MOODY'S
INVESTORS SERVICE

Rating Action: Moody's changes outlook on 12 UK banks and building societies following UK vote to leave the EU; ratings of 16 UK banks and building societies affirmed

Global Credit Research - 28 Jun 2016

London, 28 June 2016 -- Moody's Investors Service has today changed the outlooks on the ratings of 12 UK banks and building societies. Simultaneously, the rating agency has changed the outlook on the UK banking system to negative from stable. The actions follow a referendum vote in favour of the UK leaving the European Union and the recent change in the outlook of the UK's Aa1 government bond rating to negative from stable. For more details, please refer to Moody's press release: Moody's changes outlook on UK sovereign rating to negative from stable, affirms Aa1 rating (https://www.moodys.com/research/--PR_350566).

Today's rating actions reflect Moody's expectations that the 23 June vote in favour of the UK leaving the European Union (EU) (Aaa, Stable) will reduce the profitability of these 12 UK banks and building societies.

"We expect lower economic growth and heightened uncertainty over the UK's future trade relationship with the EU to lead to reduced demand for credit, higher credit losses and more volatile wholesale funding conditions for UK financial institutions. This will be negative for banks' credit fundamentals, as reflected in today's rating actions. Simultaneously, we have changed the outlook on the UK banking system to negative from stable," says Laurie Mayers, an Associate Managing Director at Moody's.

Moody's changed the outlooks on the ratings of eight banks and building societies to negative from stable (Barclays, HSBC Bank, Santander UK, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Nottingham Building Society and TSB Bank), and the outlooks on the ratings of two issuers to stable from positive (Lloyds Bank and Principality Building Society). The rating agency also changed the outlook on the UK government guaranteed senior unsecured debt instruments to negative from stable of the aforementioned issuers, Lloyds and Barclays, as well as Bradford & Bingley and NRAM (No1) Ltd.

The ratings of these twelve firms along with the ratings of four UK banks and building societies, whose outlooks were maintained (The Royal Bank of Scotland Group plc, Skipton Building Society, West Bromwich Building Society and Yorkshire Building Society), were affirmed. Moody's believes that the potential impact of the referendum result on these institutions is outweighed by more firm-specific credit considerations.

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_190760 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_190760 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

• Methodologies Used

RATIONALE FOR THE OUTLOOK CHANGES

Moody's expects that the high degree of uncertainty over the UK's future trade relationship with the EU will lead to lower GDP growth over the next two years, in response to diminished confidence and lower spending and investment. Moody's expects real GDP growth to be roughly 0.5% lower in 2016 and roughly 1% lower in 2017 than the agency's previous forecasts of 1.8% and 2.1%, respectively, as noted in 'Moody's changes outlook on UK sovereign rating to negative from stable, affirms Aa1 rating'.

During this period, Moody's expects reduced credit demand to result in lower business volumes for UK banks. The agency expects a modest increase in unemployment and lower asset prices to lead to higher credit losses. Moody's also expects that the UK will need to renegotiate new "passporting" agreements with its EU partners, which could lead to additional costs for banks if the final agreements fail to replicate current conditions.

Moody's believes that there will be little short-term liquidity implications for UK banks given the extensive contingency planning preparations by the Bank of England, regulator and the banks themselves. However the wholesale borrowing market for UK banks will likely be more volatile, resulting in a higher premium on debt issuance, the rating agency said. Whils this could make funding plans more challenging and further erode net interest margins, but the overall impact should be limited, in Moody's view.

This potential for a weakened operating environment is reflected in the change in outlooks to negative for those UK banks and building societies more sensitive to such a deterioration.

For Lloyds and Principality Building Society, the expected deterioration reduces the potential for higher ratings over the outlook period, leading to a revision of the outlooks on their ratings to stable from positive.

The outlooks that were maintained reflect the lower sensitivity of the relevant institutions to current changes in the Macro Profile within their current rating levels.

RATIONALE FOR THE AFFIRMATION OF THE RATINGS

Moody's expects that banks' profitability will be pressured in the aftermath of the EU referendum due to a modest increase in wholesale funding costs and the anticipated effects of lower economic growth on demand for credit. Some banks with higher issuance requirements may experience a delay in executing funding plans or higher costs in redeeming or replacing existing liabilities. In Moody's view, despite these pressures, the current ratings continue to reflect the creditworthiness of these institutions.

