

Barclays plc

Key Rating Drivers

Diversified Banking Group: Barclays plc's (Barclays) ratings reflect the group's strong franchises in UK retail banking, in UK and US credit cards, and in corporate and investment banking (CIB). These franchises have increasingly allowed the group to benefit from earnings diversification by product and geography. The ratings also factor in the group's sizeable trading and capital market businesses, which can result in earnings volatility. Barclays' ratings are underpinned by solid capitalisation and a strong funding and liquidity profile.

Two Main Opcos: The Viability Ratings (VRs) of Barclays' main operating companies (opcos), Barclays Bank plc (BBplc) and Barclays Bank UK PLC (BBUK), include ordinary support from the group. BBUK, a domestically-focused retail and SME bank, has solid asset quality and stable funding dominated by granular deposits. BBplc, the larger bank by balance-sheet size, houses the CIB and the international cards and payments businesses.

Opco Uplift: BBplc's and BBUK's Long-Term Issuer Default Ratings (IDRs) and long-term senior debt ratings are one notch above their respective VRs and one notch above Barclays' IDR. This is because of sufficiently large buffers of junior debt, which can protect both banks' external senior unsecured creditors from default in the event of failure.

Sound Asset Quality: Asset quality metrics have held up well so far, with an end-2022 impaired (Stage 3) loan ratio of 2% (end-2021: 2.2%). The loan impairment charges (LICs)/gross loans ratio increased to 56bp in 1Q23 (2022: 32bp), mainly driven by US cards, reflecting a normalisation of delinquency rates from the low levels seen during the pandemic and targeted US card balance growth. Fitch Ratings expects LICs to continue to increase, moderating further upside to operating profitability.

However, the group's conservative underwriting standards in domestic mortgage lending and corporate lending, including the routine use of risk transfer deals, should ensure loan losses are manageable, and we expect the impaired loan ratio to remain below 3% through 2024.

Underlying Business' Sound Profitability: Barclays generated an operating profit of 2.1% of risk-weighted assets (RWAs) in 2022 (2021: 2.7%), despite the impact of litigation and conduct costs relating to the over-issuance of securities under Barclays' US shelf programme. We expect CIB revenue to decline moderately in 2023 after a very strong global markets performance in 2022. Rising interest rates should continue to provide some uplift to the bank's earnings, which should provide an additional buffer for rising LICs.

Adequate Capital Buffers: Barclays' end-1Q23 common equity Tier 1 (CET1) ratio of 13.6% (13.5% excluding IFRS 9 transitional relief) is comparable with that of global trading and universal bank peers. We expect organic capital generation to remain strong and for the CET1 ratio to remain within the bank's 13%-14% target, even in a more challenging operating environment.

Strong Liquidity: Barclays' funding profile is stable and diversified, underpinned by a strong UK retail franchise to fund retail assets, and good market access to fund wholesale operations. We expect the group's Fitch-calculated loans/deposits ratio of 66% at end-2022 to return to more normalised levels as savings rates moderate and the loan book expands. Liquidity is conservatively managed, with a liquidity coverage ratio of 163% at end-1Q23.

Holdco VR Equalised with Opcos': The VR of Barclays, the group's holding company (holdco), is equalised with that of its main opcos. This reflects moderate Fitch-calculated common equity double leverage (end-2022: 112%) and the agency's expectation that liquidity at the holdco will continue to be managed prudently.

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1

Viability Rating	a
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Government Support Rating	ns
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Sovereign Risk (United Kingdom)

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)

[Non-Bank Financial Institutions Rating Criteria \(May 2023\)](#)

Related Research

[Large European Banks Quarterly Credit Tracker \(July 2023\)](#)

[Fitch Affirms Barclays at 'A'; Outlook Stable \(July 2023\)](#)

[Barclays UK plc \(July 2023\)](#)

[Global Economic Outlook - June 2023 \(June 2023\)](#)

[Fitch Affirms United Kingdom at 'AA-'; Outlook Negative \(June 2023\)](#)

[DM100 Banks Tracker - End-2022 \(May 2023\)](#)

[Major UK Banks' Strong Performance to Soften as Funding Costs, Impairments Rise \(May 2023\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Barclays' ratings are primarily sensitive to a sharp deterioration in asset quality, particularly if this occurs in combination with weakened internal capital generation that results in capital erosion. Barclays' ratings would likely be downgraded if its gross impaired loan ratio exceeded 3% for a sustained period and the group's CET1 ratio (excluding IFRS 9 transitional relief) fell below 13% without a clear path to swiftly restoring it. The ratings would also come under additional pressure if profitability weakened and we no longer expected the group to generate an operating profit/RWAs ratio above 1.5% on a sustained basis.

