

**Rating Action: Moody's takes action on six UK banks following downgrade of UK sovereign debt rating to Aa3 stable from Aa2 negative**

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20 Oct 2020

London, 20 October 2020 -- Moody's Investors Service (Moody's) today took an action on six UK banks. The rating agency:

- Downgraded the long-term deposit ratings of three UK banks to A1 from Aa3: HSBC Bank plc (HSBC Bank), Lloyds Bank plc (Lloyds Bank) and Santander UK plc (Santander UK) and changed the outlooks on these ratings to stable from negative.
- Affirmed the A1 long-term deposit ratings of National Westminster Bank Plc (NatWest Bank), and changed the outlook on these ratings to stable from positive.
- Downgraded the long-term issuer and senior unsecured debt ratings -- where applicable -- of four banks: HSBC Bank, HSBC UK Bank plc (HBUK), Lloyds Bank and Santander UK, and changed the outlook on these ratings to stable from negative.
- Downgraded the long-term Counterparty Risk Ratings (CRR) and long-term Counterparty Risk Assessments (CR Assessment) of four banks to Aa3 and Aa3(cr) from Aa2 and Aa2(cr), respectively: HSBC Bank, Barclays Bank UK PLC (Barclays Bank UK), Lloyds Bank and Santander UK.
- Maintained a Strong+ Macro Profile for the UK.

A full list of affected ratings and assessments can be found at the end of this Press Release.

The action on UK banks was driven by Moody's downgrade, on 16 October 2020, of the Government of the United Kingdom's sovereign debt rating to Aa3 with stable outlook from Aa2 with negative outlook. For further information on the sovereign rating action, please refer to Moody's press release published on 16 October 2020: Moody's downgrades the UK's ratings to Aa3, outlook stable ([https://www.moody's.com/research/--PR\\_434172](https://www.moody's.com/research/--PR_434172)).

#### RATINGS RATIONALE

The downgrade of the UK sovereign debt rating to Aa3 from Aa2 led to a reduction in the uplift for government support provided to the long-term deposit ratings, senior unsecured debt ratings, CRRs and CR Assessments for the UK banks with the highest ratings, said Moody's.

Moody's includes in its ratings the benefit from potential government support based upon the willingness and the capacity of a government to support banks in case of need. Moody's maintained an assessment of a moderate probability of support from the Government of the UK for the depositors and operating liabilities of the banks affected by today's action. However, such support in some cases no longer provides rating uplift given the lower UK sovereign debt rating.

At the same time, Moody's maintained a Strong+ Macro Profile for the UK, reflecting the rating agency's unchanged view of the country's operating environment.

#### -- HSBC BANK, LLOYDS BANK AND SANTANDER UK

Moody's downgraded the long-term deposit ratings, senior unsecured debt ratings, and issuer ratings -- where applicable - of HSBC Bank, Lloyds Bank and Santander UK to A1 with stable outlook from Aa3 with negative outlook, and the long-term CRRs and CR Assessments to Aa3 and Aa3(cr) from Aa2 and Aa2(cr), respectively.

The action reflects the proximity of these ratings and assessments to the lower UK sovereign debt rating. With an Aa3 sovereign debt rating, Moody's said that its unchanged view of a moderate probability of support for the affected ratings and assessments no longer results in any uplift.

The stable outlooks balance the risk that banks' financial profiles deteriorate as a result of the current economic shock, with the potential notch of government support that the rating agency could assign should the unsupported long-term deposit ratings, senior unsecured debt ratings, and issuer ratings fall further below the UK sovereign debt rating.

#### -- HBUK

Moody's downgraded the senior unsecured and long-term issuer ratings of HBUK to A1 with stable outlook from Aa3 with negative outlook.

The action reflects the proximity of these ratings to the lower UK sovereign debt rating. With an Aa3 sovereign debt rating, Moody's said that its unchanged view of a moderate probability of support for the affected ratings no longer results in any uplift.

The stable outlook balances the risk that HBUK's financial profile deteriorates as a result of the current economic shock, with the potential notch of government support that the rating agency could assign should the unsupported long-term deposit ratings fall further below the UK sovereign debt rating.

HBUK's long-term deposit ratings of Aa3 with negative outlook, the Aa2 long-term CRRs and the Aa2(cr) long-term CR Assessment were not affected by today's action because they do not incorporate uplift from government support due to their proximity to the UK's sovereign debt rating.

#### -- BARCLAYS BANK UK

Moody's downgraded the long-term CRRs and CR Assessments of Barclays Bank UK to Aa3 and Aa3(cr) from Aa2 and Aa2(cr), respectively.

The action reflects the proximity of these ratings and assessments to the lower UK sovereign debt rating. With an Aa3 sovereign debt rating, Moody's said that its unchanged view of a moderate probability of support for the affected ratings and assessments no longer results in any uplift.

