

# MOODY'S

## INVESTORS SERVICE

### CREDIT OPINION

10 June 2020

#### Update

 Rate this Research

#### RATINGS

##### Santander UK plc

Domicile	London, United Kingdom
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa3
Type	Senior Unsecured - Fgn Curr
Outlook	Negative
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Negative

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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## Santander UK plc

### Update to credit analysis

#### Summary

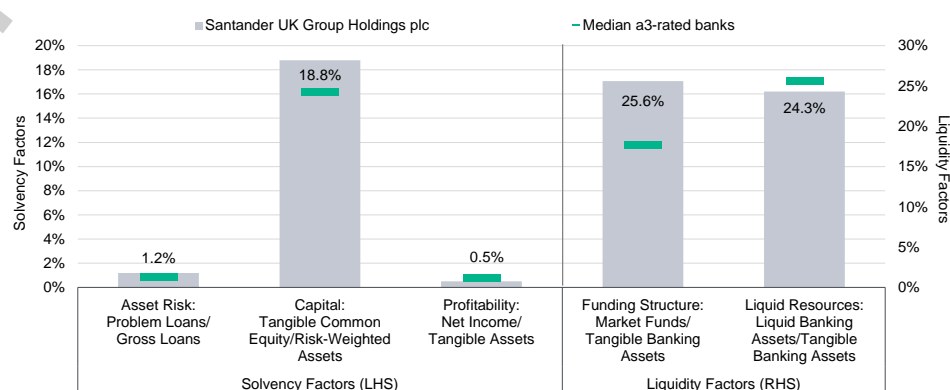
The Aa3 long-term deposit and senior debt ratings of [Santander UK plc](#) (Santander UK) reflect (1) the bank's standalone creditworthiness, reflected in its a3 Baseline Credit Assessment (BCA); (2) limited financial and direct operational connections to its parent, [Banco Santander S.A.](#) (Banco Santander, A2/A2 stable, baa1), which shields Santander UK from a potential deterioration in its parent's creditworthiness; (3) very low loss-given-failure, which provides two notches of uplift under our Advanced Loss Given Failure (LGF) analysis; and (4) our assessment of a moderate probability of support from the [Government of United Kingdom](#) (Aa2 negative), which provides another one notch of uplift to the ratings.

The Baa1 senior unsecured debt issued by [Santander UK Group Holdings plc](#) (Santander UK Group) reflects the instrument's high loss-given-failure, resulting in a rating one notch below the BCA; low probability of government support does not provide any uplift.

We also assign a notional BCA of a3 to Santander UK Group and an a3 BCA to the group's non-ring-fenced bank [Santander Financial Services plc](#) (SFS); the BCAs and ratings of Santander Group and SFS are in line with those of Santander UK, reflecting the predominance of Santander UK within the group. Santander UK's a3 BCA reflects, on one hand, its low stock of problem loans, good risk-weighted capitalisation and low earnings volatility, and on the other, weak leverage ratio and profitability under pressure.

Exhibit 1

#### Rating Scorecard - Key financial ratios



We assign a BCA to Santander UK based on the consolidated financials of Santander UK Group. The chart above shows the financial ratios of Santander UK Group.

Source: Moody's Investors Service

## Credit strengths

- » Track record of low stock of problem loans
- » Good risk-weighted capitalisation
- » Low earnings volatility

## Credit challenges

- » Weak leverage ratio
- » Profitability under pressure, with trends exacerbated by the coronavirus outbreak

## Outlook

The outlook on Santander UK's long-term deposit and senior unsecured debt ratings, and on Santander UK Group's senior unsecured debt rating is negative, reflecting our view that (1) asset quality and profitability will deteriorate in the weakening operating environment, and (2) the UK's economic and fiscal strength are likely to be weaker going forward.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The banking sector has been one of the sectors affected by the shock given the expected impact on asset quality and profitability. Although the initial shock from the coronavirus has been similar across countries, economic outcomes will differ because of different capacities to withstand the shock. The overall risks to our baseline forecasts<sup>1</sup> for all countries are skewed to the downside. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

## Factors that could lead to an upgrade of the ratings

Santander UK's BCA could be upgraded if (1) the UK's economy either stabilises or improves, and (2) the bank improves its profitability while maintaining a low level of problem loans and reduces its moderate reliance on market funding.

