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## UK Banks Face "Negative" Blow on its Credit Rating Outlook by Moody's

- Moody's changed its credit rating outlook on 12 United Kingdom-based banks today, following the country's referendum on European Union membership. Eight of the 12 banks, including Barclays, HSBC, Santander UK and TSB Bank, were downgraded to "*Negative*" from "*Stable*."
- Lloyds Bank and Principality Building Society were downgraded to "*Stable*" from "*Positive*". The agency also changed the outlook on the U.K. government guaranteed senior unsecured debt instruments to "*Negative*" from "*Stable*", as well as Bradford & Bingley and NRAM.
- The agency notes that it expects 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, Moody's has changed the outlook on the UK banking system to "*Negative*" from "*Stable*."
- Conclusively, the agency stated it expects a "high degree" of uncertainty following the U.K. vote regarding its trade relationship with the EU, adding it will lead to "lower GDP growth over the next two years, in response to diminished confidence and lower spending and investment."



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