

## CREDIT OPINION

15 April 2024

Update

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### RATINGS

#### Barclays Bank PLC

Domicile	London, United Kingdom
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Barclays Bank PLC

### Update to credit analysis

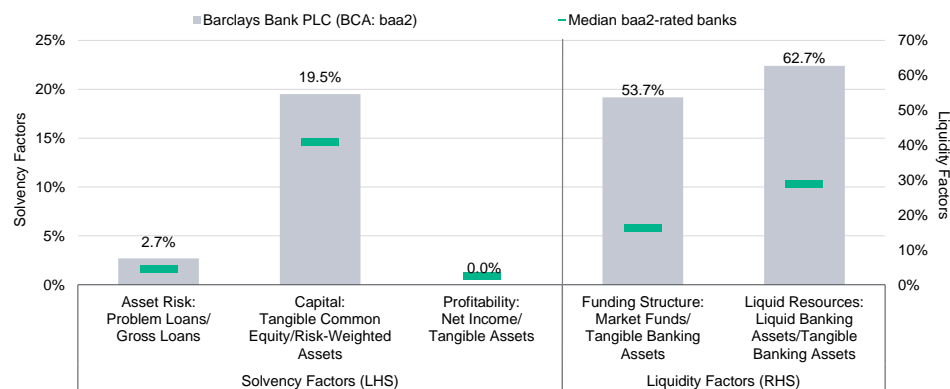
#### Summary

[Barclays Bank PLC's](#) (Barclays Bank) long-term deposit and senior unsecured debt ratings of A1, with a stable outlook, reflect the bank's standalone creditworthiness, illustrated by a baa2 Baseline Credit Assessment (BCA); our assessment of a high probability of support coming from the holding company [Barclays PLC](#) (Barclays, Baa1 stable, baa1<sup>1</sup>), which results in a one-notch uplift to an adjusted BCA of baa1; very low loss given failure under our Advanced Loss Given Failure (LGF) analysis, which results in a three-notch uplift; and moderate probability of support from the [Government of the UK](#) (Aa3 stable), which does not result in any additional uplift.

Barclays Bank's baa2 BCA reflects the bank's robust risk management, good risk-weighted capitalisation, improving profitability and strong liquidity, but also market and operational risks arising from its significant exposure to capital markets activities, and high reliance on confidence-sensitive wholesale funding.

Exhibit 1

#### Rating scorecard - Key financial ratios As of 31 December 2023



Ratios are from Moody's banking scorecard. The capital ratio is as of the most recent period; the asset risk and profitability ratios are the worse of the most recent year-to-date period or the average of the last three years and the most recent year-to-date; the funding structure and liquid resources ratios are as of the most recent year-end.

Source: Moody's Ratings

## Credit strengths

- » Good credit quality and robust risk management
- » Good risk-weighted capitalisation
- » Strong liquidity

## Credit challenges

- » High reliance on inherently more volatile capital markets revenue
- » High exposure to more confidence-sensitive wholesale funding

## Outlook

The outlooks on Barclays Bank's long-term deposit and senior unsecured debt ratings are stable. The stable outlooks reflect our expectation of a broad stability in the solvency and liquidity metrics, despite a weak macroeconomic environment, and our expectation that the recent profitability levels will be sustained.

## Factors that could lead to an upgrade

Barclays Bank's long-term deposit and senior unsecured debt ratings could be upgraded following an upgrade of Barclays Bank's Adjusted BCA. Additional issuance of bail-in-able debt to the group or to the market, or a larger stock of junior deposits would not result in further uplift to Barclays Bank's long-term deposit and senior unsecured debt ratings, because they already benefit from the maximum three-notch uplift that Moody's can assign under its Advanced LGF analysis. An upgrade of the UK's sovereign debt rating could also lead to an upgrade of Barclays Bank's long-term deposit and senior unsecured debt ratings.

Barclays Bank's Adjusted BCA could be upgraded following an upgrade of the bank's BCA in combination with an upgrade of Barclays' notional BCA. Barclays Bank's BCA could be upgraded if the bank materially improved its profitability, while maintaining strong capital and liquidity and without increasing its risk appetite.