The ratings could also come under pressure if the operating environment deterioration is more severe than we currently expect, resulting in structurally weaker financial metrics. An increase in risk appetite to strengthen profitability would also weigh on the ratings, particularly if this occurred during a period of weaker economic prospects for the main economies the group operates in. This could be indicated by a significant increase in RWAs allocated to investment banking activities or towards higher-risk credit exposures.

BBUK's and BBplc's VRs would come under pressure if the subsidiaries' financial profiles weakened and we believed that ordinary support from the group was not available to offset these weaknesses. BBUK's ratings could withstand a one-notch downgrade of Barclays' ratings provided that BBUK's financial profile at that point was significantly stronger than that of the rest of the group.

The one-notch uplift applied to the IDRs of BBplc and BBUK is also sensitive to Barclays' maintenance of a clear and credible role as the resolution entity for the group.

Barclays' ratings are also sensitive to holdco double leverage exceeding 120%, without a clear path to reducing it below that threshold.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is unlikely in the near term given the negative outlooks on the UK banks' operating environment score and the UK sovereign rating. Over the medium term, upside potential to Barclays' ratings would require evidence that the group is able to generate strong operating profitability in a weakened operating environment. Maintaining operating profit/RWAs materially above 1.5% through a full economic cycle, could result in upwards pressure on ratings if the bank also maintained healthy asset quality and increased its CET1 ratio above its current 13%-14% target range.

BBUK's and BBplc's VRs are closely correlated with Barclays' VR. They could be upgraded if Barclays' financial profile strengthened materially.

Other Debt and Issuer Ratings

Debt Rating Classes

Rating level	Barclays plc	Barclays Bank UK PLC	Barclays Bank plc	Barclays Capital Inc.
Senior unsecured	A/F1	A+/F1	A+/F1	F1
Senior secured (GCMTN)	n.a.	n.a.	A+/F1	n.a.
Tier 2 subordinated debt	BBB+	n.a.	BBB+	n.a.
Legacy upper Tier 2 debt	n.a.	n.a.	BBB	n.a.
Additional Tier 1 notes, preference shares	BBB-	n.a.	BBB-	n.a.

Source: Fitch Ratings

Senior Debt Ratings

The senior unsecured debt ratings are aligned with the respective issuers' IDRs. The ratings of BBplc's global collateralised medium-term note (GCMTN) programme and notes under the programme are aligned with BBplc's senior unsecured debt ratings. This is because the terms of the notes do not allow for a one-notch uplift of the ratings due to the wide range of eligible collateral used.

Subordinated Debt

Barclays' and BBplc's Tier 2 ratings are two notches below their respective VRs, reflecting this class of debt's poor recovery prospects. BBplc's legacy upper Tier 2 instruments are rated lower, at three notches below the VR, due to incremental non-performance risk in addition to poor recovery prospects.

Additional Tier 1 Instruments

Additional Tier 1 instruments and preference shares with no constraints on coupon omission are rated four notches below the relevant VRs. The issues are notched down twice for loss severity, reflecting their deep subordination and poor recoveries as the instruments can be converted into equity or written down well ahead of resolution. In addition, they are notched down twice for high non-performance risk due to fully discretionary coupon omission. The rating of these instruments is supported by our expectation that the group will maintain at least a 100bp capital buffer over capital requirements that would trigger coupon omission on the bonds.