An upgrade of Santander UK's BCA would likely lead to an upgrade of the holding company's senior unsecured rating; given their proximity to the UK's sovereign debt rating, an upgrade of Santander UK's BCA might be offset by a lower uplift from government support and not lead to an upgrade of the bank's long-term deposit and senior debt ratings.

Similarly, an increase in the debt issuance from the holding company, in line with the group's funding plan, will likely lead to an upgrade of Santander UK Group's senior holdco rating, but not necessarily an upgrade of the bank's long-term deposit and senior debt ratings.

## Factors that could lead to a downgrade of the ratings

Santander UK's BCA could be downgraded because of (1) a deterioration of the UK operating environment beyond our current expectations, or (2) a significant deterioration in the bank's asset-quality metrics, a material weakening in profitability that would reduce the bank's going-concern loss-absorption capacity or a deterioration in the bank's funding and liquidity position, including a further reduction in the quantity or quality of its liquidity buffer.

A downgrade of Santander UK's BCA would likely result in downgrade of all its ratings. Santander UK's long-term deposit and senior debt ratings, and Santander UK Group's senior holdco debt rating could also be downgraded following a material reduction in the volume of bail-in-able debt; this scenario is, however, unlikely because of the forthcoming issuance to meet the minimum requirement for own funds and eligible liabilities (MREL).

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Santander UK Group Holdings plc (Consolidated Financials) [1]

	12-19 <sup>2</sup>	12-18 <sup>2</sup>	12-17 <sup>2</sup>	12-16 <sup>2</sup>	12-15 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (GBP Billion)	285.2	286.0	295.3	280.1	260.1	2.3 <sup>4</sup>
Total Assets (USD Billion)	377.9	364.3	399.4	346.2	383.4	(0.4) <sup>4</sup>
Tangible Common Equity (GBP Billion)	13.8	13.7	13.8	12.8	12.7	2.0 <sup>4</sup>
Tangible Common Equity (USD Billion)	18.2	17.5	18.6	15.9	18.7	(0.7) <sup>4</sup>
Problem Loans / Gross Loans (%)	1.1	1.2	1.3	1.4	1.5	1.3 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	18.8	17.5	15.8	14.6	14.8	16.3 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	15.6	17.1	17.7	19.6	21.6	18.3 <sup>5</sup>
Net Interest Margin (%)	1.2	1.3	1.3	1.3	1.4	1.3 <sup>5</sup>
PPI / Average RWA (%)	2.3	2.3	2.8	2.6	2.5	2.5 <sup>6</sup>
Net Income / Tangible Assets (%)	0.5	0.5	0.5	0.9	0.3	0.5 <sup>5</sup>
Cost / Income Ratio (%)	59.5	56.6	50.7	50.9	52.1	54.0 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	25.6	27.8	28.7	25.9	25.5	26.7 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	24.3	24.9	28.9	24.7	19.5	24.5 <sup>5</sup>
Gross Loans / Due to Customers (%)	113.4	113.3	109.4	112.2	123.2	114.3 <sup>5</sup>

[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 Investors Service and company filings

## Profile

Santander UK plc (Santander UK) is a retail and commercial bank that operates exclusively in the UK. It is a large subsidiary of Banco Santander, accounting for 22% of the group's assets as of December 2019 and contributing around 10% of the group's 2019 net profit.

In the UK, Santander UK is the third-largest residential mortgage provider and is the fourth-largest current account provider.

As part of the implementation of the ring-fencing legislation in the UK, in 2018, Santander UK transferred its small corporate and investment banking division to the London branch of Banco Santander, and its branches in the Crown Dependencies to its sister company SFS, which became the non-ring-fenced bank of Santander UK Group. At present, in addition to the branches in the Crown Dependencies, SFS retains a small portfolio of legacy assets.

## Detailed credit considerations

We assign a BCA to Santander UK based on the consolidated financials of Santander UK Group. The financial data in the following sections are sourced from Santander UK Group's consolidated financial statements, unless otherwise stated.

