarter. That said, the group generated around 53bps of CET1 in the first quarter alone—a strong level that points towards the group operating comfortably within its internal CET1 target range of 13%-14% over the next two years.

## **Risk Position: Post-Pandemic Asset Quality Remains Robust**

***Barclays' business continues to be highly exposed to volatile and complex capital markets, and higher risk unsecured lending.*** Although a durable capital position is a key strength to our rating, our view of the group's risk position reflects the high weighting of volatile and complex capital markets activities in Barclays' business model, and its exposure to higher-risk lending such as consumer credit, leveraged loans, and certain corporate sectors. That said, the group's provisioning is broadly in line with that of U.K. peers, with conservative positioning of its loan book in anticipation of increasing stress, even as nonperforming assets remain contained.

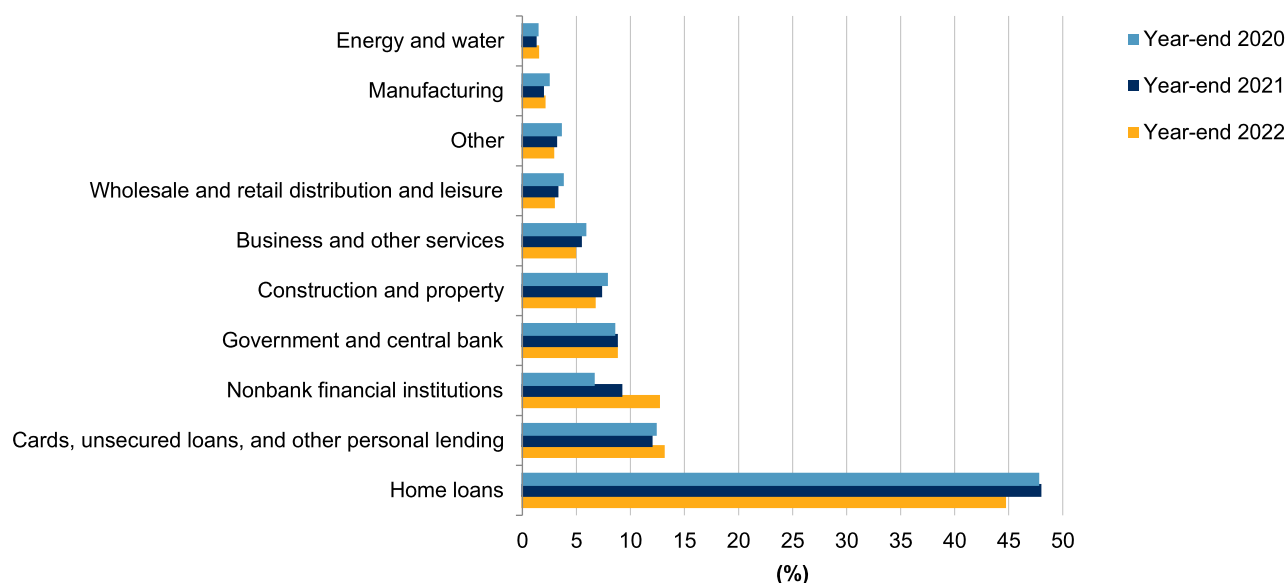
***We think that Barclays' risk-management capabilities are sound.*** Barclays has had limited credit losses in its lending book; closely manages idiosyncratic pockets of risk, like its hung leveraged finance or commercial real estate books; and has prioritized operational risk in recent years. Even so, the group's investment banking business and diverse lending franchise creates incremental risks. For example, even though the group's hung leveraged finance book is closely monitored and actively risk managed through extensive hedging, it still generated a ~£335 million loss in the group's corporate and transaction banking division in 2022. This pushed the corporate lending business line to an annual loss of £231 million for the year. As such, and despite supports to the rating from the group's solid risk management, our view of Barclays' risk position will be an important ratings constraint in the medium term, absent a material narrowing in the bank's risk profile, which we do not expect.

***Mortgage lending forms the bedrock of the group's customer lending.*** Residential mortgage loans represent just less than half of Barclays' drawn customer loans (see chart 6). As with other U.K. banks Barclays underwrites its mortgage book based on borrowers' stressed repayment capacity—that said, the loan-to-value (LTV) profile of the group's book indicates good collateral at a 50% average indexed loan-to-value ratio at full year 2022, which is slightly below the U.K. market average.

Chart 6

**Barclays' diversified loan portfolio**

Sectoral breakdown of net customer loans and advances at amortized cost



Excludes loans to banks. Source: S&amp;P Global Ratings; company disclosure.