#### -- NATWEST BANK

Moody's today affirmed the A1 long-term deposit ratings of NatWest Bank, and changed the outlook on these ratings to stable from positive.

The stable outlook balances the potential benefit coming from years of restructuring with a potentially lower uplift from government support should the unsupported long-term deposit ratings move up towards the UK sovereign debt rating.

All the other ratings and assessments of NatWest Bank were not affected by today's action.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The affected long-term deposit ratings, senior unsecured debt ratings, issuer ratings, CRRs and CR Assessments could be upgraded following an improvement in the standalone creditworthiness of the banks, or an upgrade of the UK sovereign debt rating.

The long-term deposit, senior unsecured debt ratings, and issuer ratings could also be upgraded following a significant increase in the stock of more junior bail-in-able liabilities.

The affected ratings and assessments could be downgraded following a substantial deterioration in the standalone creditworthiness of the banks or following a significant reduction in the stock of bail-in-able liabilities. The ratings and assessments of HSBC Bank could also be downgraded following a deterioration in the creditworthiness of its ultimate parent, HSBC Holdings plc (senior unsecured debt A2 with negative outlook, Baseline Credit Assessment a2).

#### LIST OF AFFECTED RATINGS

Issuer: HSBC Bank plc

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2

...Long-term Bank Deposits, downgraded to A1 from Aa3, outlook changed to Stable from Negative  
...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)  
...Long-term Issuer Rating, downgraded to A1 from Aa3, outlook changed to Stable from Negative  
...Senior Unsecured Regular Bond/Debenture, downgraded to A1 from Aa3, outlook changed to Stable from Negative  
...Senior Unsecured Medium-Term Note Program, downgraded to (P)A1 from (P)Aa3

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: HSBC Bank plc, Sydney Branch

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2  
...Long-term Bank Deposits, downgraded to A1 from Aa3, outlook changed to Stable from Negative  
...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: HSBC UK Bank Plc

..Downgrades:

...Long-term Issuer Ratings, downgraded to A1 from Aa3, outlook changed to Stable from Negative  
...Senior Unsecured Regular Bond/Debenture, downgraded to A1 from Aa3, outlook changed to Stable from Negative  
...Senior Unsecured Medium-Term Note Program, downgraded to (P)A1 from (P)Aa3

..Outlook Action:

...Outlook changed to Negative(m) from Negative

Issuer: National Westminster Bank Plc

..Affirmations:

...Long-term Bank Deposits, affirmed A1, outlook changed to Stable from Positive

..Outlook Action:

...Outlook changed to Stable(m) from Positive

Issuer: The Royal Bank of Scotland plc

..Affirmations:

...Long-term Bank Deposits, affirmed A1, outlook changed to Stable from Positive

..Outlook Action:

...Outlook changed to Stable(m) from Positive

Issuer: Ulster Bank Limited

..Affirmations:

...Long-term Bank Deposits, affirmed A1, outlook changed to Stable from Positive

..Outlook Action:

...Outlook changed to Stable(m) from Positive

Issuer: Bank of Scotland plc

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2

...Long-term Bank Deposits, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)

...Long-term Issuer Rating, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Backed Senior Unsecured Regular Bond/Debenture, downgraded to A1 from Aa3, outlook changed to Stable from Negative

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: HBOS plc

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2

...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)

...Long-term Issuer Rating, downgraded to A1 from Aa3, outlook changed to Stable from Negative

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: HBOS Treasury Services Ltd

..Downgrades:

...Backed Senior Unsecured Regular Bond/Debenture, downgraded to A1 from Aa3, outlook changed to Stable from Negative

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Lloyds Bank plc

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2

...Long-term Bank Deposits, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)

...Senior Unsecured Regular Bond/Debenture, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Backed Senior Unsecured Regular Bond/Debenture, downgraded to A1 from Aa3, outlook changed to

## Stable from Negative

...Senior Unsecured Shelf, downgraded to (P)A1 from (P)Aa3

...Senior Unsecured Medium-Term Note Program, downgraded to (P)A1 from (P)Aa3

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Santander Financial Services plc

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2

...Long-term Bank Deposits, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)

...Long-term Issuer Ratings, downgraded to A1 from Aa3, outlook changed to Stable from Negative

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Santander UK plc

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2

...Long-term Bank Deposits, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)

...Long-term Issuer Rating, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Senior Unsecured Regular Bond/Debenture, downgraded to A1 from Aa3, outlook changed to Stable from Negative

...Senior Unsecured Shelf, downgraded to (P)A1 from (P)Aa3

...Senior Unsecured Medium-Term Note Program, downgraded to (P)A1 from (P)Aa3

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Barclays Bank UK PLC

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Aa3 from Aa2

...Long-term Counterparty Risk Assessment, downgraded to Aa3(cr) from Aa2(cr)

..Negative Outlook not affected

## PRINCIPAL METHDOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1147865](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1147865). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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