### Low stock of problem loans

The assigned a1 Asset Risk score is one notch below the aa3 Macro-Adjusted score, reflecting our expectation that problem loans will increase moderately, driven by a weakening operating environment in the UK primarily driven by the coronavirus-induced shock.

The loan book of Santander UK has a low risk profile, largely comprising residential mortgages (c.80% of the total loan book), with a relatively low average loan-to-value ratio of 43%. Buy-to-let mortgages are low, representing just 5% of Santander UK's loan book.

Lending to corporate and small and medium-sized enterprises at c.11% of the loan book is relatively low compared with that of its peers although the bank aims to gradually increase its market share. Compared with other large UK banks, Santander UK's consumer finance business is small, representing c.6% of the bank's loan book (c.4% auto finance and c.2% unsecured lending). The remainder of Santander UK's loan book (c.2%) is largely composed of legacy assets and portfolios in run-off booked under the bank's corporate centre.

The bank reported a low stock of stage 3 loans, which as of the end of March 2020 was 1.1% of the loan book, slightly below the 1.15% as of December 2019. We expect the coronavirus outbreak to lead to a deterioration of Santander UK's loan book; however we believe that residential mortgages will be more resilient than corporate and consumer lending.

### Good risk-weighted capitalisation, but weak leverage ratio

The assigned aa3 Capital score is one notch below the aa2 Macro-Adjusted score, reflecting Santander UK's weak leverage ratio.

We do not expect the coronavirus outbreak to have a material impact on Santander UK's capital, as we expect the bank to remain profitable (albeit with weaker returns on tangible assets), and with risk-weighted assets and tangible assets remaining broadly stable.

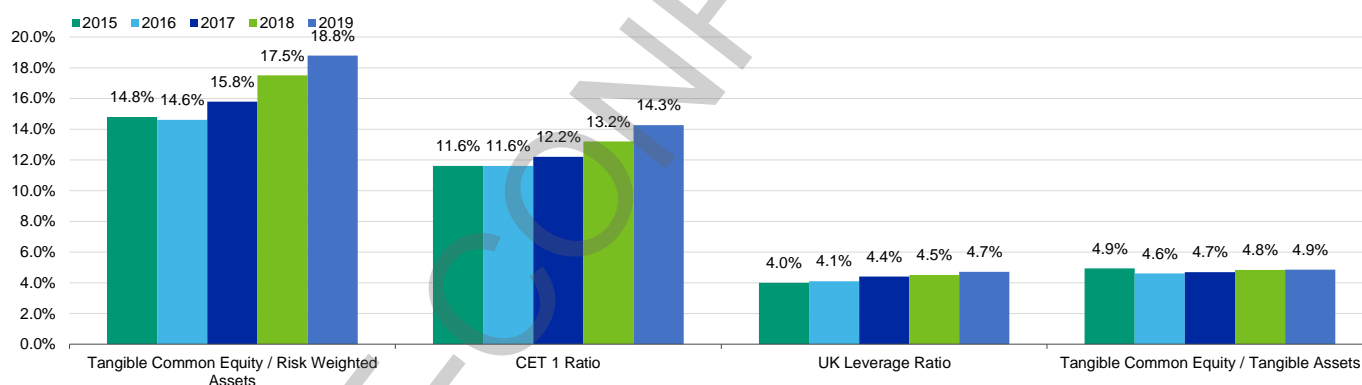
Santander UK reported good risk-weighted capital ratios, with a 14.4% Common Equity Tier 1 (CET1) capital ratio as of March 2020 (December 2019: 14.3%; December 2018: 13.2%), reflecting the bank's concentration in the low-risk sector of residential mortgages. Santander UK's CET1 ratio has been improving in recent years (2016: 11.6%; 2017: 12.2%), reflecting low but stable retained earnings and a material decrease in risk-weighted assets, driven by a reduction in the exposure towards commercial real estate companies, together with ring-fencing transfers and securitisations. The recent reduction of the Countercyclical Capital Buffer for UK exposures to 0% made by the Bank of England at the onset of the coronavirus economic shock has increased the distance between Santander UK's CET1 ratio and the threshold for its Maximum Distributable Amount (MDA). Santander UK's CET1 ratio had a buffer above its MDA of 3.3 percentage points in December 2019, which increased to 4.7 percentage points in March 2020.