SPECIFIC ANALYTICAL FACTORS FOR THE 16 BANKS

Barclays

Moody's revised the outlook on the long-term debt and deposit ratings to negative from stable and affirmed all of the ratings.

The revision of the ratings' outlook to negative from stable reflects Moody's view that a prolonged period of uncertainty for the UK, which it expects to follow the outcome of the UK referendum, with negative implications for the country's medium-term growth outlook could lead to: (1) Weaker operating profitability due to slower domestic credit demand; (2) weaker credit quality due to likely a modest increase in unemployment and lower property prices in the UK; and (3) changes to its global investment banking operations, as a result of future negotiations on the agreements for provision of cross-border financial services between the UK and the EU, leading to higher operating costs.

This adds to existing negative pressures on the bank's intrinsic creditworthiness, largely driven by the rating agency's view on Barclays' near-term profitability challenges, despite improvement in its balance sheet metrics. Moreover, higher funding costs, if these prevail, could depress the bank's net interest margin and delay the group's planned issuance of loss-absorbing capital. This would slow the pace at which Barclays' junior depositors and senior unsecured creditors would benefit from higher volumes and subordination.

Concurrently, Moody's affirmed Barclays Bank PLC's baseline credit assessment (BCA) of baa2, which reflects the group's strong franchises in UK retail and business banking and in global credit cards, a track record of moderate asset risk, improved regulatory capital and leverage ratios (now in line with peers') and adequate funding and liquidity profiles. These sound credit factors help to mitigate the bank's near-term weak and volatile profits, driven by the current restructuring and run-down of its non-core unit, its exposure to significant litigation charges, and the decreased but still elevated proportion of capital markets revenues.

Moody's also affirmed the long- and short-term senior unsecured debt and deposits ratings of Barclays Bank PLC at A2/P-1 and affirmed Barclays Bank's Counterparty Risk Assessment at A1(cr)/P-1(cr). The rating agency also affirmed the long- and short-term senior unsecured debt ratings of Barclays Plc (holding company) at Baa3/P-3.

Although the outlook on the ratings is negative, further significant progress in relation to the non-core run-down and/or settlement of material litigations (and assuming a manageable financial impact) could lead to a higher BCA, while further issuance of subordinated debt and/or senior unsecured holding company debt would result in upward ratings pressure.

The BCA could be downgraded as a result of: a significant deterioration in the UK economy, a significant rise in unemployment, or a sustained decrease in house prices; failure to strengthen and stabilize returns; any additional large, unexpected losses due to control failures or litigation charges; an increase in risk appetite or leverage; or materially reduced liquidity or capital.

HSBC

Moody's has today taken several rating actions on HSBC Holdings and its main European entities:

- HSBC Bank plc's ratings outlook was changed to negative from stable. The bank's a3 BCA, its a1 adjusted BCA, the Aa2 long-term deposit and senior unsecured debt ratings and the ratings on its subordinated and junior instruments were affirmed. The bank's Prime-1 short-term ratings and its Aa1(cr)/Prime-1(cr) Counterparty Risk Assessment (CRA) were also affirmed at the current levels.

- HSBC Holdings plc's ratings outlook remains negative. The A1 long-term senior unsecured debt, its A2 subordinated debt, the Baa1(hyb) non-cumulative preference stock and the Baa3(hyb) high-trigger Additional Tier 1 ratings were affirmed. The firm's (P)Prime-1 short-term ratings were also affirmed.

- The outlook on HSBC France remains negative. The bank's baa2 BCA, its a2 adjusted BCA, the A1 long-term deposit rating, the A2 long term senior unsecured debt rating and the (P)A3 subordinated program rating were affirmed. HSBC France's Prime-1 short-term ratings and its Aa2(cr)/Prime-1(cr) CRA, were also affirmed.

