



## Fitch Downgrades Barclays to 'A'; Outlook Stable [Ratings](#)

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Fitch Ratings-London-15 December 2011: Fitch Ratings has downgraded Barclays Bank plc's (Barclays) Long-term Issuer Default Rating (IDR) to 'A' from 'AA-', removed it from Rating Watch Negative (RWN) and assigned a Stable Outlook. Its Viability Rating (VR) has also been downgraded to 'a' from 'aa-' and the RWN has been removed. A full list of rating actions in respect of Barclays, its parent Barclays plc and its subsidiaries Absa Group Limited and Absa Bank Limited can be found at the end of this comment.

Fitch is taking the rating action on Barclays and its affiliates in the context of its review of global trading and universal banks. The agency has taken rating action on a number of institutions to reflect the outcome of this review, as outlined in a separate comment, 'Fitch Downgrades Viability Ratings of Eight Global Trading and Universal Banks', published on 15 December 2011 and available on [www.fitchratings.com](http://www.fitchratings.com).

Fitch's review of many Global Trading and Universal Banks (GTUB) has been part of a review of ratings for the largest banks around the world. Fitch considers the GTUBs' business models to be particularly sensitive to the increased challenges that the financial markets are facing. These challenges result from economic developments as well as a myriad of regulatory changes. Fitch continues to believe that, however well-managed, the structural aspects of their funding, earnings, and leverage, predispose GTUBs to vulnerability to market sentiment and confidence, particularly during periods of exogenous financial stress. Furthermore, the complexity of their business models and exposure to fat tail risk make it more difficult to assess the size of loss that could emerge rapidly from unexpected events. For the most part, Fitch no longer consider these structural features of GTUBs to be consistent with 'aa' range VRs and these are the main considerations behind this rating action in respect of Barclays.

Given the group's substantial wholesale funding needs and extensive range of counterparties, Fitch believes Barclays will maintain a conservative approach to capitalisation and liquidity especially given increasingly stringent regulatory requirements ahead and the tough economic and market outlook.

In the context of the confidence risks associated with its substantial wholesale funding, the quality and extent of Barclays' liquidity pool and the re-financing flexibility afforded by a largely unencumbered loan book are notable strengths. This, combined with solid capitalisation, underpin the bank's VR solidly in the 'a' category.

Fitch believes Barclays will slowly rebalance its earnings mix back towards a more even split of retail/commercial/wealth banking and investment banking (Barclays Capital), building on the earnings momentum becoming apparent in the group's UK retail bank and Barclaycard. While this could ultimately contribute to moderately higher Long-term IDRs and VRs, economic challenges are growing in the UK, where private sector indebtedness is relatively high compared with many other countries and a consumer protection agenda is rigorously enforced, exposing the UK banks to above average reputation and regulatory/legal risks. Overall, Fitch believes Barclays' UK retail portfolios are likely to be more resilient than those of some of its peers.

Conversely earnings are likely to remain weak in the group's Spanish and Italian retail operations, given the greater economic challenges facing these countries.

Overall, earnings volatility has historically compared well with peers, in part reflecting risks that have for the most part been well

controlled, especially in the retail bank. Nonetheless, Barclays' ambitions to continue to invest in parts of Barclays Capital mean that the group's earnings mix is unlikely to shift so materially in favour of retail and commercial banking, that the group's IDRs and VRs might return to the 'AA/aa' range.

Barclays' IDR is in line with its VR and is now at the same level as the bank's Support Rating floor (SRF). As a result, the bank's IDR would only be downgraded in the event of a combination of a downgrade of the bank's VR and a weakening of Fitch's assessment of the support that might be available to the bank from the UK authorities.

In this regard, Fitch last revised downwards the major UK banks' SRFs (including that of Barclays) on 13 October 2011. The revision of the SRFs reflected Fitch's view that support dynamics are changing in the UK. The UK banking system is not only large relative to the UK economy, but there is also more advanced political will to reduce the implicit support for the country's banks, building on The Banking Act 2009 and, more recently the various policy recommendations of the Independent Commission on Banking (ICB).

The IDRs and VR of Barclays plc, the holding company parent of Barclays, are in line with those of Barclays, primarily reflecting the absence of any double leverage at the holding company level. Barclays plc's Support Rating of '5' reflects Fitch's opinion that, while support may be forthcoming for the group's holding company, it cannot be relied upon.