Nevertheless, Santander UK's leverage ratio is weaker than some peers: tangible common equity is 4.9% of tangible assets, and the leverage ratio calculated according to the recommendation of the UK Prudential Regulation Authority (the so-called UK leverage ratio) is of 4.7%; these ratios drives our negative adjustment on capital<sup>2</sup>.

Exhibit 3

#### Santander UK's increase in CET1 ratio mainly reflects lower risk-weighted assets

##### Santander UK's main capital ratios



Regulatory ratios on a fully loaded basis.

Sources: Moody's Investors Service, company reports

### Low earnings volatility, but profitability under pressure

The assigned ba3 Profitability score is four notches below the baa2 Macro-Adjusted score, based on our expectation that profitability will decline, largely driven by the impact of the coronavirus economic shock.

In line with its concentration in residential mortgages and a smaller impact from legacy issues such as payment protection insurance (PPI) redress than that of its peers, Santander UK's profitability has been relatively stable. Between 2015 and 2019 the average return on tangible assets has been around 0.5%, which is good. Still in line with its concentration in residential mortgages, the bank's net interest income continues to account for a large part of total revenue (78% in 2019), and its reported cost-to-income ratio was higher than that of its peers at 61% in 2019.

In Q1 2020 Santander UK reported a modest £85 million net profit, down 57% from a year prior largely due to higher impairment charges largely reflecting expectations of future credit losses driven by the coronavirus outbreak and lower net interest income. The net interest margin has been on a declining trend reflecting a highly competitive environment until at least February 2020, and a prolonged period of low interest rates.

We expect Santander UK's profits to remain under pressure, in particular due to higher loans loss charges during the coronavirus outbreak and subsequent recovery period.

### Stable retail funding profile

The baa2 Funding Structure score and the a3 Liquid Resources score are in line with their respective Macro-Adjusted scores.

Being primarily a retail bank, customer deposits are Santander UK's main source of funding, accounting for about 67% of total funding in 2019; the bank's net loan-to-deposit ratio was 105% as of December 2019. Santander UK has been replacing more price-sensitive deposit customers with current accounts, which are generally more stable and usually have more than one product with the bank.

Santander UK's reliance on wholesale funding is moderate, representing 26% of tangible banking assets as of December 2019. We do not expect the ratio to materially increase. We believe that the bank will replace its cheap central bank Term Funding Scheme (TFS) facility with the new Term Funding Scheme introduced by the Bank of England in March 2020 (TFSME); additional MREL issuance to meet 2022 requirements are relatively small<sup>3</sup>, likely to be offset by maturing non-MREL funding.

Santander UK has a good stock of liquid assets, representing 24% of the bank's tangible banking assets as of December 2019.

The bank reported a strong 142% liquidity coverage ratio as of year-end 2019. The liquidity coverage ratio-eligible liquidity pool was £42 billion as of the same date, covering 1.9 times the wholesale funds with a residual maturity of less than one year.

### ESG Considerations

In line with our general view for the banking sector, Santander UK has a low exposure to Environmental risks and moderate exposure to Social risks. See our [Environmental risks heatmap](#) and [Social risks heatmap](#) for further information.

Our assessment of moderate Social risk for Santander UK also takes into account the bank's exposure to the coronavirus-induced economic shock.

Governance is highly relevant for Santander UK, as it is to all banks. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for Santander UK we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

### Support and structural considerations

#### Affiliate support

We expect a high probability of support coming from Banco Santander, based on the size of Santander UK within the group and reputational risk to its parent. Our assumptions do not lead to any uplift, because the BCA of Santander UK is higher than that of Banco Santander.

#### Loss Given Failure (LGF) analysis

Santander UK is subject to the UK implementation of the EU Bank Recovery and Resolution Directive, which we consider to be an operational resolution regime. Our analysis assumes residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits, and it assigns a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions. We also assume the proportion of deposits considered junior at 10%, relative to our standard assumption of 26%, because of the more retail, and small and medium-sized enterprise-oriented depositor base.