The revision of the outlook on HSBC Bank plc's ratings to negative from stable reflects Moody's view that a prolonged period of uncertainty for the UK , which it expects to follow the outcome of the UK referendum, with negative implications for the country's medium-term growth outlook could lead to: (1) Weaker operating profitability, due to slower domestic credit demand; (2) weaker credit quality due to a moderate increase in unemployment and lower property prices in the UK; and (3) changes to its Global Banking & Markets operations in Europe, as a result of future negotiations on the agreements for the provision of cross-border financial services between the UK and the EU, leading to higher operating costs.

Moreover, higher funding costs, if these prevail, could depress the bank's net interest margin and delay the group's planned issuance of loss-absorbing capital. This would slow the pace at which HSBC's junior depositors and senior unsecured creditors would benefit from higher volumes and subordination.

The affirmation of HSBC Bank's a3 BCA reflects its: (1) Strong franchise in the European banking market, particularly in the UK; (2) resilient earnings from retail and commercial banking activities; (3) strong liquidity profile; and (4) adequate capitalisation. The bank's BCA also captures the risks associated with its sizeable capital markets activities, which Moody's considers as inherently volatile and the risks associated with the bank's large, albeit reducing, structured finance exposures.

The affirmation of HSBC Bank's a1 adjusted BCA follows Moody's assessment that the HSBC Holdings' intrinsic financial strength is unchanged. This is despite deteriorating operating conditions in Hong Kong (Aa1 negative) and the UK (Aa1 negative), its two key markets, which is reflected in HSBC Holdings' negative ratings outlook. Moody's measures HSBC Holdings' intrinsic financial strength using the weighted-average of the BCAs of its two main operating entities, HSBC Bank and the Hongkong and Shanghai Banking Corporation Ltd (HBAP, LT deposits Aa2 negative, LT senior unsecured Aa2 negative; BCA aa3). This assessment is also supported by Moody's analysis of the group's consolidated financials. This approach is consistent with the way capital is managed across the HSBC group, whereby subsidiaries normally pay surplus capital to the holding company in the form of a dividend, which is subsequently down-streamed to those entities requiring additional resources.

Moody's has affirmed HSBC France's baa2 BCA, as it considers that the bank will not be directly impacted by a prolonged period of uncertainty for the UK which would have negative implications for the UK's medium term growth outlook. The affirmation of HSBC France's ratings at the current levels follows the affirmation of its a2 adjusted BCA.

HSBC Bank's BCA could be downgraded in the case of deterioration in the bank's profitability, increased assets risk and/or a weakening of its capital base, which could result from a more severe deterioration in UK economic conditions than Moody's expects. A lower BCA and/or weakening of the intrinsic financial strength of the broader HSBC group, providing affiliate support, could lead to a downgrade of HSBC Bank's ratings, absent mitigating factors.

HSBC Holdings' long-term ratings could be downgraded if the financial strength of its main operating entities HSBC Bank and HBAP were to reduce further; for example, due to further weakening in the respective operating environments, leading to additional profitability pressures. A rating downgrade could also materialise as a result of a sizeable reduction in the outstanding liabilities that could be bailed in, resulting in a higher loss-given-failure for senior creditors and hence a lower rating, although Moody's considers this unlikely.

A strengthening of HSBC Holdings' intrinsic financial strength is unlikely over the next 12-18 months, as evidenced by the negative ratings outlook for HBAP and HSBC Bank, its key components. HSBC Holdings' long-term senior unsecured debt rating could be upgraded, other factors being equal, if the group substantially increases the volume of loss-absorbing capital beyond Moody's expectations, creating greater protection for its creditors.

Coventry Building Society, Leeds Building Society Nationwide Building Society and Nottingham Building Society

Moody's has revised the outlooks on the ratings of four building societies to negative from stable and affirmed all their ratings. The affected building societies are:

- Coventry Building Society

- Leeds Building Society

- Nationwide Building Society

- Nottingham Building Society

The negative outlooks reflect the agency's view that a prolonged period of uncertainty for the UK, which it expects to follow the outcome of the UK referendum, with negative implications for the country's medium-term growth outlook could result in a more challenging environment for these issuers. Operating profitability could be weaker due to slower demand, and asset quality could be hurt by a modest increase in unemployment and lower property prices.

