

Barclays (BARC LN)

FUNDAMENTAL VIEW ¹

As of 12 Dec 2023

- Having run off its non-core assets and sold Barclays Africa, Barclays is now focusing on improving profitability.
- It benefits from its wide diversification in UK and US markets, with investment banking performing well in recent periods despite being perceived as volatile and higher risk.
- Barclays' large consumer finance business might prove to be vulnerable to rising interest rates and the cost of living crisis, but group earnings have been bolstered by good trading income and have, overall, benefited from the higher rates.
- Economic uncertainty clouds the near term outlook, but Barclays has strengthened its balance sheet metrics, with improved capital/leverage ratios, strong liquidity, and good loss-absorbing capacity.

RISKS & CATALYSTS

As of 12 Dec 2023

- With the UK and US economies beset by high inflation and high interest rates, asset quality is likely to come under pressure, and credit losses look set to rise, although so far there are no material signs of stress.
- Barclays has substantial credit card businesses in the UK and US, which could be vulnerable to the economic weakness.
- There is an ongoing debate about the weight of investment banking in the group as peers scale back or exit certain activities.
- A rescission offer to bondholders after the over-issuance of structured securities in the US resulted in large losses in 2021 and 1H22, partially offset by hedges, but that appears to have been an isolated case.

CREDIT QUALITY SCORE (CQS) ²

As of 22 Jan 2024

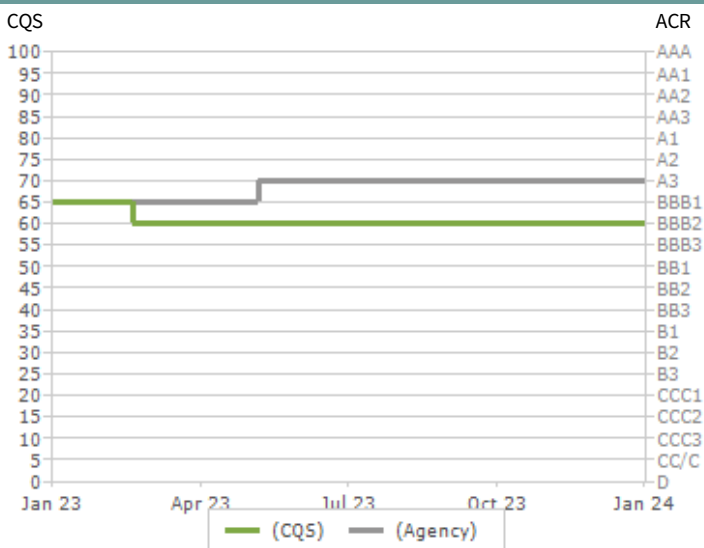
CURRENT CQS

60

CQS OUTLOOK ³

NEGATIVE **STABLE** POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 12 Dec 2023

£ MN	3Q23	Y22	Y21	Y20	Y19
Return On Equity	7.4%	8.7%	10.5%	3.8%	5.3%
Total Revenues Margin	1.6%	1.7%	1.6%	1.7%	1.9%
Cost/Income	63.1%	67.0%	66.8%	63.8%	71.3%
CET1 Ratio (Transitional)	14.0%	13.9%	15.1%	15.1%	13.8%
CET1 Ratio (Fully-Loaded)	14.0%	13.7%	14.7%	14.3%	13.5%
Leverage Ratio (Fully-Loaded)	5.0%	5.3%	5.2%	5.3%	4.5%
Liquidity Coverage Ratio	159%	165%	168%	162%	160%
Impaired Loans (Gross)/Total Loans	2.1%	2.0%	2.2%	2.6%	2.3%

BUSINESS DESCRIPTION

As of 12 Dec 2023

- Barclays is a major global financial services provider, engaged in personal banking, credit cards in the US, UK and Europe (Barclaycard), corporate and investment banking, and wealth and investment management.
- Having had an extensive international presence in Europe, the Americas, Africa and Asia, it has narrowed its focus to the UK & US markets, and has sold its stake in Absa (Barclays Africa).
- Its operations were previously split into Core and Non-Core, with Barclays Non-Core (BNC) containing the Group's non-strategic assets and businesses. Following an accelerated wind-down, Barclays closed BNC on 1 July 2017 with residual RWAs of £23 bn re-absorbed by the bank's business divisions.
- Barclays has implemented its ring-fencing split under which the newly established Barclays Bank UK PLC has become its UK ring-fenced bank (from 1 April 2018) and Barclays Bank PLC continues as the non-ring-fenced bank (accounting for around 80% of group assets).

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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