Our LGF analysis indicates that Santander UK's junior deposits and senior debt are likely to face very low loss-given-failure because of the loss absorption provided by limited subordinated debt and the volume of deposits and senior debt. This results in a two-notch uplift from the bank's BCA. For the senior unsecured debt of the holding company Santander UK Group, our LGF analysis shows high loss-given-failure, resulting from the combination of its own limited volume of debt and the amount of debt subordinated to it. This results in ratings that are one notch below Santander UK Group's BCA.

The Additional Tier 1 high-trigger contingent convertible perpetual preferred securities issued by Santander UK Group are rated Ba1(hyb), reflecting our approach to the rating of high-trigger contingent capital securities, under which we rate the lower of a model-

based outcome and the bank's non-viability security rating, which is positioned based on our LGF analysis. This method captures the credit risk associated with the distance to trigger breach and the credit risk of these securities' non-viability component, which also captures the risk of coupon suspension on a non-cumulative basis. In 2019 the distance to trigger increased, and it is now consistent with a model-based outcome of Baa3(hyb); maintaining the current CET1 ratio could lead to a higher rating for the Additional Tier 1 high-trigger contingent convertible perpetual preferred securities issued by Santander UK Group, provided that the a3 BCA does not change.

### Government support

We expect a moderate probability of government support for Santander UK's deposits and senior debt, reflecting the bank's high market share for deposits and residential mortgages in the UK. This results in a one-notch uplift to the long-term deposit and senior unsecured ratings.

For junior securities, and for the senior debt of the holding company, we believe that potential government support is low, and these ratings do not include any related uplift.

### Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

#### Santander UK's CR Assessment is positioned at Aa2(cr)/Prime-1(cr)

The long-term CR Assessment, before government support, is three notches above Santander UK's BCA of baa1, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. Moderate probability of government support results in a one-notch additional uplift. The main difference from the Advanced LGF approach that is used to determine instrument rating is that the CR Assessment captures the probability of default on certain senior obligations, rather than the expected loss. Therefore, we focus purely on subordination and take no account of the volume of the instrument class.

### Counterparty Risk Ratings (CRRs)

Our CRRs are opinions on the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event that such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivative transactions and the uncollateralised portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

#### Santander UK's CRRs are positioned at Aa2/Prime-1

The long-term CRR, before government support, is three notches above Santander UK's BCA of baa1, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. Moderate probability of government support results in a one-notch additional uplift.

### About Moody's Bank 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 4

## Santander UK Group Holdings plc

## MACRO FACTORS

WEIGHTED MACRO PROFILE STRONG + 100%

FACTOR	HISTORIC RATIO	INITIAL SCORE	EXPECTED TREND	ASSIGNED SCORE	KEY DRIVER #1	KEY DRIVER #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.2%	aa3	↓	a1	Expected trend	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	18.8%	aa2	↔	aa3	Nominal leverage	
Profitability						
Net Income / Tangible Assets	0.5%	baa2	↓↓	ba3	Earnings quality	
Combined Solvency Score		a1		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	25.6%	baa2	↔	baa2	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	24.3%	baa1	↔	baa1	Quality of liquid assets	
Combined Liquidity Score		baa2		baa2		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa2		
BCA Scorecard-indicated Outcome - Range				a2 - baa1		
Assigned BCA				a3		
Affiliate Support notching				0		
Adjusted BCA				a3		

BALANCE SHEET	IN-SCOPE (GBP MILLION)	% IN-SCOPE	AT-FAILURE (GBP MILLION)	% AT-FAILURE
Other liabilities	67,889	24.0%	80,616	28.4%
Deposits	181,812	64.1%	169,085	59.7%
Preferred deposits	163,631	57.7%	155,449	54.8%
Junior deposits	18,181	6.4%	13,636	4.8%
Senior unsecured bank debt	12,466	4.4%	12,466	4.4%
Dated subordinated bank debt	1,461	0.5%	1,461	0.5%
Junior subordinated bank debt	581	0.2%	581	0.2%
Preference shares (bank)	560	0.2%	560	0.2%
Senior unsecured holding company debt	9,042	3.2%	9,042	3.2%
Dated subordinated holding company debt	1,142	0.4%	1,142	0.4%
Equity	8,504	3.0%	8,504	3.0%
Total Tangible Banking Assets	283,457	100.0%	283,457	100.0%