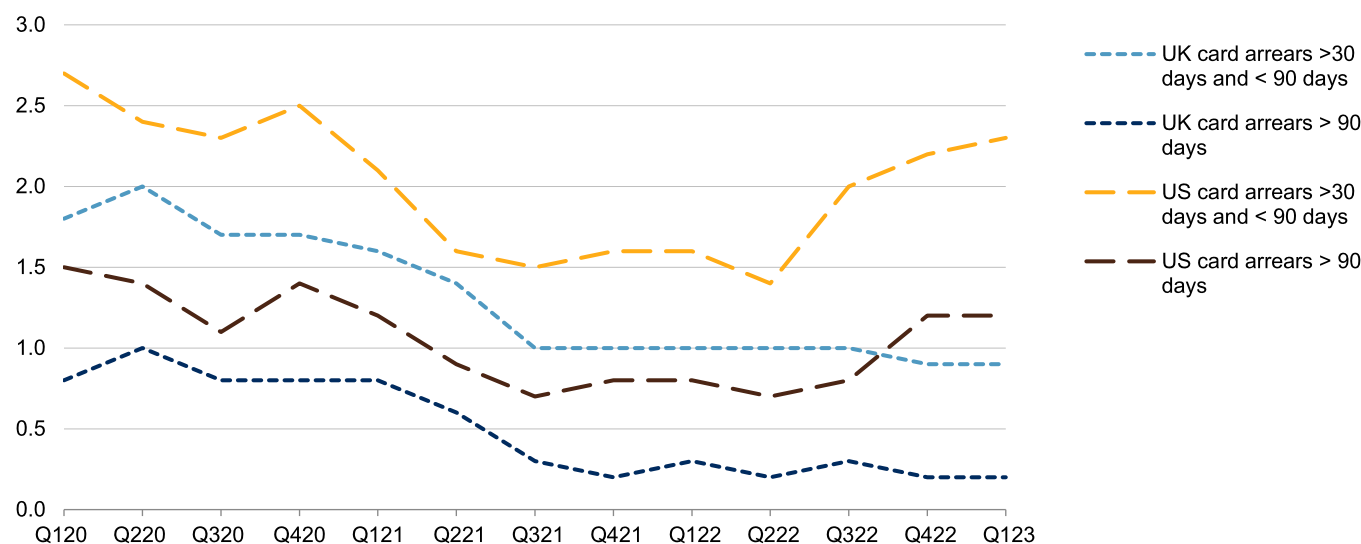
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**Barclays' exposure to consumer credit is higher than that of most U.K. peers, and its U.S. exposures are showing early signs of credit deterioration.** Although the portfolio's performance remains solid in first-quarter 2023, the group's US credit card books has shown early signs of pressure, with arrears of more than 30 days ticking up towards 2.5% (see chart 7). While this represents a gradual increase back towards pre-pandemic levels of performance, we believe that the normalization of credit performance in this book will be an important driver of the group's credit quality in 2023 and 2024 (see chart 8).

Chart 7

### Barclays' U.S. credit card arrears are slowly moving back towards pre-pandemic levels...

Credit card arrears as a % of gross card lending



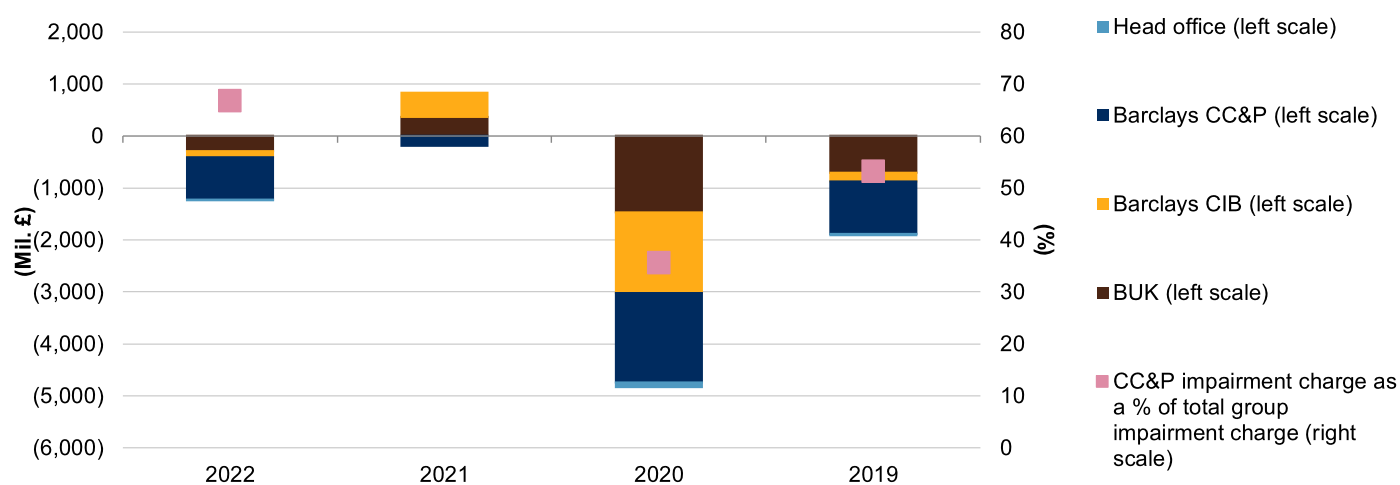
Q--Quarter. Source: S&P Global Ratings; company disclosure.

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Chart 8

### ... And international credit cards are the major driver of the group's impairment charges

Split of impairment charge by business segment



Source: S&P Global Ratings; company disclosure.

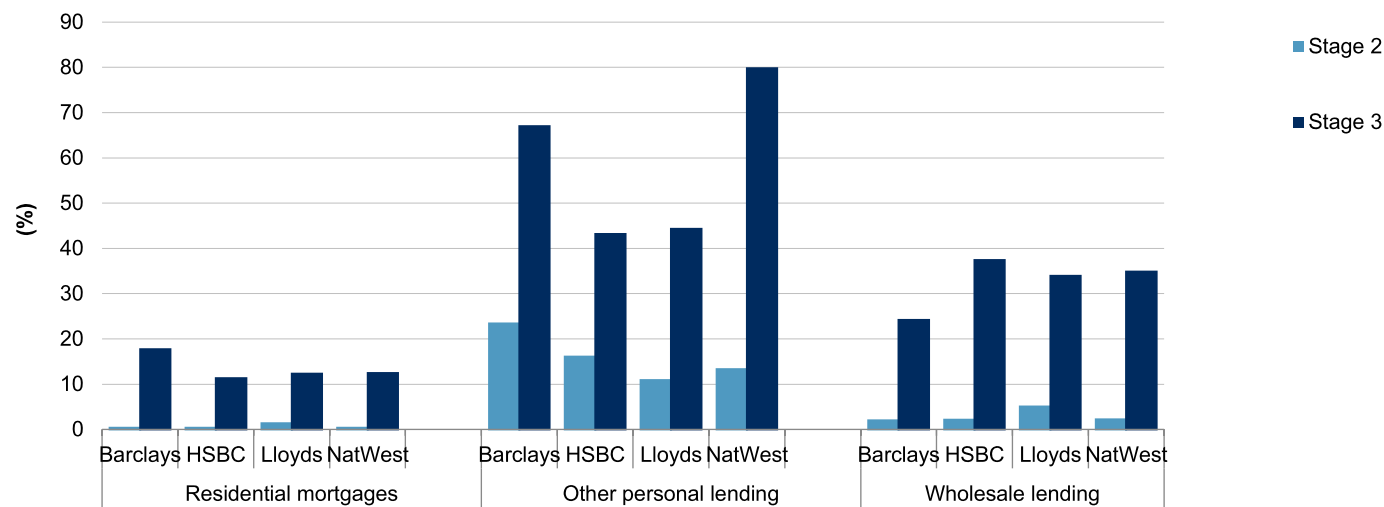
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*Barclays' coverage on consumer credit exposure is broadly in line with domestic peers in terms of the coverage of stage 2 and stage 3 loans by expected credit loss provisions (see chart 9).* Its coverage of stage 2 and stage 3 consumer credit exposure compares well with that of peers at 23% and 67% respectively. These ratios appear prudent and support portfolio performance, given the economic outlook.