The affirmation of the BCAs of these building societies reflects their strong capital and leverage metrics, their conservative risk profile and a funding profile based mostly on retail deposits. The standalone assessment takes into account robust asset quality metrics and the negative pressure on profitability given headwinds owing to increased competition in the UK mortgage market and low-for-longer interest rates.

Upgrades in the BCAs of these entities are unlikely given the negative outlooks, but could be driven by significant improvements in their profitability or leverage metrics while asset quality is maintained. A positive change in the building societies' BCAs would likely affect all ratings.

The BCAs of these entities could be downgraded in the event of a more acute deterioration in the UK's operating environment or due to a material decline in their capital or leverage metrics. A downward movement in the BCAs of these entities would likely result in downgrades to all ratings.

Santander UK PLC

Moody's has changed the outlook on Santander UK PLC's long-term deposits to negative from stable and the outlook on all the senior unsecured debt issued by the bank to stable from positive; all the ratings have been affirmed.

The outlook changes reflect the rating agency's view that a prolonged period of uncertainty for the UK, which it expects to follow the outcome of the UK referendum, with negative implications for the country's medium-term growth outlook could result in a more challenging environment for the bank resulting in a weaker operating profitability and some deterioration in asset quality metrics. The stable outlook on Santander UK's long-term issuer rating reflects two offsetting factors. On the one hand, the elements listed above could lead to an eventual downgrade to the bank's BCA. On the other hand, it reflects the group's near-term funding plans, which will likely involve the issue of senior unsecured debt at the holding company level, providing additional protection to creditors of the operating entity.

The affirmation of Santander UK's BCA of a3 is underpinned by: (1) Its strong franchise in UK mortgage and saving products; (2) its solid earnings generation capacity and low earnings volatility, thanks to its mainly retail-driven business model; and (3) its robust capital and improved leverage levels. The BCA also incorporates: (1) The bank's increasing asset risk as it develops its small and mid-sized enterprise (SME) lending franchise; and (2) its ongoing reliance on wholesale funding, albeit mitigated by a sizeable liquid asset buffer.

Consequently, Moody's affirmed Santander UK's deposits and senior unsecured ratings at Aa3/P-1 and A1, respectively, following the affirmation of the bank's BCA of a3. The issuer rating of Santander UK's immediate parent, Santander UK Group Holdings plc, has been affirmed at Baa1. Finally, the rating agency affirmed Santander UK's CR Assessment at Aa2(cr/P-1(cr).

Santander UK's BCA could be upgraded if the bank: (1) Shows a structural reduction in its reliance on market funding; (2) maintains its strong asset quality despite growth in its SME lending portfolio; and (3) continues to improve its solvency profile through material internal capital generation. A positive change in Santander UK's BCA would likely affect all ratings. Santander UK's deposit and senior debt ratings could also be upgraded if the bank or its holding company were to issue significant amounts of long-term debt and more subordinated debt.

The bank's BCA could be downgraded due to: (1) A significant deterioration in its asset quality metrics; (2) a material weakening in profitability, which would reduce the bank's loss-absorption capacity; and (3) a deterioration in the bank's funding and liquidity position, including a further reduction in the quantity or quality of its liquidity buffer. A downward movement in Santander UK's BCA would likely result in downgrades of all ratings. Santander UK's long-term senior unsecured debt and deposit ratings could also be downgraded due to a change in the liability structure, most likely a reduction in the volume of debt that could be bailed in, which would increase loss-given-failure for these instruments.

TSB Bank

Moody's changed the outlook on the issuer and deposit ratings to negative from stable and affirmed the BCA and all the ratings of TSB Bank plc.

The outlook change reflects the rating agency's expectation of a prolonged period of uncertainty for the UK, following the outcome of the UK referendum. This would befor the country's medium-term growth outlook could result in a more challenging environment for the bank leading to: (1) additional difficulty in meeting its efficiency targets consistent with prudent growth, given more limited business volumes; and (2) potential asset quality deterioration during the renegotiation period between the UK and the EU, driven by a modest increase in unemployment and the resultant negative impact on higher-risk loans such as those acquired from NRAM.