Issuer Ratings

Rating level	Barclays plc	Barclays Bank UK PLC	Barclays Bank plc	Barclays Bank Ireland plc	Barclays Capital Inc.
Long-Term IDR/Outlook	A/Stable	A+/Stable	A+/Stable	A+/Stable	A+/Stable
Short-Term IDR	F1	F1	F1	F1	F1
Viability Rating	a	a	a	n.a.	n.a.
Shareholder Support Rating (SSR)	n.a.	a	n.a.	a+	a+
Government Support Rating (GSR)	ns ^a	n.a.	ns	n.a.	n.a.
Derivative Counterparty Rating	n.a.	A+(dcr)	A+(dcr)	A+(dcr)	A+(dcr)

^a ns = 'no support'
Source: Fitch Ratings

Issuer Ratings

BBUK's Shareholder Support Rating (SSR) of 'a' reflects our view of an extremely high probability of shareholder support from Barclays, and indirectly from BBplc if needed, given the ring-fenced bank's strategic role in the group and reputational considerations. We believe that support would be manageable, despite its size, as we expect capital support to be moderate compared with the size of the group.

Barclays Bank Ireland plc's (BBI) and Barclays Capital Inc.'s (BCI) SSRs of 'a+' and their Long- and Short-Term IDRs of 'A+' and 'F1', respectively, are equalised with those of their intermediate parent, BBplc, which reflects our view of an extremely high likelihood that the subsidiaries would be supported if needed. Their Long-Term IDRs are equalised with BBplc's IDR rather than its VR because we expect sufficient internal loss-absorbing buffers to protect the subsidiaries' senior creditors if the group fails.

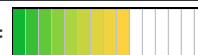
Fitch views the businesses conducted by BCI and BBI as core to the group and in particular to CIB client relationships and strategy, which provides a strong incentive for BBplc to support them. BBI and BCI are highly integrated with BBplc in management, governance and common group risk policies. Regulatory requirements mean that capital and liquidity are not fully fungible, but balance sheet and funding integration is significant.

The Derivative Counterparty Ratings (DCRs) of BBUK and BBplc are at the same level as their Long-Term IDRs because derivative counterparties in the UK have no definitive preferential status over other senior obligations in a resolution. The DCRs for BBI and BCI are also equalised with their respective Long-Term IDRs.

Ratings Navigator

Barclays plc

ESG Relevance:


Banks
Ratings Navigator

	Operating Environment	Business Profile	Risk Profile	Financial Profile			Implied Viability Rating	Viability Rating	Government Support Rating	Issuer Default Rating
				Asset Quality	Earnings & Profitability	Capitalisation & Leverage				
		20%	10%	20%	15%	25%	10%			
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A Sta
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The 'aa-' operating environment score of Barclays is in line with the 'aa' category implied score. The UK sovereign rating was identified as a relevant negative factor in the assessment.

The 'a' funding and liquidity score of Barclays is below the 'aa' category implied score due to the following adjustment reason: historical and future metrics (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Weaker UK Economic Outlook

Fitch expects Barclays' core markets to experience subdued economic growth in 2023 and 2024, with the June 2023 Global Economic Outlook forecasting UK GDP growth of -0.1% in 2023 and 1% in 2024, and the US 1.2% in 2023 and 0.5% in 2024. This reflects continued significant policy tightening and stubbornly high inflation weighing on household spending and business investment, particularly in the UK. The negative outlooks on the UK banks' operating environment scores mirror the Outlook on the UK sovereign rating (AA-/Negative) and we expect the sovereign rating to continue to act as a cap on our operating environment score.

Rising interest rates have provided an uplift to major UK banks' earnings through material widening of net interest margins (NIMs) due to their leading low-cost, current account franchises, which have, so far, kept pass-through rates modest. However, Fitch expects further increases in the pass-through rate to customer deposits and higher funding costs to moderate further NIM uplift from anticipated additional interest rate increases. Furthermore, weaker economic growth and affordability pressures for consumers will likely lead to asset quality deterioration, although impairment charges should remain manageable given a significant share of secured loan portfolios (largely mortgage loans) and sound underwriting standards. Loan growth is also likely to slow as higher interest rates dampen demand and borrower confidence remains weak.

Business Profile

Diversified Business Profile with Large Investment Banking Segment

Barclays' business profile benefits from a diversified business model across consumer, and CIB activities, and from good geographic diversification with a focus on the UK and the US.

Barclays' large CIB segment has historically been biased towards debt sales and trading and capital market activities, but earnings from equities and fixed-income financing have increased in recent years, improving earnings diversification. The performance of the CIB segment has improved materially since 2020, helped by market volatility and central bank support, which have driven periods of record trading revenues and investment banking fees. Nevertheless, we expect earnings from CIB activities to remain inherently more volatile.