**Chart 9**

**Barclays' ECL coverage is similar to its domestic peers'**

ECL provision cover at March 31, 2023



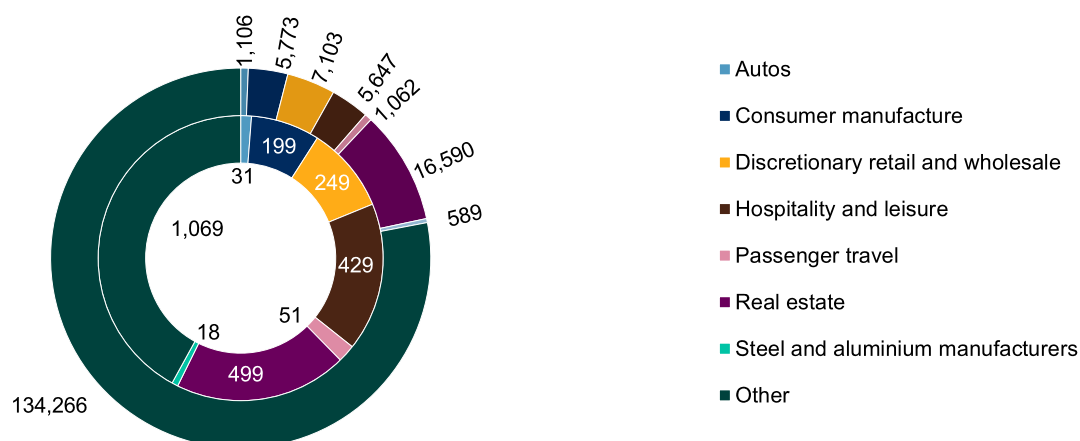
In HSBC, for Q1 23 personal lending included residential mortgages. Therefore, December 2022 was considered. ECL—Expected credit loss. Source: S&P Global Ratings; company disclosure. Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

**Barclays' wholesale lending is well diversified between sectors.** We see this diversification as an essential support to asset quality. Although the bank identified 22% of the corporate loan book as being in industries vulnerable to ongoing inflation, supply chain constraint, and weak consumer demand the overall portfolio remains resilient. At full year 2022, stage 3 loans in this inflation exposed book represented 58% of total stage 3 wholesale exposures across the whole group (see chart 10). Exposure to the commercial real estate sector, which we typically consider as vulnerable in the downturn, demonstrated strong performance as well. In the £9.7 billion U.K. CRE book Barclays held at year end 2022 (included in Real Estate in chart 10 below), for example, nonperforming assets fell year on year to 2% of gross exposures—by comparison the broader direct real estate lending book operated with a stage 3 ratio of 2.9% at the same period.

Chart 10

**Barclays' loan book is well diversified by sector, and nonperformance is relatively concentrated**

Lending stock by watchlist sector (mil. £)



Outer ring represents total stock of wholesale lending by sector; Inner ring represents wholesale lending identified as stage 3 by sector.

Source: S&P Global Ratings; company disclosure.

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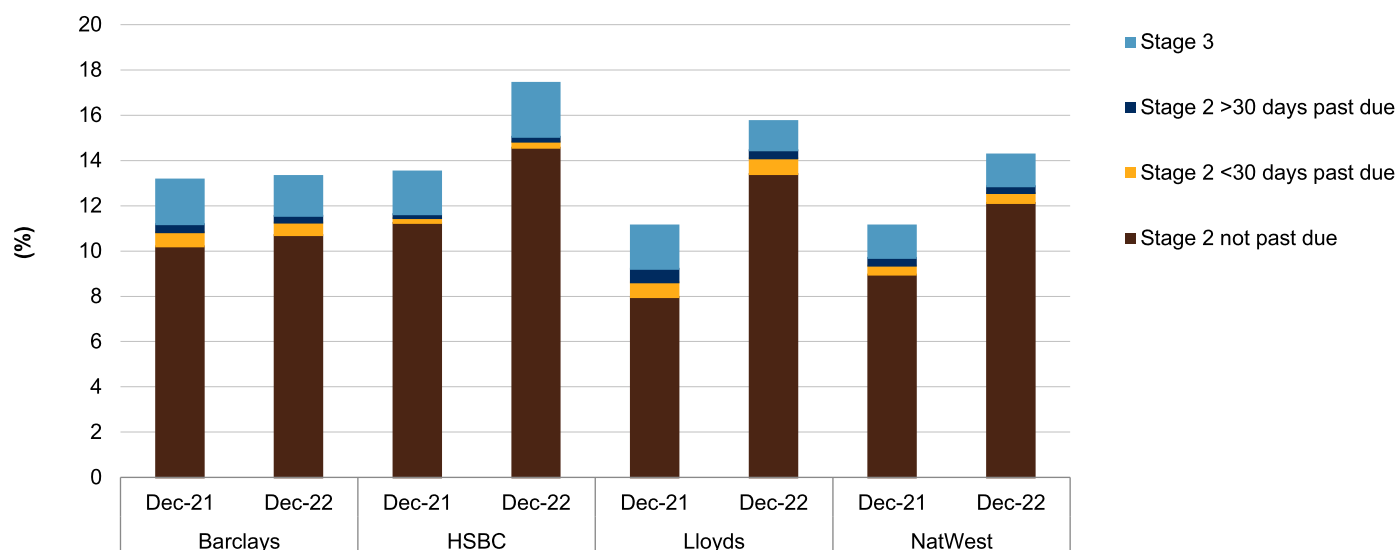
**Barclays' stage 2 and stage 3 loan balances are comparable to those of its U.K. peers.** The majority of stage 2 loans are fully performing but we expect the withdrawal of fiscal support and the tougher operating environment will gradually increase arrears and migration to stage 3 (see chart 11).