The affirmation of TSB Bank plc's BCA at baa2 reflects: (1) The bank's very low level of problem loans; (2) high capital metrics; (3) very limited reliance on wholesale funding; and (4) adequate liquidity metrics. As a result, the bank's long-term issuer and deposit ratings were also affirmed at Baa2 and its short-term deposit rating was affirmed at Prime-2. Moody's also affirmed the bank's A2(cr)/Prime-1(cr) CR Assessment of TSB Bank, three notches above the BCA, reflecting the substantial volume of bail-inable liabilities protecting operating obligations as well as a low probability of government support. The long-term rating of TSB Banking Group was affirmed at Baa3.

TSB's BCA could be downgraded following: (1) a more acute deterioration in the UK's operating environment, in particular economic growth, unemployment and the property market; and/or (2) a material decline in capital or leverage levels. A downward movement in TSB's BCA would likely result in downgrades to all ratings.

The bank's BCA could be upgraded following improvements in the bank's capital levels and profitability despite the expected challenging operating environment.

An upgrade or downgrade in the BCA would likely lead to a parallel change in all long-term debt and deposit ratings.

Lloyds Bank

Moody's changed the outlook on the senior unsecured and deposit ratings to stable from positive and affirmed all ratings of Lloyds Bank and its related entities.

Moody's has revised the outlook on the long-term debt and deposit ratings to stable from positive, reflecting the agency's view that a prolonged period of uncertainty for the UK, which it expects to follow the outcome of the UK referendum, with negative implications for the country's medium-term growth outlook could result in a more challenging environment for the bank resulting in : (1) Weaker operating profitability due to slower demand; and (2) weaker asset quality due to a modest increase in unemployment and lower property prices.

Moody's affirmed Lloyds Bank's BCA at baa1, which reflects: (1) Its reduced downside risk following the deleveraging of its non-core portfolio; (2) its strong capitalisation; (3) its limited reliance on wholesale funding;

and (4) its good liquidity buffers. As a result, the bank's long-term debt and deposit ratings were also affirmed at A1 and its short-term rating was affirmed at Prime-1.

Moody's also affirmed the Aa3(cr)/Prime-1(cr) CR Assessment of Lloyds, four notches above the BCA, reflecting the substantial volume of bail-inable liabilities protecting operating obligations as well as a moderate probability of government support. The rating of the senior unsecured debt of holding company Lloyds Banking Group plc has been affirmed at (P)Baa1.

Lloyds' BCA could be downgraded following: (1) A more acute deterioration in the UK's operating environment, in particular economic growth, unemployment and the property market; and/or (2) a material decline in its capital or leverage metrics. A downward movement in Lloyds' BCA would likely result in downgrades to all ratings.

The bank's BCA could be upgraded following improvements in its capital levels and profitability despite the expected challenging operating environment.

An upgrade or downgrade in the BCA would likely lead to a parallel change in all long-term debt and deposit ratings.

Principality Building Society

Moody's changed the outlook on the deposit ratings to stable from positive and affirmed all ratings of Principality Building Society.

Moody's has revised the outlook on the long-term deposit ratings to stable from positive, reflecting the agency's view that a prolonged period of uncertainty for the UK following the outcome of the UK referendum, with negative implications for the country's medium-term growth outlook could result in a more challenging environment for the society resulting in : (1) Weaker operating profitability due to slower demand; and (2) weaker asset quality due to a modest increase in unemployment and lower property prices.

Moody's affirmed Principality's BCA at baa3, which reflects: (1) its adequate capitalisation given its risk profile, (2) a funding profile based on retail deposits, and (3) a solid liquidity profile. The standalone assessment takes into account Principality's robust asset quality, somewhat constrained by the society's geographical concentration in one area, Wales, and headwinds to its profitability owing to increasing competition in the UK mortgage market and a possible slow-down in the buy-to-let sector.

Concurrently, the rating agency has affirmed its long- and short-term deposit ratings at Baa3/P-3, its long- and short-term senior unsecured rating at (P)Baa3/(P)P-3, its subordinated debt rating at Ba1/(P)Ba1, and its preference stock rating at Ba3(hyb). Principality's Counterparty Risk Assessment was also affirmed at A3(cr)/P-2(cr).