## Factors that could lead to a downgrade

Barclays Bank's long-term deposit and senior unsecured debt ratings could be downgraded following a downgrade of the bank's Adjusted BCA and a material reduction in the stock of deposits or bail-in-able debt. Barclays Bank's Adjusted BCA could be downgraded following a downgrade of Barclays' notional BCA, or a material deterioration of Barclays Bank's own creditworthiness, for example following a material deterioration of profitability, a reduction in capitalisation, or an increase in risk appetite.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Barclays Bank PLC (Consolidated Financials) [1]

	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (GBP Billion)	918.7	893.1	785.3	732.2	631.8	9.8 <sup>4</sup>
Total Assets (USD Billion)	1,171.1	1,074.4	1,059.9	1,000.9	836.9	8.8 <sup>4</sup>
Tangible Common Equity (GBP Billion)	52.8	53.0	46.9	43.5	52.0	0.4 <sup>4</sup>
Tangible Common Equity (USD Billion)	67.3	63.8	63.3	59.4	68.9	(0.6) <sup>4</sup>
Problem Loans / Gross Loans (%)	2.7	2.4	2.8	4.4	3.5	3.2 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	19.5	20.1	19.3	18.6	32.8	22.1 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.7	6.3	6.6	10.5	7.8	7.6 <sup>5</sup>
Net Interest Margin (%)	0.7	0.6	0.3	0.3	0.6	0.5 <sup>5</sup>
PPI / Average RWA (%)	1.8	2.1	2.0	2.9	2.6	2.3 <sup>6</sup>
Net Income / Tangible Assets (%)	0.3	-0.7	0.5	0.5	0.8	0.3 <sup>5</sup>
Cost / Income Ratio (%)	72.6	71.6	67.8	63.0	69.9	69.0 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	53.7	50.1	50.2	50.3	47.7	50.4 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	62.7	62.3	66.2	67.3	69.5	65.6 <sup>5</sup>
Gross Loans / Due to Customers (%)	49.2	55.3	49.2	50.7	54.2	51.7 <sup>5</sup>

[–] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

Barclays Bank is the non ring-fenced bank of the Barclays group, accounting for around 80% of the group's total assets, following the transfer of the group's UK retail and small business banking operations to [Barclays Bank UK PLC](#) (A1 stable, a3) in 2018.

The bank houses the group's corporate and investment banking activities together with other non-capital markets activities including payments, wealth management, and international consumer and cards activities. The bulk of the bank's operations are split between the group's key markets of the UK and US but it also has a presence in continental Europe and other major global financial centres. Barclays Bank operates with its EEA clients and customers through its Irish subsidiary Barclays Bank Ireland PLC.

## Detailed credit considerations

### Barclays is predominantly exposed to the US, UK and EU

We assign a Strong+ Macro Profile to Barclays Bank, reflecting its large exposure to the US and the UK (both Strong+) and the EU (Strong).

### Risks from capital market activities, adding opacity and complexity, but solid credit quality

Our baa2 Asset Risk score incorporates Barclays Bank's strong credit quality, but also the risks associated with the bank's capital markets activities, which are not incorporated in the scorecard's historical ratio.

Capital markets activities are sensitive to market conditions, resulting in inherent earnings volatility and the tail risk of significant one-off losses. Capital markets activities are also more opaque than traditional retail and commercial banking operations. This, combined with Barclays Bank's complex legal structure and multinational footprint, makes reporting and oversight more difficult. We reflect these risks in a one-notch downward adjustment for Opacity and Complexity in the qualitative section of Barclays Bank's BCA scorecard; we apply the same adjustment to other banks with large investment banking and capital markets operations. At the same time, we believe that Barclays Bank's risk management is robust; for example, unlike some its peers, Barclays Bank avoided the risks related to the downfall of Archegos and Greensill.