Chart 11

**Barclays' stage two loans are broadly similar to domestic peers'**

Stage 2 and 3 loans as percentages of total customer loans



Source: S&amp;P Global Ratings; company disclosure.

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**Barclays impairment charges have been volatile through the pandemic era, but we expect them to normalize in the next 36 months.** The group's impairments fell in 2021 and early 2022 after a rapid provision build in 2020. However, late 2022 saw quarterly provisioning rates start to climb quickly as economic conditions deteriorated and pressure ratcheted up on marginal consumers and corporates. To this end, we forecast corporate insolvencies and consumer arrears to continue to tick up toward normalized levels this year – keeping impairment rates around 55bps in our base case. Whilst unemployment remains benign and U.K. house price declines stay contained, impairment rates should be manageable.

**Barclays engages heavily in derivatives and other traded products, resulting in material market and counterparty risks.** The average one-day 95% management value-at-risk increased to £36 million in 2022 from £19 million in 2021, mostly due to market volatility from the Ukraine conflict and persistent global inflation. Barclays also faces market risks from structural interest rate and foreign exchange positions and its large defined-benefit employee pension schemes.

**The consequences of Barclays' overissuance of securities under a U.S. shelf program were manageable.** However, the breach of the program's limit was a specific control lapse and the final cost of remediation was £894 million through to September 2022, composed of £1,186 million of provisions to capture the combined cost of meeting investors' rescission rights and a £165 million penalty from the Securities and Exchange Committee, offset by £292 million of income from market-risk hedges put in place following the identification of the overissuance. Although this event dented 2022 earnings, the final impact was manageable, and we understand that the group has tightened its controls to

prevent further such breaches of shelf limits.

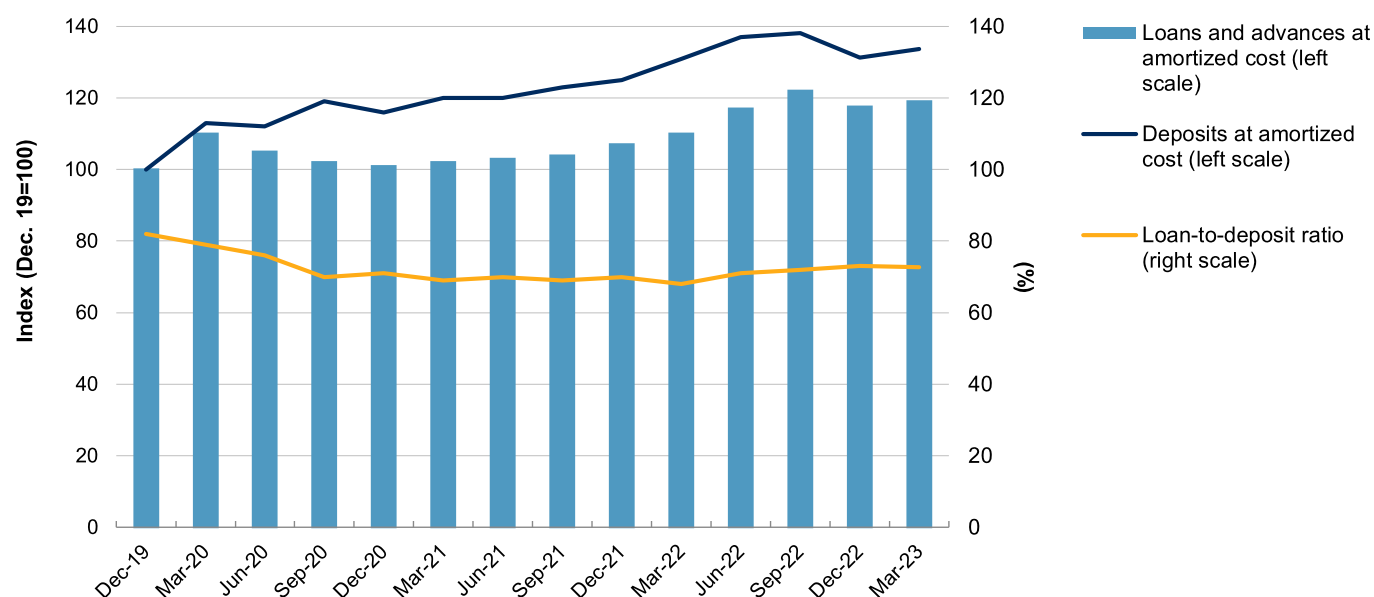
## Funding And Liquidity: Balanced And Stable Profiles

**Barclays' funding profile benefits from its diverse deposit base, including its granular U.K. retail and corporate franchise, and its proven ability to access wholesale funding in varied market conditions.** We view Barclays' liquidity as adequate, considering its large liquid asset portfolio and solid liquidity metrics. On March 31, 2023, its liquidity buffer was £122 billion above the minimum regulatory requirement, with 82% of this in cash at central banks and 18% in government bonds. The cautious buffer positions Barclays' liquidity coverage ratio toward the upper end of the peer group of European global systemically important banks. The net stable funding ratio is on similarly stable ground and sits toward the upper end of the European peer group too.