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF	ASSIGNED	ADDITIONAL	PRELIMINARY
	INSTRUMENT VOLUME SUBORDINATION	SUB- ORDINATION	INSTRUMENT VOLUME SUBORDINATION	SUB- ORDINATION	DE JURE	DE FACTO	NOTCHING	LGF	NOTCHING	RATING
							GUIDANCE VS. ADJUSTED BCA	NOTCHING	ASSESSMENT	
Counterparty Risk Rating	16.7%	16.7%	16.7%	16.7%	3	3	3	3	0	aa3
Counterparty Risk Assessment	16.7%	16.7%	16.7%	16.7%	3	3	3	3	0	aa3 (cr)
Deposits	16.7%	7.5%	16.7%	11.9%	2	3	2	2	0	a1
Senior unsecured bank debt	16.7%	7.5%	11.9%	7.5%	2	1	2	2	0	a1
Senior unsecured holding company debt	7.5%	4.3%	7.5%	4.3%	-1	-1	-1	-1	0	baa1
Dated subordinated bank debt	4.3%	3.4%	4.3%	3.4%	-1	-1	-1	-1	0	baa1
Dated subordinated holding company debt	4.3%	3.4%	4.3%	3.4%	-1	-1	-1	-1	0	baa1
Junior subordinated bank debt	3.4%	3.2%	3.4%	3.2%	-1	-1	-1	-1	-1	baa2
Cumulative bank preference shares	3.2%	3.0%	3.2%	3.0%	-1	-1	-1	-1	-1	baa2
Non-cumulative bank preference shares	3.2%	3.0%	3.2%	3.0%	-1	-1	-1	-1	-2	baa3
Holding company non-cumulative preference shares	3.2%	3.0%	3.2%	3.0%	-1	-1	-1	-1	-3	ba1

INSTRUMENT CLASS	LOSS GIVEN		ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
	FAILURE	NOTCHING					
Counterparty Risk Rating	3	0		aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0		aa3 (cr)	1	Aa2(cr)	
Deposits	2	0		a1	1	Aa3	Aa3
Senior unsecured bank debt	2	0		a1	1	Aa3	Aa3
Senior unsecured holding company debt	-1	0		baa1	0	Baa1	Baa1
Dated subordinated bank debt	-1	0		baa1	0	Baa1	Baa1
Dated subordinated holding company debt	-1	0		baa1	0		Baa1
Junior subordinated bank debt	-1	-1		baa2	0	Baa2 (hyb)	Baa2 (hyb)
Cumulative bank preference shares	-1	-1		baa2	0	Baa2 (hyb)	
Non-cumulative bank preference shares	-1	-2		baa3	0	Baa3 (hyb)	
Holding company non-cumulative preference shares	-1	-3		ba1	0	Ba1 (hyb)	(P)Ba1

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

Source: Moody's Investors Service



## Ratings

Exhibit 5

Category	Moody's Rating
<b>SANTANDER UK PLC</b>	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa3
Senior Unsecured	Aa3
Subordinate	Baa1
Jr Subordinate	Baa2 (hyb)
Pref. Stock -Dom Curr	Baa2 (hyb)
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
<b>PARENT: SANTANDER UK GROUP HOLDINGS PLC</b>	
Outlook	Negative
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Issuer Rating -Dom Curr	Baa1
Senior Unsecured	Baa1
Subordinate	Baa1
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Pref. Shelf Non-cumulative	(P)Ba1
Other Short Term	(P)P-2
<b>SANTANDER FINANCIAL SERVICES PLC</b>	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa3
ST Issuer Rating	P-1

Source: Moody's Investors Service

## Endnotes

- 1 Our latest macroeconomic forecasts are included in [Global Macro Outlook 2020-21: Global recession is deepening rapidly as restrictions exact high economic cost](#), published on 28 April 2020.
- 2 We usually apply at least one notch of negative adjustment on capital for those banks with a tangible common equity over tangible assets are below 5%.
- 3 Santander UK expects to need to issue an additional £3.6 billion of senior debt from its holding company to meet its 2022 MREL requirement

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