

# Moody's hands Barclays Africa a foreign-currency junk rating

By [Hanna Ziady](#)

19 Jul 2017

Moody's said that it had assigned a first-time rating to Barclays Africa Group's long-term and short-term foreign currency debt at one notch below investment grade, or Ba1.



Photo: Bitcoin News

This is in line with the South African sovereign credit rating, as banks cannot be rated above the sovereign. Barclays Africa's local currency rating remained investment grade at Aa3, Moody's said in a statement on Tuesday.

Barclays Africa can no longer use the credit rating of its former parent, Barclays Plc, after the British bank completed a sell-down of its stake in the African banking group in June to just below 15%. This means it is no longer a shareholder of reference and so would not be on the hook if Barclays Africa ever required additional capital.

Moody's said that the rating assigned to Barclays Africa captured its good capital buffer, healthy equity-to-assets ratio, solid profitability and liquidity metrics, and the group's diversified operations, Moody's said in a statement.

"However, the rating also captures the challenging operating conditions, in both SA and the wider sub-Saharan Africa region, which expose [Barclays Africa] to asset quality pressures."

Barclays Plc's sell-down of a majority stake in Barclays Africa posed potential operational and performance risks, Moody's said. These were partly mitigated by the former British parent's 765m (R12.8bn) divorce settlement, as well as an arrangement allowing Barclays Africa to use the Barclays brand outside SA until May 2020.

The rating given to Barclays Africa was one notch below Absa's baa3 credit assessment. Barclays Africa is a "nonoperational entity and its issue rating is mainly driven by the structural subordination of its creditors to those of Absa", which was the group's main operating entity.

Moody's gave Barclays Africa's long-term debt issues a negative outlook, driven by the negative outlook on the South African government rating.

There was limited upward rating momentum for the group's issuer rating over the near-term, Moody's said. Downward pressure on the ratings would arise from any significant strain in the group's rest of Africa operations or execution risks materialising from the Barclays Plc sale.

**Source:** *BDPro*

For more, visit: <https://www.bizcommunity.com>