Similar to peers, credit quality is currently moderately weaker than last year, but overall credit quality remains strong for Barclays Bank. The bank reported a level of problem loans equivalent to 2.7% of gross loans; at year-end 2023, around 40% of Barclays Bank's problem loans come from credit cards, and another 33% of problem loans are related to corporate loans. In line with recent macroeconomic developments<sup>2</sup>, Stage 2 loans fell to 9% of gross loans at the end of 2023 from 10% at the end of 2022. The coverage

ratios of Stage 3 wholesale loans declined to 28.2% at year-end 2023 from 31.3% year-end 2022, and the coverage ratios of Stage 3 card loans remained elevated at 80.6% at the end of 2023 (year-end 2022: 72.5%).

### Good risk-weighted capitalisation

We assign an aa3 Capital score for Barclays Bank, one notch below the Macro Adjusted score.

Our assigned score reflects our view on the bank's consolidated capital position, and our expectation that risk-weighted capitalisation and leverage will modestly reduce.

Barclays Bank reports an unconsolidated Common Equity Tier 1 ratio of 12.1% at year-end 2023 and a leverage ratio, calculated according to the policy statement of the Bank of England's Prudential Regulation Authority (UK leverage ratio), of 6.0%. We expect Barclays Bank's leverage, expressed as TCE as a percentage of tangible assets, will also reduce to levels close to 5% (year-end 2023: 5.75%)<sup>3</sup>.

### Income will decrease from exceptional levels, offset by lower litigation and conduct costs

We assign a Profitability score of baa3, reflecting our expectation on Barclays Bank's return on tangible asset of around 0.5%.

In 2023, Barclays Bank reported profit after tax of £3.6 billion, a 19% decline from £4.4 billion in 2022<sup>4</sup>. Higher operating expenses (+13%) driven by higher investment spend to support growth and structural cost actions and provision for expected credit losses (+69%) on higher delinquencies within US cards more than offset a drop in litigation and conduct costs (2023: £44 million; 2022: £1.4 billion). Total income was broadly stable (+0.4%) a result of higher revenue within Consumer, Cards and Payments (CC&P).

We believe that Barclays Bank's income from capital markets and investment banking will remain below the exceptional levels of 2021 and 2022. Higher credit costs on credit cards will continue to pressure profitability, but this will be offset by the likely absence of large extraordinary charges such as those Barclays Bank booked in 2022.

### Solid liquidity mitigates high reliance on confidence-sensitive market funding

We assign a ba1 Combined Liquidity Score to Barclays Bank, reflecting high reliance on confidence-sensitive capital markets funding but also strong liquidity.

We assign a b3 Funding Structure score, in line with the Macro Adjusted score to reflect the higher proportion of non-operational deposits compared with traditional commercial banks. In 2023, Barclays Bank's market funding was 53.7% of the bank's tangible banking assets (the threshold between Macro Adjusted scores of b1 and b3 is 50%), which is high but it also reflects Barclays Bank's business model. As a partially mitigating factor, among market funds Barclays Bank has a portion of bail-in-able liabilities issued to the holding company, which have a moderate maturity, and a good degree of diversification by investor type and currency.

Liquidity is a key credit strength for Barclays Bank; the quantity and quality of Barclays Bank liquid assets is higher than that of many of its peers, and we believe that the bank has a conservative liquidity risk management framework. We assign an aa3 score for Liquid Resources, one notch below the Macro Adjusted score to reflect the encumbrance of some assets that we classify as liquid in our metrics.

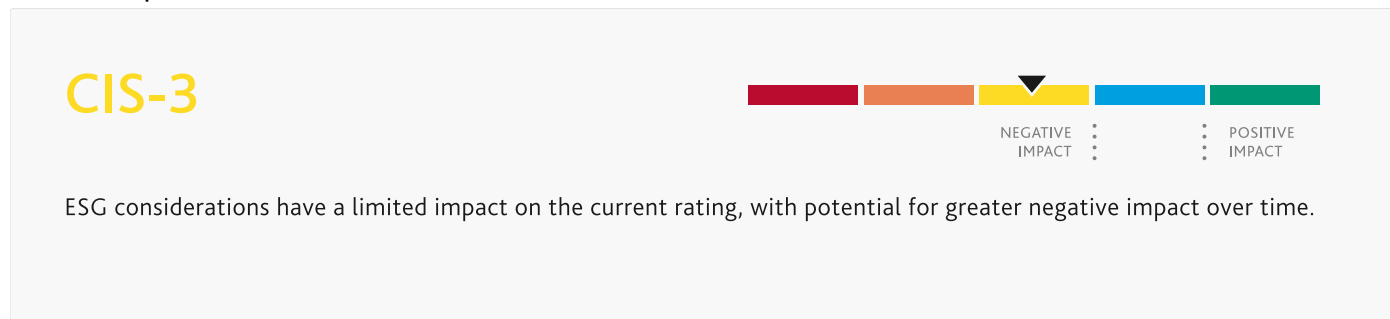
Barclays Bank has a sizeable pool of liquid assets, which accounted for 62.7% of the bank's tangible banking assets at year-end 2023. The bank's liquidity coverage ratio (LCR) was strong at 151% as of December 2023. Deposits are well in excess of the customer loan book, as indicated by the 47% loan-to-deposit ratio that we calculate as of year-end 2023.