**Barclays' strong deposit franchise underpins the bank's funding profile.** Its reported loan-to-deposit ratio was 73% at March 31, 2023, flat against the end of 2022, and 82% as of end-2019, due to a sharp increase in customer deposits over the past two years. We expect the funding base to remain well diversified and stable, but loan-to-deposits will slowly increase as deposit balances normalize in the system and lending continue to tick up (see chart 12).

**Chart 12**

**Barclays benefited from strong savings trends since 2020**  
Quarterly loan and deposit balances



Source: S&P Global Ratings; company disclosure.

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***We expect Barclays' funding and liquidity metrics will remain broadly stable.*** Its investment bank is an active borrower in confidence-sensitive wholesale markets, which is the main constraint on a stronger funding and liquidity assessment.

***The investment bank funds the majority of its inventory on a secured basis, and Barclays' short-term unsecured borrowing primarily funds its liquidity portfolio.*** Excluding repurchase agreements, the bank had £184 billion of wholesale funding at year-end 2022, of which 39% matured in less than one year.

## Peer Comparison

Barclays' operational complexity and weaker risk-adjusted profitability are relative drags versus U.K.-focused peers with an 'a-' stand-alone credit profile (SACP). However, the combination of Barclays' business model diversification, revenue resilience, and prudent funding and liquidity offset this. This leaves the 'a-' SACP in a comfortable position relative to domestic peers. Versus higher-rated investment banking peers, including US banks like JPMorgan Chase and Morgan Stanley, Barclays' lower 'a-' SACP considers its weaker strategic position in the corporate and investment banking business and generally narrower scope. For example, and despite its improvement, Barclays' capital markets wallet share is materially smaller than those of major incumbents, while Barclays also lacks the broader asset-gathering franchises of many global benchmark peers. By the same token, a globally diversified, tightly risk-controlled group like HSBC will continue to have a stronger credit profile than Barclays. This positions Barclays' SACP stably at 'a-', with limited upside over our two-year horizon.

## Support: Stable, Large ALAC Buffers

***We incorporate a two-notch uplift in our long-term ratings on the core operating subsidiaries due to Barclays' comfortable additional loss-absorbing capacity (ALAC).*** We project the ALAC ratio will remain above our 6.5% threshold over the next two years. We view the U.K. resolution regime as effective because, among other factors, we believe it contains a well-defined bail-in process, under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

***The threshold for a two-notch ALAC uplift is 6.5% for Barclays rather than the standard 6.0%.*** This is because Barclays operates through multiple regulated legal entities and we think this might constrain the flexible deployment of ALAC in a stress scenario.

***Barclays operates with a significant stock of bailin-able liabilities.*** We include the majority of the consolidated Barclays group's junior and holding company instruments in our ALAC assessment because, over our projection period, we believe they have capacity to absorb losses without triggering a default on the operating entities' senior obligations. We exclude some instruments issued under foreign law, including in jurisdictions not yet deemed to have an effective resolution regime. On this basis, the ALAC ratio was 10% at year-end 2022, and we expect it will taper towards 9%—still a comfortable surplus.

*Barclays meets the minimum requirement for own funds and eligible liabilities (MREL).* It had £110.6 billion of MREL resources at end-March 2023 and its binding constraint, according to the BoE's indicative MREL requirements, was £98.2 billion based on risk-weighted assets as of the same period.

## Environmental, Social, And Governance (ESG)

### ESG credit indicators

E-1	<b>E-2</b>	E-3	E-4	E-5	S-1	<b>S-2</b>	S-3	S-4	S-5	G-1	<b>G-2</b>	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

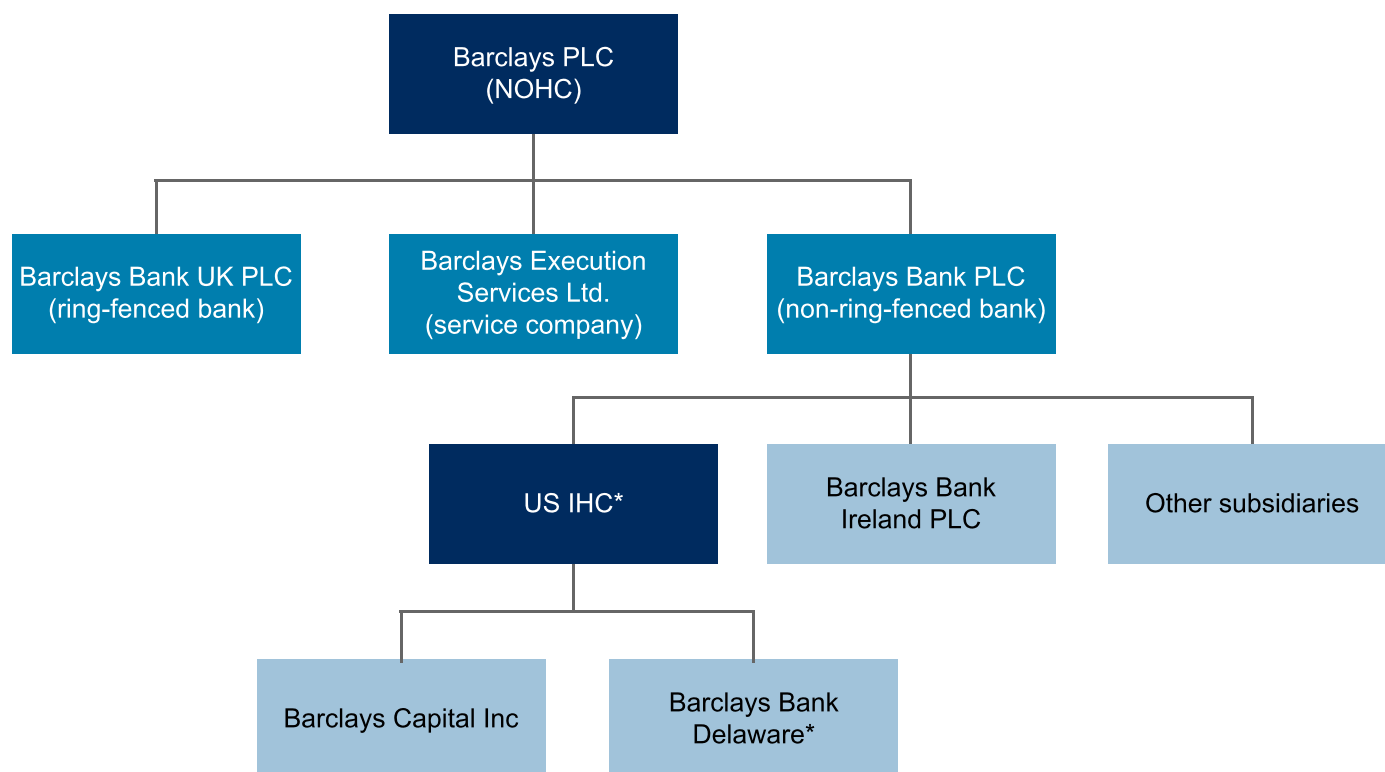
Overall, we see ESG credit factors for Barclays as broadly in line with those of the industry, including U.K. peers. The bank faces elevated conduct and legal risks in its main markets--the U.K. and U.S.--and has incurred material charges related to legacy business practices. These were absorbable from a purely financial point of view, principally at the expense of larger shareholder distributions. We consider that successive management teams have significantly tightened business standards, and believe that the management and awareness of conduct risk are now firmly embedded into the organization.