Principality's BCA could be downgraded following: (1) A more acute deterioration in the UK's operating environment, in particular economic growth, unemployment and the property market; and/or (2) a shift away from conservative underwriting standards. A downward movement in Principality's BCA would likely result in downgrades to all ratings.

The Society's BCA could be upgraded following improvements in its capital levels and profitability despite the expected challenging operating environment.

An upgrade or downgrade in the BCA would likely lead to a parallel change in all long-term debt and deposit ratings.

The Royal Bank of Scotland Group

Moody's has affirmed The Royal Bank of Scotland plc's (RBS) A3 long-term deposit and senior unsecured debt ratings, the ratings on the banks' other subordinated and junior instruments at the current levels and its Counterparty Risk Assessment at A3(cr)/Prime-2(cr), following the affirmation of the bank's ba1 BCA. The long-term senior unsecured debt rating of the holding company, The Royal Bank of Scotland Group plc (RBSG), was affirmed at Ba1. The ratings outlook on both RBS and RBSG remains positive. Moreover, Moody's has affirmed RBS's short-term rating of Prime-2 and RBSG's short-term rating of Non-Prime.

The RBS group is now mostly exposed to the UK, with its material overseas business limited to its Irish subsidiary (Ulster Bank Ireland DAC, LT deposits Baa3 stable, LT issuer rating Ba1 stable; BCA b2) and some small activities within the Corporate & Institutional Banking business unit in major global financial centres. Moody's considers that a prolonged period following the the outcome of the referendum, with negative implications for the country's medium-term growth outlook, while presenting a more challenging environment for the bank , remains compatible with RBS's ba1 BCA, which it expects will continue to benefit from the group's ongoing restructuring.

The affirmation of the BCA and ratings reflects Moody's view that RBS's standalone credit profile currently remains constrained by: (1) The continued challenges in implementing its complex, multi-year restructuring despite material improvements achieved thus far; (2) large conduct, litigation and restructuring costs; (3) a still large, albeit reducing, global capital markets business; and (4) high but declining asset risk. These factors are only partly mitigated by: (1) strong underlying retail and commercial banking earnings; (2) the group's good track record in restructuring; (3) good and improving capitalisation; and (4) sound liquidity and funding positions.

The positive ratings outlook continues to reflect the substantial progress the firm has made in its restructuring plan and Moody's expectation that its credit fundamentals will continue to improve over the next 12-18 months, which should not be materially affected by the economic and profitability pressures that are expected to arise following the outcome of the UK referendum.

RBS's ba1 BCA could be upgraded if the bank were to return to sustainable profitability and generate capital organically. A key component of this would be a further reduction in the uncertainty driven by the group's ongoing restructuring and high-profile pending litigations. A positive change in the bank's BCA would likely affect all ratings. RBS's ba1 BCA could be downgraded if the bank's restructuring and de-risking strategy fails to deliver improvements in its credit fundamentals, weakening its capital, asset risk, profitability and operational efficiency levels. A deterioration in the operating environment following the UK referendum outcome, and/or regulatory and litigation charges substantially higher than those expected by Moody's, could also result in a reduction of the BCA. A lower BCA would likely result in downgrades of all ratings.

Skipton Building Society and Yorkshire Building Society

Moody's has maintained the stable outlook on the ratings of Skipton Building Society and Yorkshire Building Society. All the ratings and BCAs have been affirmed.

The stable outlooks reflect Moody's view that these building societies will be less affected by a prolonged period of uncertainty for the UK, which it expects to follow the outcome of the referendum, with negative implications for the country's medium-term growth outlook , given strategies less reliant on growth and lower-than-peers' holdings of buy-to-let mortgages.

The affirmation of the BCA of these building societies reflects their strong capital and leverage metrics, their conservative risk profile and a funding profile based mostly on retail deposits. The standalone assessment takes into account robust asset quality metrics and the negative pressure on profitability given headwinds owing to increased competition in the UK mortgage market and low-for-longer interest rates.