## ESG considerations

### Barclays Bank PLC's ESG credit impact score is CIS-3

Exhibit 3

#### ESG credit impact score



Source: Moody's Ratings

Barclays Bank's **CIS-3** indicates limited impact of ESG considerations on the ratings to date, with the overall assessment largely reflecting our industry view of the opacity, complexity and tail risks inherent to capital market activities captured under our governance assessment. The bank's track record in managing these risks and its strong financial fundamentals are important mitigating factors to this exposure.

Exhibit 4

#### ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Barclays Bank faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk. In line with peers, it is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, the entire Barclays group continues to develop its comprehensive risk management and climate risk reporting frameworks, including its BlueTrack climate methodology built in 2020.

### Social

Barclays Bank faces high social risks from customer relations (regulatory risk, litigation exposure and high compliance standards). The bank also faces social risks related to potential competition from technological firms; as for all banks, cybersecurity risk and the financial and reputational implications of data breaches are high. The design of complex, opaque or speculative financial products for institutional clients, which reflects Barclays Bank' business model, increases exposure to the potential for reputational risk and litigation as for all the other global investment banks.

### Governance

Barclays Bank has strong corporate governance practices, and prudent capital, liquidity and risk management policies and procedures. However, the opacity and complexity of capital market activities, which account for the majority of the bank's revenue, exposes the firm to tail risks. Barclays Bank is effectively controlled by Barclays PLC, which fully owns it. Therefore, we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given the bank's strategic importance and public affiliation with

the group, the parent's oversight of its subsidiary board and the regulated nature of both entities. Six out of the current nine Board members of Barclays Bank are independent non-executive directors (the others are the Chair, the Group CEO and the Group CFO).

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Affiliate support considerations

We expect a high probability of support from Barclays, leading to a one-notch uplift of the BCA to an adjusted BCA of baa1.

Our assessment reflects the strong willingness to support Barclays Bank's activities, balanced against limited resources in the rest of the group and limitations related to the ring-fencing legislation.

### Loss Given Failure (LGF) analysis

Barclays Bank is subject to the UK's implementation of the European Union's (EU) Bank Recovery and Resolution Directive, which we consider an operational resolution regime.

We apply our advanced Loss Given Failure (LGF) analysis to Barclays Bank, taking into account the bank's consolidated tangible assets and the externally issued debt and deposits of Barclays Bank and its non-UK subsidiaries. Our approach reflects the fact that the main material subsidiaries of Barclays Bank operate in operational resolution regimes and have been required to issue internal loss-absorbing capital. Our approach also takes into account our view that Barclays as a group has adopted a resolution strategy with a credible mechanism for passing on losses to Barclays Bank from subsidiaries.

Our analysis assumes a residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets and a 25% runoff of junior wholesale deposits, and we assign a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions. We also assume that the junior proportion of Barclays Bank's deposits is consistent with the estimated EU-wide average of 26%.

Our LGF analysis indicates that Barclays Bank's deposits and senior unsecured debt are likely to face extremely low loss given failure because of the loss absorption provided by subordinated debt (including the debt downstreamed from the holding company), and the volume of deposits and senior debt themselves. This results in a three-notch uplift for the long-term deposit and senior unsecured debt ratings from the bank's adjusted BCA.