As a major corporate and investment bank, Barclays is typically exposed as a lender, investor, or advisor to sectors exposed to environmental risks and changing regulation or norms. It has been criticized for financing the fossil fuel sector, and it adopted a new commitment on climate change in 2020. This includes an ambition to be a "net zero" bank by 2050, a plan to reduce its financed emissions, which includes a global phase-out of financing to thermal coal mining and thermal coal-fired power generation by 2035, and an intention to facilitate £1 trillion of "Sustainable and Transition" financing between 2023 and 2030. In Barclays' lending activities, we see increasing evidence of environmental risk being treated as a mainstream credit risk factor given the potential materiality of transition risks in the lending portfolio.

## Group Structure, Rated Subsidiaries, And Hybrids

Barclays PLC is the nonoperating holding company of the group. Barclays Bank PLC and Barclays Bank UK PLC are the main operating entities. We view both as core to the group and, in common with the other core subsidiaries, we rate them in line with the ALAC-supported 'a+' group credit profile.

# Barclays PLC – Highly simplified overview of Barclays' organization structure and significant legal entities

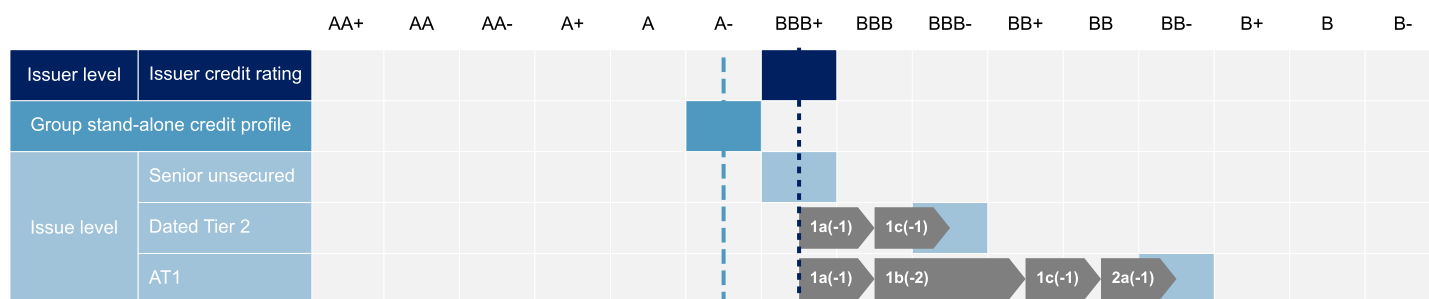


\*Not rated. IHC--Intermediate holding company. NOHC--Nonoperating holding company. Source: S&P Global Ratings. Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

We do not include ALAC uplift in the rating on Barclays PLC because we do not believe that its senior obligations would necessarily continue to receive full and timely payment in a resolution scenario. We rate Barclays PLC one notch below the 'a-' group SACP.

We rate Barclays' hybrid instruments according to their respective features.

## Barclays PLC: NOHC Notching



## Key to notching

----- Group stand-alone credit profile

----- Issuer credit rating

1a Contractual subordination

1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital

1c Mandatory contingent capital clause or equivalent

2a Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)

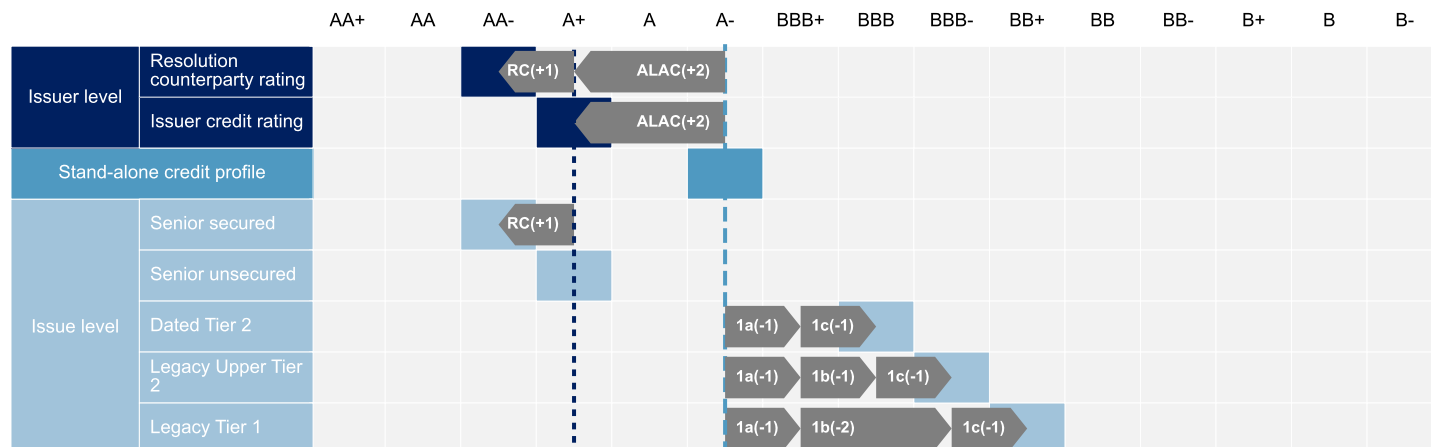
Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.