The group typically ranks ahead of European peers in CIB activities and in key segments such as debt capital markets. The retrenchment of some European peers has also continued to support Barclays' market share. The group's investment banking franchise is diversified and - despite its skew towards debt capital markets - is not reliant on a single product line or region, which supports the division's performance.

The UK ring-fenced activities are housed in BBUK, which is one of the large UK domestic banks, with strong market shares across mortgages, current accounts, small business lending, credit cards, payments and merchant acquiring.

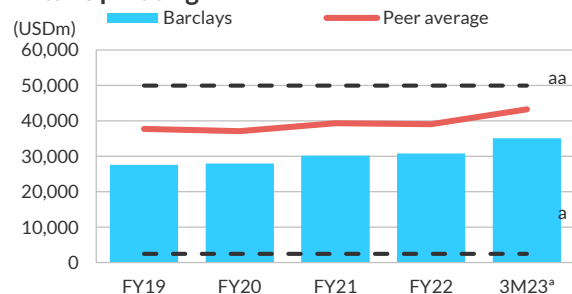
The international credit card business held in BBplc's consumer, cards and payments (CC&P) segment is concentrated in the US. The group is also one of the leading payments providers in the UK and targets further payment growth focused on businesses in the UK and Europe.

Strategy Focused on Diversified Income Streams

Barclays' strategy is focused on strengthening the group's returns through investment and digitalisation, helping the bank increase its market share in the targeted growth areas. The bank's medium-term targets include a return on tangible equity of above 10% (2022: 10.4%), a cost-income ratio of below 60% (2022: 67%, including securities over issuance costs), and a CET1 ratio of 13%-14% (end-1Q23: 13.6%). We believe these profitability targets are achievable in the short-to-medium term if market conditions for CIB earnings remain relatively supportive, but the bank has no record yet of longer-term earnings stability through economic cycles.

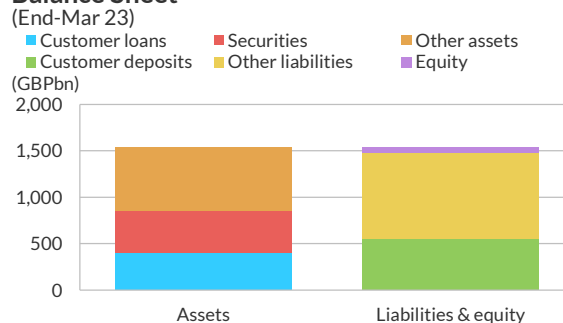
The group has a good record in controlling credit risk, which has been evident from limited defaults in recent years. It also has a good record of managing regulatory ratios through periods of weak and volatile earnings. Operating income has held up well so far, helped by strong CIB revenue in 2021 and 2022, strong UK mortgage growth and resilient asset quality, but we expect business growth to slow amid the increasingly challenging operating environment in Barclays's core markets. Recent litigation and conduct costs will act as a drag on profitability but are not at a level that we expect to materially affect the group's profitability outlook.

Total Operating Income



^a Annualised
Source: Fitch Ratings, Fitch Solutions

Balance Sheet



Source: Fitch Ratings, Barclays

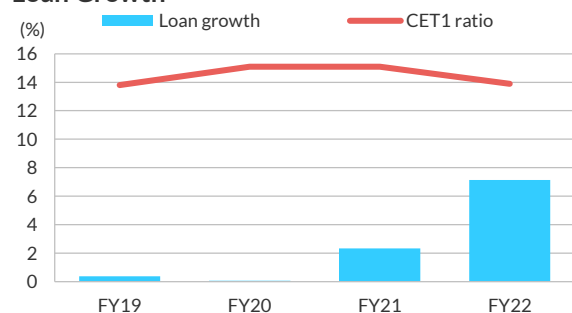
Risk Profile

Moderate Appetite for Credit Risk; Material Trading Activities Give Rise to Market Risk Exposures

Despite the group's material CIB activities, we view Barclays' risk appetite as moderate, supported by overall conservative underwriting standards and risk limits, robust and centralised risk controls, and modest growth rates. Risk appetite benefits from pre-pandemic de-risking in the corporate and unsecured retail books, the use of risk transfers to mitigate the risk of losses from higher-risk exposures, and relatively low retail mortgage book loan-to-values (LTVs). This should support through-the-cycle loan performance.