An upgrade in the BCAs of these entities could be driven by significant improvements in their profitability or capital metrics while asset quality is maintained. A positive change in the building societies' BCAs would likely affect all ratings.

The BCA of these entities could be downgraded in the event of a more acute deterioration in the UK's operating environment or due to a material decline in capital or leverage levels. A downward movement in the BCA of these entities would likely result in downgrades to all ratings.

West Bromwich Building Society

The stable outlooks on all ratings of West Bromwich Building Society (West Brom) were maintained. Moody's has affirmed the BCA of West Bromwich Building Society (West Brom) at b1, its long and short-term deposit ratings at B1/Not-Prime and its pref. stock non-cumulative rating at Caa1 (hyb). West Brom's long- and short-term Counterparty Risk Assessment was affirmed at Ba2(cr)/Not-Prime(cr).

The stable outlook on West Brom's deposit ratings reflects Moody's view that a prolonged period of uncertainty for the UK, which it expects to follow the outcome of the UK referendum, with negative implications for the country's medium-term growth outlook, while resulting in a more challenging environment for the society will not significantly impact its creditworthiness given the current ratings positioning.

The ratings affirmation reflects West Brom's solid leverage metrics, its retail deposit funding base, and its comfortable liquidity position, which counter-balance its high, albeit declining, stock of problem loans, its legacy commercial lending portfolio, and its weak profitability. The affirmation takes into account the negative impact on West Brom's capital and profitability following the announcement of GBP27.5 million in remediation costs following an adverse ruling by the UK Court of Appeal in favour of a group of buy-to-let borrowers.

West Brom's BCA could be upgraded as a result of significant improvements in its asset quality metrics and its ability to regain access to wholesale markets. A positive change in the building society's BCA would lead to an upgrade in all ratings.

West Brom's BCA could be downgraded in the event of a more acute deterioration in the UK's operating environment or due to a material decline in capital or leverage levels. A downward movement in the BCA of these entities would likely result in downgrades to all its ratings.

Bradford & Bingley and NRAM (No1) LTD

Moody's has revised the outlook on Bradford & Binlgey plc's UK government guaranteed long-term deposit and the rating of the government guaranteed senior unsecured bond of NRAM (No1) Ltd to negative from stable. Concurrently, Moody's has affirmed the guaranteed long- and short-term deposit ratings of Bradford & Bingley plc (B&B) at A1/Prime-1, its guaranteed senior unsecured rating at A1, and the rating of the government guaranteed senior unsecured bond of NRAM (No1) Ltd at A1 .

The action reflects the change in the outlook of the UK sovereign debt to negative from stable. The senior debt and bank deposits ratings of B&B and NRAM (No1) are backed by a UK government guarantee, which covers the unsubordinated and unsecured wholesale debt and deposits of the two institutions.

The three-notch differential between the UK government's rating and that assigned to these guaranteed instruments reflects certain characteristics of the UK government guarantee, notably the fact that the guarantee does not explicitly indicate whether it is unconditional and irrevocable. Moody's nevertheless believes that the senior creditors continue to benefit from a very high level of support from the UK government ownership of NRAM (No1) and B&B, as well as substantial liquidity provided by the government for the payment of senior obligations.

The senior debt and bank deposit ratings of NRAM (No1) and B&B will move in line with the rating of the UK government. However, the removal of the government guarantee or any change to its terms and intentions may trigger a downgrade of NRAM (No1)'s and B&B's ratings.

The principal methodology used in these ratings was Banks published in January 2016. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_190760 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

• Releasing Office

• Person Approving the Credit Rating

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Moody's considers a rated entity or its agent(s) to be participating when it maintains an overall relationship with Moody's. On this basis The Royal Bank of Scotland Group plc or their agents are considered to be participating entities. These rated entities or their agents generally provide Moody's with information for their ratings process.

The ratings of rated entity NRAM (No1) Ltd were not initiated or not maintained at the request of the rated entity.

Moody's considers a rated entity or its agent(s) to be participating when it maintains an overall relationship with Moody's. On this basis, NRAM (No1) Ltd or their agents are considered to be non-participating entities. These rated entities or their agents generally do not provide Moody's with information for the purposes of their ratings process.

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