Subordinated debt issued by Barclays Bank is likely to face moderate loss given failure, resulting in a rating in line with the adjusted BCA, reflecting the volume of more junior debt and the residual equity that we expect in a resolution scenario.

Junior subordinated debt is likely to face high loss given failure, because of the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate additional notching for junior subordinated and preference share instruments, reflecting coupon features.

### Government support considerations

Because of the systemic importance of Barclays Bank, reflecting its sizeable capital market operations, there is a moderate probability of government support for its deposit and senior unsecured debt, which however does not result in a rating uplift due to the proximity of the unsupported ratings to the UK's Aa3.

We apply a low government support assumption to subordinated junior securities, also resulting in no uplift.

### Counterparty Risk (CR) Assessment

#### Barclays Bank's CR Assessments are A1(cr)/Prime-1(cr)

The long-term CR Assessments, before government support, are three notches above the banks' adjusted BCA of baa1. The uplift results from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support does not result in any uplift.

## Counterparty Risk Ratings (CRRs)

### Barclays Bank's CRRs are A1/Prime-1

The long-term CRRs, before government support, are three notches above the bank's Adjusted BCA of baa1. The uplift derives from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support does not result in any uplift. Although Barclays Bank is likely to have more than a nominal volume of CRR liabilities at failure, this has no impact on the CRRs because the significant level of subordination below the CRR liabilities at the bank already provides the maximum amount of uplift under our rating methodology.

### About Moody's scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 5

### Barclays Bank PLC

<b>Macro Factors</b>										
<b>Weighted Macro Profile</b>		<b>Strong +</b>		<b>100%</b>						
<b>Factor</b>	<b>Historic Ratio</b>	<b>Initial Score</b>	<b>Expected Trend</b>	<b>Assigned Score</b>	<b>Key driver #1</b>	<b>Key driver #2</b>				
Solvency										
Asset Risk										
Problem Loans / Gross Loans	2.7%	a2	↔	baa2	Market risk	Operational risk				
Capital										
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	19.5%	aa2	↓	aa3	Expected trend	Nominal leverage				
Profitability										
Net Income / Tangible Assets	0.0%	b3	↑↑	baa3	Expected trend					
Combined Solvency Score		a3		a3						
Liquidity										
Funding Structure										
Market Funds / Tangible Banking Assets	53.7%	b3	↔	b3	Deposit quality					
Liquid Resources										
Liquid Banking Assets / Tangible Banking Assets	62.7%	aa2	↔	aa3	Asset encumbrance					
Combined Liquidity Score		baa3		ba1						
Financial Profile										
Qualitative Adjustments				Adjustment						
Business Diversification				0						
Opacity and Complexity				-1						
Corporate Behavior				0						
Total Qualitative Adjustments				-1						
Sovereign or Affiliate constraint				Aa3						
BCA Scorecard-indicated Outcome - Range				baa1 - baa3						
Assigned BCA				baa2						
Affiliate Support notching				1						
Adjusted BCA				baa1						
<b>Balance Sheet</b>										
		<b>in-scope (GBP Million)</b>		<b>% in-scope</b>		<b>at-failure (GBP Million)</b>	<b>% at-failure</b>			
Other liabilities		484,489		52.8%		513,784	56.0%			
Deposits		287,200		31.3%		257,906	28.1%			
Preferred deposits		212,528		23.2%		201,902	22.0%			
Junior deposits		74,672		8.1%		56,004	6.1%			
Senior unsecured bank debt		70,500		7.7%		70,500	7.7%			
Junior senior unsecured bank debt		24,880		2.7%		24,880	2.7%			
Dated subordinated bank debt		11,591		1.3%		11,591	1.3%			
Preference shares (bank)		11,404		1.2%		11,404	1.2%			
Equity		27,528		3.0%		27,528	3.0%			
Total Tangible Banking Assets		917,592		100.0%		917,592	100.0%			
<b>Debt Class</b>										
		<b>De Jure waterfall</b>		<b>De Facto waterfall</b>		<b>Notching</b>		<b>LGF</b>	<b>Assigned</b>	<b>Additional Preliminary</b>
		<b>Instrument</b>	<b>Sub-</b>	<b>Instrument</b>	<b>Sub-</b>	<b>De Jure</b>	<b>De Facto</b>	<b>Notching</b>	<b>LGF</b>	<b>Notching</b>
		<b>volume +</b>	<b>ordination</b>	<b>volume +</b>	<b>ordination</b>			<b>Guidance</b>	<b>notching</b>	<b>Rating</b>
		<b>subordination</b>	<b>subordination</b>	<b>subordination</b>	<b>subordination</b>			<b>vs.</b>		<b>Assessment</b>
								<b>Adjusted</b>		
								<b>BCA</b>		
Counterparty Risk Rating	22.0%	22.0%	22.0%	22.0%	3	3	3	3	0	a1
Counterparty Risk Assessment	22.0%	22.0%	22.0%	22.0%	3	3	3	3	0	a1 (cr)
Deposits	22.0%	8.2%	22.0%	15.9%	3	3	3	3	0	a1
Senior unsecured bank debt	22.0%	8.2%	15.9%	8.2%	3	2	3	3	0	a1
Dated subordinated bank debt	5.5%	4.2%	5.5%	4.2%	0	0	0	0	0	baa1