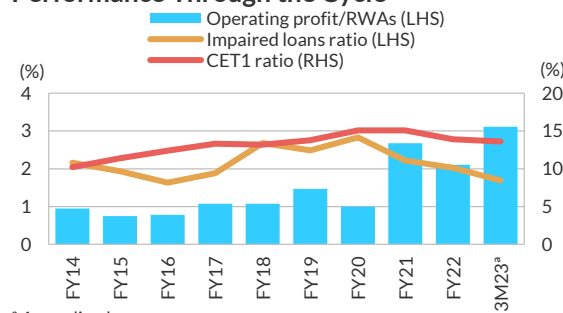
Traded market risk arises from the group's CIB activities and is material, although well managed. The maximum management value at risk (95%, one day) of GBP73 million in 2022 (2021: GBP36 million) places Barclays among peers with more substantial market-risk exposure. The significant yoy increase was driven by elevated market volatility prevailing in 2022 and a temporary spike in 4Q22 due to an increase in leveraged loan exposures. Non-traded interest-rate risk is generated by personal banking and commercial banking, credit cards and treasury. Exposure to interest rate risk is mitigated by hedging activity.

Loan Growth



Source: Fitch Ratings, Barclays

Performance Through the Cycle



^a Annualised
Source: Fitch Ratings, Barclays

Financial Profile

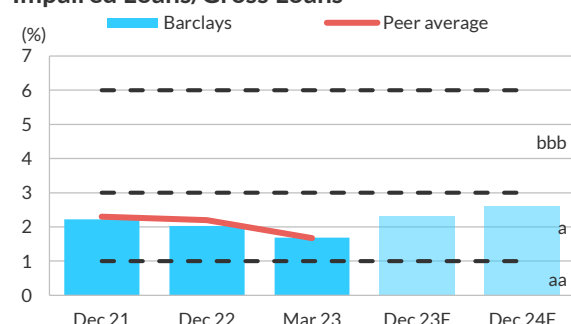
Asset Quality

Asset quality metrics have held up well so far, with relatively stable Stage 2 and 3 loan volumes. Barclays booked LICs of GBP524 million in 1Q23 (56bp of loans; 2022: 32bps), as impairments increased towards the group's normalised LIC target of 50-60bp in 2023. We expect credit losses to increase as the UK and US continue to experience high inflation, rising interest rates and weaker economic growth. However, we expect the gross impaired-loan ratio to remain below 3% through 2024 in the absence of a material shock to borrower affordability, which could occur if interest rates rise above 5%-6% and remain there for a sustained period.

We expect the most acute asset quality pressure to arise from Barclays' leverage finance portfolio, unsecured consumer portfolios and more vulnerable corporate sectors, including hospitality, commercial real estate and industries affected by the high inflation and residual supply-chain disruptions.

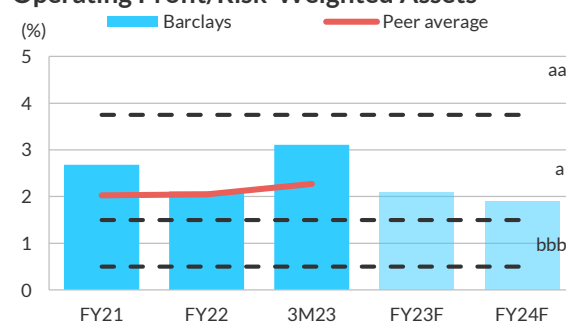
Barclays did not change its baseline macroeconomic variables or weightings used for modelled impairments in 1Q23 relative to 2022, but the severity had increased over 2022 as the environment deteriorated. Total impairment allowances increased incrementally to GBP6.3 billion by end-1Q23 (end-2022: GBP6.2 billion), driven by a normalisation in delinquency rates for US cards from historical lows. Post-model adjustments of GBP0.3 billion for economic uncertainty were retained at end-1Q23.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Barclays generated a record profit in 1Q23, with an operating profit/RWAs of 3.1% (2022: 2.1%), benefitting strongly from rising interest rates that also lifted income from the structural interest rate hedge, which is designed to reduce the impact of the volatility of short-term interest movements on rate insensitive balance-sheet positions (the group's equity and certain customer balances such as current accounts) and has amplified the NIM expansion since swap rates started to rise in late 2020. The structural hedge portfolio has a three-year average duration and the group receives fixed swap rates.

