

## CREDIT OPINION

16 April 2024

Update



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### RATINGS

#### TSB Banking Group plc

Domicile	United Kingdom
Long Term Issuer Rating	Baa3
Type	LT Issuer Rating Dom 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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## TSB Banking Group plc

Update after rating affirmation and change of outlook to stable from positive

### Summary

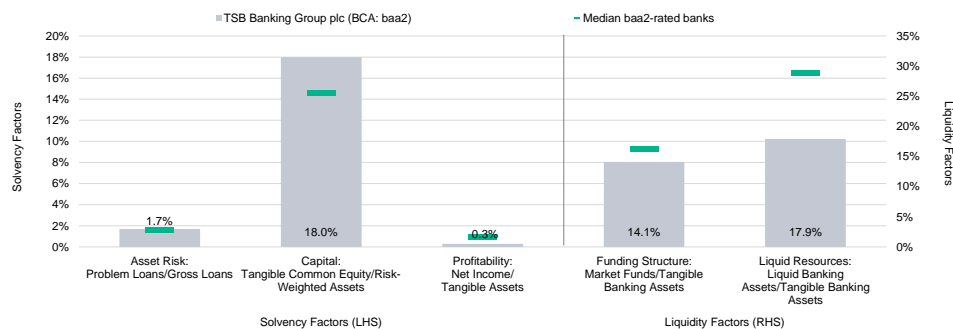
On 21 March 2024, we affirmed all ratings and assessments of [TSB Bank plc](#) ("TSB Bank") and [TSB Banking Group plc](#) ("TSB Group" or "TSB") and changed the outlook to stable from positive

TSB Bank's Baseline Credit Assessment (BCA) of baa2 reflects the bank's continued improvement in core profitability, which has been supported by the rising rate environment despite increasing cost of funding. The bank's improved profitability is also reflective of the progress it has made on its strategic transition plan, which has resulted in improved efficiency and improved customer satisfaction, although the cost to income ratio still remains high relative to peers. However, profitability improvements were lower than initially anticipated as the bank's growth potential was significantly constrained, compared to higher rated peers, by the more challenging and competitive operating environment. TSB Bank's baa2 BCA also reflects its strong risk-based capitalisation, but also relatively low nominal leverage; high-quality loan portfolio, consisting mostly of prime mortgages; and concentration of revenue and risks in UK residential mortgages.

The Baa1 long-term bank deposit and issuer ratings of TSB Bank, as well as the Baa3 issuer rating of TSB Group are underpinned by (i) TSB Bank's baa2 adjusted BCA; (ii) the results of Moody's Advanced Loss Given Failure (LGF) analysis, leading to a one-notch uplift in the deposit and issuer ratings of TSB Bank and a negative one-notch difference from the BCA for TSB Group's rating; and (iii) a low probability of government support from the [Government of the United Kingdom](#) (UK, Aa3 stable), which results in no further rating uplift.

### Exhibit 1

#### Rating Scorecard - Key financial ratios



Source: Moody's Ratings

## Credit strengths

- » Improving profitability benefitting from low cost of funding in the rising rate environment and also reflective of the progress the bank has made on its strategic transition plan
- » High-quality retail loan portfolio, consisting mostly of prime mortgages
- » Adequate risk-based capitalisation
- » Large retail deposit base

## Credit challenges

- » Weak efficiency compared to UK retail banks
- » Loan and deposit growth potentially restricted by intense competition
- » Relatively low nominal leverage
- » Existence of a higher-risk legacy portfolio, currently subject to litigation
- » Concentration of revenue and risks in UK residential mortgages
- » Risk of moderate deterioration in asset quality due to worsening macroeconomic conditions, with persistently high inflation, weak growth and affordability pressures

## Outlook

The stable outlook on TSB Bank's long-term deposit and issuer ratings and TSB Group's long-term issuer rating, reflects Moody's expectation that the bank will continue to maintain its market share and that the asset quality of the bank's loan portfolio will remain well-managed in the higher interest rate and inflationary environment.

## Factors that could lead to an upgrade

TSB Bank's BCA could be upgraded if the bank's profitability continues to improve while the bank overcomes competitive pressures that are expected to continue to restrain credit growth going forward. The BCA could also be upgraded if the bank also improves operating efficiencies to a level that is more in line with peers, while its risk-based capitalisation levels remain solid and its asset quality continues to be well-managed.

TSB Bank's and TSB Group's ratings could be upgraded following an improvement in the standalone creditworthiness of the bank, or if the bank were to issue significant amounts of long-term debt, including structurally subordinated debt issued through its holding company.