Junior subordinated bank debt	4.2%	4.2%	4.2%	4.2%	0	0	0	0	-1	baa2
Non-cumulative bank preference shares	4.2%	3.0%	4.2%	3.0%	-1	-1	-1	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	3	0	a1	0	A1	A1
Senior unsecured bank debt	3	0	a1	0	A1	A1
Dated subordinated bank debt	0	0	baa1	0	Baa1	Baa1
Junior subordinated bank debt	0	-1	baa2	0	Baa2 (hyb)	Baa2 (hyb)
Non-cumulative bank preference shares	-1	-2	ba1	0		Ba1 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 6

Category	Moody's Rating
<b>BARCLAYS BANK PLC</b>	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Subordinate	Baa1
Jr Subordinate	Baa2 (hyb)
Pref. Stock Non-cumulative	Ba1 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
<b>PARENT: BARCLAYS PLC</b>	
Outlook	Stable
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Issuer Rating -Dom Curr	Baa1
Senior Unsecured	Baa1
Subordinate	Baa1
Pref. Stock Non-cumulative	Ba1 (hyb)
ST Issuer Rating -Dom Curr	P-2
Other Short Term -Dom Curr	(P)P-2
<b>BARCLAYS BANK PLC, CAYMAN BRANCH</b>	
Commercial Paper	P-1
<b>BARCLAYS BANK PLC, NEW YORK BRANCH</b>	
Commercial Paper	P-1
<b>BARCLAYS US CCP FUNDING LLC</b>	
Commercial Paper	P-1

Source: Moody's Ratings

## Endnotes

- 1 Unless otherwise noted, the bank ratings shown in this report are the long-term deposit rating, the senior unsecured debt rating (where available) and the standalone baseline credit assessment (BCA).
- 2 For our latest macroeconomic forecasts, please refer to [Global Macro Outlook 2024-25 \(February 2024 Update\): Growth for G-20 economies to stabilize at modestly lower levels in 2024](#), published on 29 February 2024.
- 3 We typically assign a one-notch negative adjustment for Capital when leverage, calculated as TCE over tangible assets, is below 5%.
- 4 The historic net income / tangible assets ratios shown in the key indicators table and in the scorecard, which drive the Profitability Macro Adjusted score, include our [standard adjustment](#) for defined benefit pension schemes. Under our standard approach, we adjust banks' profit to take into account gains and losses from the actual returns on plan assets, which in recent years have been sizeable. We do not include in profit any other remeasurements or actuarial gain/loss components, like the impact of changes in the pension liability discount rate. Given the high level of fixed income securities among pension assets, the rapid growth of interest rates in 2022 led to a material decline in the value of the pension assets, which drove a large negative adjustment that hindered the bank's adjusted profitability. These changes did not however materially affect the bank's pension deficit or surplus, as they have been largely offset by a lower value of the pension scheme's obligations in 2022 to reflect the increase in the discount rates (i.e. higher interest rates). In recent years, the value of pension assets have also been affected by equity markets, as pension assets also include a material level of shares.

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