The Barclays-calculated group NIM increased by 100bp yoy to 406bp, which is significantly higher than Fitch's calculation as it includes all earning assets such as liquidity assets with the exception of cash. Income growth was driven by Barclays UK (+19% yoy) and CC&P (+47% yoy), mainly due to volume and margin growth in the US card business. Barclays CIB (+1% yoy) had its second-best quarter on record as strong growth in transaction banking and financing income offset lower market revenues.

The interest margin benefit from the structural hedges has expanded as a larger proportion of maturing hedges is gradually replaced at significantly higher swap rates, but will start to diminish when replacement swap rates decline below maturing swap rates or if banks are forced to rapidly increase interest rates on current accounts. However, the subdued UK housing market is also curtailing mortgage lending volumes and fuelling competition among mortgage lenders. This competition, alongside elevated swap rates, is putting downward pressure on margins on new mortgages written.

We expect pre-impairment earnings to remain resilient in 2023, but to decline from 2022 levels as the benefits of higher interest rates moderate with rising deposit pass-through rates and increasing wholesale funding costs, partially offset by higher swap rates continuing to support structural hedge income. However, rising LICs will act as a drag on operating profit, in our view. The improvement in Barclays' performance over the last two years has been underpinned by particularly strong CIB earnings, which we expect to moderate in 2023 as volatility drops from elevated 2022 levels. We expect the CIB and the growing CC&P division to continue to provide income diversification for the group.

Capital and Leverage

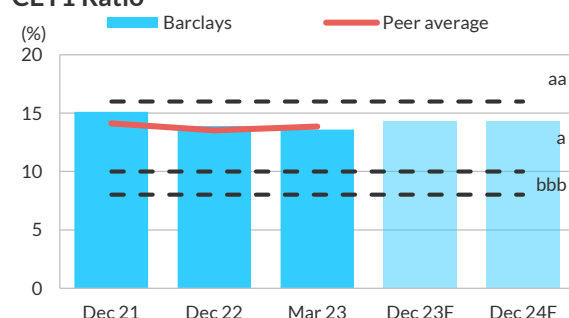
The CET1 ratio declined to 13.6% by end-1Q23, from 13.9% at end-2022, but still within the group's 13%-14% target. The decline in 1Q23 was due to loan growth, capital distributions and the acquisition of Kensington Mortgages, a UK-based specialist mortgage lender, which more than offset a 53bp benefit from the attributable profit.

Barclays' latest maximum distributable amount hurdle is 11.4%, resulting in a 220bp buffer at end-1Q23, which is at the lower end of its peer group of European global trading and universal banks. In addition, Barclays expects the increase in the UK countercyclical buffer to 2% in July 2023 to add around 40bp to its consolidated minimum CET1 requirement in 3Q23.

The group's total capital ratio was 20.2% at end-1Q23 against a total requirement of 16.7%. Its end-1Q23 UK leverage ratio was 5.1% (4.1% including central bank claims), comparable with peers' but lower than that of most large non-European banks.

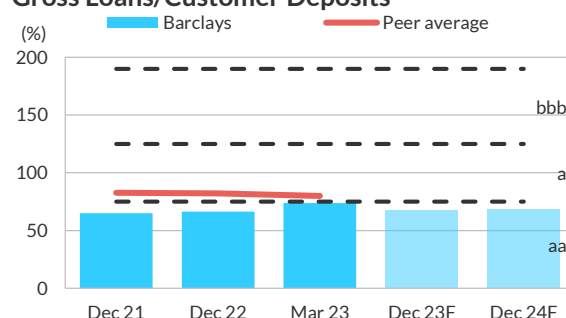
In the Bank of England's 2023 annual stress test, Barclays appears resilient to a more severe stress scenario than the 2008 global financial crisis, with a transitional CET1 ratio falling from 13.6% at end-2Q22 to a low point of 8.5% after management actions, moderately above its hurdle rate (including minimum capital requirements and systemic buffers) of 6.8%. Its stressed CET1 ratio on a fully loaded basis fell to a minimum of 6.9%, but was above 7.4% - higher than its 7% additional Tier 1 trigger - after management actions that we view as feasible under severe stress conditions. Barclays' traded losses of GBP11 billion in the stress test are the highest in the peer group due to its large markets division. The Tier 1 leverage ratio appears to be the most constraining for Barclays, with a fully loaded minimum of 3.4% after management actions, just 10bp above the hurdle rate (headroom is 40bp on an IFRS 9 transitional basis).