## Factors that could lead to a downgrade

TSB Bank's BCA could be downgraded in the event of a material and sustained deterioration in the bank's profitability, capitalisation, or asset quality. A downward movement in TSB Bank's BCA would likely result in a downgrade of all of its ratings. TSB Bank's deposit and issuer ratings could be downgraded in response to a decline in the volume of its deposits or debt that could be bailed in, which would increase the loss given failure for depositors.

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

### TSB Banking Group 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)	45.3	46.9	46.7	42.4	39.5	3.5 <sup>4</sup>
Total Assets (USD Billion)	57.8	56.5	63.0	58.0	52.4	2.5 <sup>4</sup>
Tangible Common Equity (GBP Billion)	2.0	1.9	1.8	1.7	1.9	1.7 <sup>4</sup>
Tangible Common Equity (USD Billion)	2.5	2.3	2.4	2.3	2.5	0.8 <sup>4</sup>
Problem Loans / Gross Loans (%)	1.7	1.5	1.7	1.6	1.7	1.6 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	18.0	17.9	16.3	15.6	20.9	17.8 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	27.4	28.1	32.0	28.5	27.0	28.6 <sup>5</sup>
Net Interest Margin (%)	2.2	2.1	2.0	1.9	2.1	2.1 <sup>5</sup>
PPI / Average RWA (%)	3.3	2.4	1.7	0.5	1.2	1.8 <sup>6</sup>
Net Income / Tangible Assets (%)	0.4	0.2	0.3	-0.4	0.1	0.1 <sup>5</sup>
Cost / Income Ratio (%)	69.2	77.4	81.1	94.6	89.2	82.3 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	14.1	14.9	15.2	11.4	15.2	14.2 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	17.9	15.8	16.7	17.2	17.7	17.1 <sup>5</sup>
Gross Loans / Due to Customers (%)	104.7	105.1	104.3	97.4	103.3	103.0 <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 Ratings and company filings

## Profile

TSB Bank is a retail bank operating in the [United Kingdom](#) (UK, Aa3 stable), headquartered in Edinburgh, Scotland. As of year-end 2023, TSB had £47.7 billion in assets.

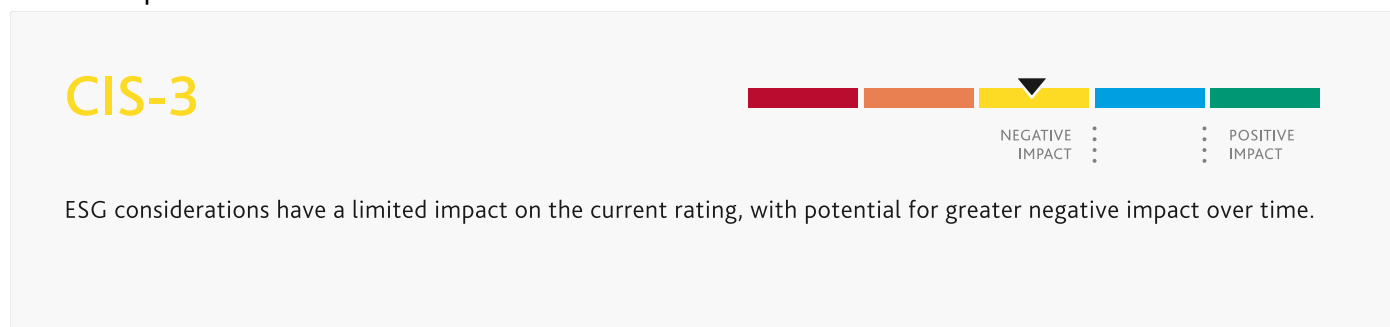
TSB was initially operating under the name of TSB Group plc, which was listed on the London Stock Exchange. In 1995, the group merged with Lloyds Bank and was renamed Lloyds TSB; however, it was later divested from Lloyds following a European Commission ruling. The new bank, named TSB Bank, started operations in 2013 with a strong presence in Scotland, and the remainder of Lloyds TSB was renamed [Lloyds Bank plc](#) (A1 stable, a3). On 30 June 2015, TSBG was purchased by the Spanish banking group Sabadell.

## ESG considerations

### TSB Banking Group plc's ESG credit impact score is CIS-3

Exhibit 3

#### ESG credit impact score



Source: Moody's Ratings

TSB Banking Group Plc's (TSB) ESG Credit Impact Score is moderately negative (**CIS-3**), reflecting limited credit impact from environmental and social factors on the rating to date and moderately negative governance risk, reflecting TSB's relatively weak profitability and efficiency despite recent improvements, as well as its lack of full independence due to Banco Sabadell S.A.'s ownership, partly mitigated by TSB's regulatory ring-fencing in the UK and its majority-independent Board of Directors.