The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.

AT1--Additional Tier 1.

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## Barclays Bank PLC: Notching



### Key to notching

- Stand-alone credit profile
- Issuer credit rating
- RC Resolution counterparty liabilities (senior secured debt)
- ALAC Additional loss-absorbing capacity buffer
- 1a Contractual subordination
- 1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
- 1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.

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Additional Tier 1 instruments face coupon nonpayment risk if, among other factors, the issuer's regulatory capital ratios breach applicable hurdles, commonly known as minimum distributable amount (MDA) thresholds. Barclays has previously been willing to operate with narrower MDA headroom than most peers, and its 13%-14% CET1 target indicates that its headroom could again fall below 200 bps. Without revising the group SACP, we could lower our ratings on capital securities with discretionary coupons (including Additional Tier 1 instruments) if we think Barclays' prospective MDA headroom could result in a higher risk of coupon nonpayment.

## Resolution Counterparty Ratings (RCRs)

Our resolution counterparty ratings (RCRs) on core subsidiaries and their rated branches based in the U.K. and EU are 'AA-/A-1+'. In contrast, our 'A+' long-term RCR on Barclays Capital Inc. is in line with the long-term issuer credit rating. This is because, in our U.S. jurisdiction assessment, we have insufficient visibility regarding whether some senior liabilities have lower default risk than others in a bail-in resolution.

## Key Statistics

Table 2

Barclays PLC--Key figures					
	--Year ended Dec. 31--				
(Mil. £)	2022	2021	2020	2019	2018
Adjusted assets	1,505,460.0	1,376,224.0	1,341,566.0	1,132,110.0	1,125,310.0
Customer loans (gross)	394,356.0	357,495.0	342,067.0	335,799.0	322,601.0
Adjusted common equity	48,975.0	45,577.0	42,995.0	41,608.0	40,613.0
Operating revenues	24,962.0	22,200.0	21,772.0	21,693.0	21,205.0
Noninterest expenses	14,919.0	13,211.0	13,171.0	13,402.0	14,036.0
Core earnings	6,620.0	7,534.0	2,203.0	4,105.0	3,463.0

Table 3

Barclays PLC--Business position					
	--Year ended Dec. 31--				
(%)	2022	2021	2020	2019	2018
Total revenues from business line (mil. £)	24,962.0	22,200.0	21,789.0	21,703.0	21,205.0
Commercial and retail banking/total revenues from business line	56.4	54.6	54.7	65.6	65.9
Trading and sales income/total revenues from business line	35.4	28.9	34.9	24.2	23.1
Corporate finance/total revenues from business line	8.9	16.5	12.5	11.7	11.9
Other revenues/total revenues from business line	(0.7)	(0.0)	(2.2)	(1.5)	(1.0)
Investment banking/total revenues from business line	44.3	45.4	47.5	35.9	35.0
Return on average common equity	9.0	11.4	2.8	4.6	3.0

Table 4

Barclays PLC--Capital and earnings					
	--Year ended Dec. 31--				
(%)	2022	2021	2020	2019	2018
Tier 1 capital ratio	17.9	19.2	19.0	17.7	17.0
S&P Global Ratings' RAC ratio before diversification	12.0	11.4	11.0	11.2	10.1
S&P Global Ratings' RAC ratio after diversification	13.2	12.4	12.1	12.4	11.1
Adjusted common equity/total adjusted capital	78.7	78.3	78.8	78.5	80.0
Double leverage	111.9	108.1	107.3	105.5	105.9
Net interest income/operating revenues	42.4	36.4	37.3	43.4	42.7
Fee income/operating revenues	26.4	34.6	30.2	31.2	32.1
Market-sensitive income/operating revenues	31.5	28.3	33.1	25.4	23.3
Cost to income ratio	59.8	59.5	60.5	61.8	66.2
Preprovision operating income/average assets	0.7	0.7	0.7	0.7	0.6
Core earnings/average managed assets	0.5	0.6	0.2	0.4	0.3

RAC--Risk adjusted capital.



Table 5

Barclays PLC--Risk-adjusted capital framework data					
(Mil. £)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
<b>Credit risk</b>					
Government and central banks	420,658.0	4,512.0	1.1	6,539.4	1.6
Of which regional governments and local authorities	6,646.0	838.0	12.6	299.8	4.5
Institutions and CCPs	72,972.0	7,775.0	10.7	15,296.1	21.0
Corporate	119,027.5	88,224.0	74.1	100,126.5	84.1
Retail	258,188.8	74,626.0	28.9	139,533.4	54.0
Of which mortgage	183,906.8	31,568.0	17.2	68,376.0	37.2
Securitization§	85,604.2	16,596.0	19.4	23,656.8	27.6
Other assets†	133,048.0	57,625.0	43.3	98,967.1	74.4
Total credit risk	1,089,498.5	249,358.0	22.9	384,119.3	35.3
Credit valuation adjustment					
Total credit valuation adjustment	--	3,226.0	--	4,627.4	--
<b>Market risk</b>					
Equity in the banking book	1,915.0	2,875.0	149.9	14,480.9	756.2
Trading book market risk	--	36,834.0	--	51,584.6	--
Total market risk	--	39,709.0	--	66,065.5	--
Operational risk					
Total operational risk	--	43,815.0	--	62,672.1	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
<b>Diversification adjustments</b>					
RWA before diversification	--	336,518.0	--	517,484.3	100.0
Total diversification/concentration adjustments	--	--	--	(47,444.9)	(9.2)
RWA after diversification	--	336,518.0	--	470,039.4	90.8
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)	
<b>Capital ratio</b>					
Capital ratio before adjustments	60,102.0	17.9	62,259.0	12.0	
Capital ratio after adjustments‡	60,102.0	17.9	62,259.0	13.2	