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Barclays' funding profile is well-matched and diversified, benefitting from a strong UK retail deposit franchise in the ring-fenced bank, and good wholesale funding access. We expect the group's loan/deposit ratio of 66% at end-2022 to increase towards the 'a' range as liquidity normalises after the pandemic; bank loans, debt securities and bank deposits are not disclosed separately for 1Q23, which means customer deposits and gross loans are not fully comparable with end-2022.

Customer deposits (excluding treasury deposits) decreased by GBP5 billion in 1Q23 (-1% qoq), mainly due to seasonal effects and foreign exchange, in line with peers. However, including treasury deposits (deposits from money market investors), total deposits were up by GBP10 billion (+2% qoq), helped by a large increase in international corporate term deposits.

Deposit pricing pressures continued to increase in 1Q23 with some migration to higher-rate deposit products. We expect the group's strong deposit franchise and sound liquidity buffers to ensure any further migration is manageable. Deposit insurance covers 41% of Barclays' total customer deposits and 71% of personal banking deposits.

Overall reliance on wholesale funding is significant and the group is an active debt issuer, including holdco debt that qualifies for the group's minimum requirements for own funds and eligible liabilities (MREL). The group expects to issue around GBP11 billion of MREL in 2023 (around GBP2.7 billion issued in 1Q23). At end-1Q23, the group had holding-company MREL instruments equivalent to 32.7% of RWAs, above its end-1Q23 requirements of 29.0%.

Barclays' 'F1' Short-Term IDR is the lower of two possible options mapping to a Long-Term IDR of 'A' because the group's funding and liquidity score of 'a' is not sufficient to achieve a higher Short-Term IDR.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch’s forward view on the bank’s core financial metrics per Fitch’s *Bank Rating Criteria*. They are based on a combination of Fitch’s macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch’s forecasts may materially differ from the guidance provided by the rated entity to the market

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

The dashed lines represent indicative quantitative ranges and implied scores for Fitch’s core financial metrics for banks operating in environments scored in the ‘aa’ category. The light-blue columns represent Fitch's forecasts. The peer averages include HSBC Holdings plc (VR: a+), UBS Group AG (a), BNP Paribas S.A. (a+), Societe Generale S.A. (a-) and Deutsche Bank AG (a-).