Hybrid capital instruments and subordinated debt issued by Barclays have been downgraded by two notches in line with the downgrade of the bank's Long-term IDR. The RWN that remains on the bank's hybrid securities reflects the heightened downgrade risk associated with the pending completion of Fitch's review into how it rates bank regulatory capital and similar securities. This review was initiated by the exposure draft entitled 'Rating Bank Regulatory Capital Securities' published on 28 July 2011 and available on [www.fitchratings.com](http://www.fitchratings.com).

Following the downgrade of Barclays' IDRs, Absa Group Limited and Absa Bank Limited's IDRs and Long-term National Ratings have also been downgraded to reflect the weakening in the capacity of Barclays to support these subsidiaries. The propensity and overall likelihood of Barclays supporting these companies in the event of need remains extremely high though, as reflected in their '1' Support Ratings.

The full list of rating actions is as follows:

#### Barclays

Long-term IDR: downgraded to 'A' from 'AA-', RWN removed; Outlook Stable

Short-term IDR and short-term debt: downgraded to 'F1' from 'F1+', RWN removed

Viability Rating: downgraded to 'a' from 'aa-', RWN removed

Individual Rating: affirmed at 'B'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A'

Senior unsecured debt: downgraded to 'A' from 'AA-', RWN removed

Market linked securities: downgraded to 'Aemr' from 'AA-emr', RWN removed

Guaranteed senior long-term debt: affirmed at 'AAA'

Guaranteed senior short-term debt: affirmed at 'F1+'

Lower Tier 2 debt: downgraded to 'A-' from 'A+', RWN removed

Upper Tier 2 debt, preference shares and other hybrid securities: downgraded to 'BBB+' from 'A'; RWN maintained

#### Barclays plc (Barclays's holding company parent)

Long-term IDR: downgraded to 'A' from 'AA-', RWN removed; Outlook Stable

Short-term IDR: downgraded to 'F1' from 'F1+', RWN removed

Viability Rating: downgraded to 'a' from 'aa-', RWN removed

Support Rating: affirmed at '5'

Support Rating Floor: affirmed at 'No Floor'

#### Absa Group Limited

Foreign currency Long-term IDR: downgraded to 'A-' from 'A', RWN removed; Outlook Stable

Foreign currency Short-term IDR: downgraded to 'F2' from 'F1', RWN removed

Local currency Long-term IDR: downgraded to 'A-' from 'A', RWN removed, Outlook Stable  
National Long-term rating: downgraded to 'AA+(zaf)' from 'AAA(zaf)', RWN removed, Outlook Stable  
National Short-term rating: affirmed at 'F1+(zaf)'  
Viability Rating: unaffected at 'bbb+'  
Individual Rating: unaffected at 'C'  
Support Rating: affirmed at '1'

Absa Bank Limited

Foreign currency Long-term IDR: downgraded to 'A-' from 'A', RWN removed; Outlook Stable  
Foreign currency Short-term IDR: downgraded to 'F2' from 'F1', RWN removed  
Local currency Long-term IDR: downgraded to 'A-' from 'A', RWN removed, Outlook Stable  
National Long-term rating: downgraded to 'AA+(zaf)' from 'AAA(zaf)', RWN removed, Outlook Stable  
National Short-term rating: affirmed at 'F1+(zaf)'  
Viability Rating: unaffected at 'bbb+'  
Individual Rating: unaffected at 'C'  
Support Rating: affirmed at '1'  
Senior unsecured debt: downgraded to 'A-/F2' from 'A'/F1', RWNs removed  
Senior unsecured notes National Long-term rating: downgraded to 'AA+(zaf)' from 'AAA(zaf)', RWN removed.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2011, 'Treatment of Hybrids in Bank Capital Analysis', dated 11 July 2011, 'Bank Holding Companies', dated 16 August 2011, and 'Rating Hybrid Securities', dated 28 July 2011 are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

[Global Financial Institutions Rating Criteria](#)

[Treatment of Hybrids in Bank Capital Analysis](#)

[Bank Holding Companies](#)

[Rating Hybrid Securities](#)

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