\*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 6

Barclays PLC--Risk position					
(%)	--Year ended Dec. 31--				
	2022	2021	2020	2019	2018
Growth in customer loans	10.3	4.5	1.9	4.1	(15.4)

Table 6

Barclays PLC--Risk position (cont.)					
	--Year ended Dec. 31--				
(%)	2022	2021	2020	2019	2018
Total diversification adjustment/S&P Global Ratings' RWA before diversification	(9.2)	(8.3)	(9.4)	(9.2)	(8.6)
Total managed assets/adjusted common equity (x)	30.9	30.4	31.4	27.4	27.9
New loan loss provisions/average customer loans	0.3	(0.2)	1.4	0.6	0.4
Net charge-offs/average customer loans	0.4	0.5	0.6	0.5	0.5
Gross nonperforming assets/customer loans + other real estate owned	1.8	2.0	2.7	2.4	2.7
Loan loss reserves/gross nonperforming assets	78.9	79.4	91.0	77.0	77.0

RWA--Risk weighted assets.

Table 7

Barclays PLC--Funding and liquidity					
	--Year ended Dec. 31--				
(%)	2022	2021	2020	2019	2018
Core deposits/funding base	46.1	48.0	47.7	47.9	45.4
Customer loans (net)/customer deposits	73.9	70.1	72.0	82.3	83.0
Long-term funding ratio	70.7	71.4	72.0	75.0	72.8
Stable funding ratio	114.9	117.4	120.8	118.1	119.4
Short-term wholesale funding/funding base	30.8	30.3	29.7	26.7	28.9
Broad liquid assets/short-term wholesale funding (x)	1.4	1.4	1.5	1.6	1.5
Net broad liquid assets/short-term customer deposits	24.8	27.4	32.4	31.9	34.0
Short-term wholesale funding/total wholesale funding	55.9	56.9	55.5	50.0	51.8
Narrow liquid assets/3-month wholesale funding (x)	3.7	4.5	5.1	5.2	5.4

Barclays Plc--Rating component scores	
Issuer credit rating	A+ /Stable/ A-1
SACP	a-
Anchor	bbb+
Economic risk	4
Industry risk	3
Business position	Strong
Capital and earnings	Strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

**Barclays Plc--Rating component scores (cont.)**

<b>Issuer credit rating</b>	<b>A+ /Stable/A-1</b>
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

**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: Principles Of Credit Ratings , Feb. 16, 2011

**Related Research**

- U.K. Banks Compete Strongly As Rates Climb, June 16, 2023
- Research Update: Barclays PLC Upgraded To 'BBB+' On Business Diversification And Resilient Performance; Outlook Stable, May 19, 2023
- U.K. Bank Credit Losses Will Rise Modestly To £5.2 Billion In 2023 As Marginal Borrowers Feel The Strain, April 26, 2023
- Economic Outlook U.K. Q2 2023: Growth Eludes This Year Even As Inflation Eases, March 27, 2023
- Interest Income Fuels Bumper U.K. Bank Profits As Rates Near Their Peak, March 10, 2023
- The 2023 Credit Outlook For U.K. Banks: Higher Rates Buttress Earnings As Loan Losses Rise, Jan. 5, 2023
- Banking Industry Country Risk Assessment: United Kingdom, Dec. 12, 2022
- Barclays PLC, Dec. 2, 2022
- U.K. Banks' Funding And Liquidity Are On A Solid Footing As They Navigate A Turn In The Cycle, Dec. 1, 2022

**Ratings Detail (As Of June 30, 2023)\***

<b>Barclays PLC</b>	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Junior Subordinated	BB-
Senior Unsecured	BBB+

Ratings Detail (As Of June 30, 2023)*(cont.)	
Subordinated	BBB-
<b>Issuer Credit Ratings History</b>	
19-May-2023	BBB+/Stable/A-2
24-Jun-2021	BBB/Positive/A-2
26-Feb-2021	BBB/Stable/A-2
23-Apr-2020	BBB/Negative/A-2
<b>Sovereign Rating</b>	
United Kingdom	AA/Stable/A-1+
<b>Related Entities</b>	
<b>Barclays Bank Ireland PLC</b>	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Senior Unsecured	A+
<b>Barclays Bank Ireland PLC (Milan Branch)</b>	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
<b>Barclays Bank Ireland PLC, Sucursal en Espana (Madrid Branch)</b>	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
<b>Barclays Bank Mexico S.A., Institucion de Banca Multiple, Grupo Financiero Barclays Mexico</b>	
Issuer Credit Rating	
<i>CaVal (Mexico) National Scale</i>	mxAAA/Stable/mxA-1+
<b>Barclays Bank PLC</b>	
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	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
<b>Barclays Bank PLC (Cayman Branch)</b>	
Commercial Paper	A-1
<b>Barclays Bank PLC (New York Branch)</b>	
Commercial Paper	A-1

## Ratings Detail (As Of June 30, 2023)\*(cont.)

**Barclays Bank UK PLC**

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/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+/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
<i>Local Currency</i>	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
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**BARCLAYS US CCP FUNDING LLC**

Resolution Counterparty Liability	A-1+
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**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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