Financials

Financial Statements

	31 Mar 23		31 Dec 22	31 Dec 21	31 Dec 20
	3 months - 1st quarter (USDm)	3 months - 1st quarter (GBPm)	Year end (GBPm)	Year end (GBPm)	Year end (GBPm)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	3,778	3,053.0	10,603.0	8,093.0	8,159.0
Net fees and commissions	n.a.	n.a.	6,599.0	7,674.0	6,571.0
Other operating income	5,172	4,179.0	7,834.0	6,433.0	7,042.0
Total operating income	8,950	7,232.0	25,036.0	22,200.0	21,772.0
Operating costs	5,086	4,110.0	16,730.0	14,439.0	13,886.0
Pre-impairment operating profit	3,864	3,122.0	8,306.0	7,761.0	7,886.0
Loan and other impairment charges	648	524.0	1,220.0	-653.0	4,838.0
Operating profit	3,215	2,598.0	7,086.0	8,414.0	3,048.0
Other non-operating items (net)	n.a.	n.a.	-74.0	n.a.	17.0
Tax	694	561.0	1,039.0	1,188.0	604.0
Net income	2,521	2,037.0	5,973.0	7,226.0	2,461.0
Other comprehensive income	n.a.	n.a.	-4,361.0	-2,218.0	-395.0
Fitch comprehensive income	2,521	2,037.0	1,612.0	5,008.0	2,066.0
Summary balance sheet					
Assets					
Gross loans	506,508	409,284.0	348,869.0	325,664.0	318,262.0
- Of which impaired	8,569	6,924.0	7,086.0	7,235.0	8,997.0
Loan loss allowances	7,099	5,736.0	5,592.0	5,742.0	8,335.0
Net loans	499,410	403,548.0	343,277.0	319,922.0	309,927.0
Interbank	n.a.	n.a.	10,015.0	9,698.0	8,900.0
Derivatives	318,593	257,439.0	302,380.0	262,572.0	302,446.0
Other securities and earning assets	561,681	453,866.0	419,982.0	398,104.0	384,346.0
Total earning assets	1,379,683	1,114,853.0	1,075,654.0	990,296.0	1,005,619.0
Cash and due from banks	329,032	265,874.0	256,351.0	238,592.0	191,127.0
Other assets	195,932	158,323.0	181,694.0	155,397.0	152,768.0
Total assets	1,904,647	1,539,050.0	1,513,699.0	1,384,285.0	1,349,514.0
Liabilities					
Customer deposits	687,735	555,724.0	525,803.0	501,614.0	463,693.0
Interbank and other short-term funding	35,129	28,386.0	260,814.0	243,477.0	230,594.0
Other long-term funding	515,002	416,147.0	182,122.0	164,918.0	142,266.0
Trading liabilities and derivatives	417,358	337,246.0	362,544.0	311,052.0	348,180.0
Total funding and derivatives	1,655,223	1,337,503.0	1,331,283.0	1,221,061.0	1,184,733.0
Other liabilities	161,985	130,892.0	113,128.0	92,658.0	97,591.0
Preference shares and hybrid capital	17,058	13,784.0	14,279.0	13,601.0	12,542.0
Total equity	70,381	56,871.0	55,009.0	56,965.0	54,648.0
Total liabilities and equity	1,904,647	1,539,050.0	1,513,699.0	1,384,285.0	1,349,514.0
Exchange rate		USD1 = GBP0.80805	USD1 = GBP0.828638	USD1 = GBP0.74438	USD1 = GBP0.745156

Source: Fitch Ratings, Fitch Solutions, Barclays plc

Key Ratios

	31 Mar 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.1	2.1	2.7	1.0
Net interest income/average earning assets	1.1	1.0	0.8	0.8
Non-interest expense/gross revenue	56.8	66.8	65.8	63.8
Net income/average equity	14.8	10.6	12.9	4.4
Asset quality				
Impaired loans ratio	1.7	2.0	2.2	2.8
Growth in gross loans	17.3	7.1	2.3	0.1
Loan loss allowances/impaired loans	82.8	78.9	79.4	92.6
Loan impairment charges/average gross loans	0.6	0.3	0.0	1.2
Capitalisation				
Common equity Tier 1 ratio	13.6	13.9	15.1	15.1
Fully loaded common equity Tier 1 ratio	13.5	13.7	14.7	14.3
Tangible common equity/tangible assets	2.7	3.0	3.5	3.4
Basel leverage ratio	4.1	4.3	4.3	4.4
Net impaired loans/common equity Tier 1	2.6	3.2	3.1	1.4
Funding and liquidity				
Gross loans/customer deposits	73.7	66.4	64.9	68.6
Liquidity coverage ratio	163.0	165.0	168.0	162.0
Customer deposits/total non-equity funding	50.3	49.8	51.3	51.7
Net stable funding ratio	139.0	137.0	n.a.	n.a.
Source: Fitch Ratings, Fitch Solutions, Barclays plc				

Support Assessment

Commercial Banks: Government Support

Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Negative
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

Barclays' and BBplc's GSRs of no support (ns) reflect Fitch's view that senior creditors of the bank and the holdco cannot rely on extraordinary support from the sovereign in the event that Barclays or BBplc become non-viable. In our opinion, the UK has implemented legislation and regulations to provide a framework that is likely to require senior creditors to participate in losses for resolving even large banking groups. BBplc's GSR is based on government support because we believe that its role as the non-ring-fenced bank and its size mean that shareholder support from Barclays, and indirectly from BBUK, is unlikely.

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Barclays plc has 5 ESG potential rating drivers

- ➔ Barclays plc has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	5	issues	3		
not a rating driver	4	issues	2		
	5	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale	CREDIT-RELEVANT ESG SCALE	
					How relevant are E, S and G issues to the overall credit rating?	
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2	Irrelevant to the entity rating but relevant to the sector.
				1	1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entities, either due to their nature or to the way in which they are being managed by the entities. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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