Exhibit 4

**ESG issuer profile scores**

Source: Moody's Ratings

**Environmental**

TSB faces lower-than-industry exposure to environmental risks. The bank has limited exposure to carbon transition risks because its loan book is concentrated in UK residential mortgages (over 90% of the portfolio), with low exposure to unsecured and business banking loans.

**Social**

TSB faces high industry-wide social risks from customer relations: regulatory risk, litigation exposure and high compliance standards, as well as cyber risk and the financial and reputational implications of data breaches. As a retail bank, TSB also faces industrywide moderate social risks related to competition from peers, building societies, technological firms and other disruptors.

**Governance**

We view TSB's governance risk as moderately negative, mainly reflecting its relatively weak profitability and efficiency despite recent improvements as a result of the substantial progress the bank has made on its strategic plan, which has entailed optimizing its cost structure through branch closures and other budget initiatives, as well as investments in technology platforms. TSB has substantially enhanced its risk management, policies and procedures since the challenges it experienced with migration of its IT systems to Sabadell's in 2018, which brought to light corporate governance deficiencies that subsequently resulted in management changes. In December 2022, the FCA and PRA fined TSB £48.7 million for these operational risk management and governance failures, which concluded the regulatory investigation into this matter. Finally, the score also reflects TSB's lack of independence due to Banco Sabadell S.A.'s ownership, partly mitigated by TSB's regulatory ring-fencing in the UK and its majority-independent Boards of Directors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.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.

**Detailed credit considerations**

The financial data in the following sections are sourced from TSBG's financial statements, unless otherwise stated.

**High-quality retail loan portfolio, consisting mostly of prime mortgages**

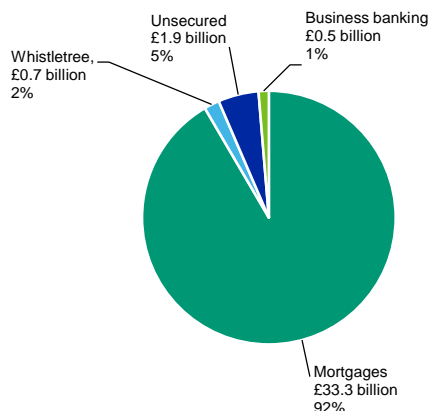
We assign a score of a2 to TSB's Asset Risk, one notch below the Macro-Adjusted score. The assigned score reflects a risk of moderate deterioration in the bank's asset quality due to weakened macroeconomic conditions in a high interest rate environment, and the resulting cost of living pressures. However, we believe that the bank's loan reserves will continue to provide a buffer against additional shocks.

We view TSB's loan portfolio as relatively low risk, predominantly comprising prime mortgage loans. As of 31 December 2023, TSB's core mortgage loans represented 92% of total loans. The remaining 8% of the loan book included legacy mortgage portfolio Whistletree (2% as of year-end 2023), unsecured loans (5%) and business banking (1%). Due to the high interest rate environment, credit demand has weakened, measured in a decline in gross loans of 4.7% from £38.2 billion at year-end 2022 to £36.4 billion at year-end 2023.

Exhibit 5

**TSB's loan portfolio**

As of 31 December 2023



Source: Company financials

TSB's legacy residential mortgage portfolio Whistletree, which the bank purchased from Cerberus Capital Management Group in 2015, continues to run off, declining to £0.7 billion (2.0% of total loans) at year-end 2023. We view the Whistletree portfolio as higher risk because these loans were underwritten under a different risk appetite framework (by Northern Rock, before 2007). The Whistletree portfolio has performed within the bank's expectations, amortising by year-end 2023 to 24% of the original amount of £3 billion; however, we note that the portfolio seasoning happened during the benign credit environment. TSB is currently in legal processes related to its Whistletree portfolio, involving 200,000 mortgage borrowers who believe they have been unfairly charged high standard variable rates for more than a decade. The bank intends to defend the claims and the application for a litigation order.

TSB's problem loans slightly increased to £603.0 million as of 31 December 2023, from £581.4 million as of 31 December 2022 resulting in an increase on the problem loan ratio to 1.66% from 1.52%. Moody's calculation of problem loans include purchased or originated as credit impaired (POCI) loans, which amounted to £94.9 million at year-end 2023 (£109.3 million as of year-end 2022). In 2023, the stage 2 loans decreased to £3,684.9 million but remained constant at 10% of gross loans as a consequence of lower loan balances.

TSB's loan loss reserves stood at £212 million at year-end 2023, translating into a problem loan loss coverage ratio of 35.1%. Impairment charges remain elevated with a £68.3 million loan loss impairment charge for FY 2023 vs. £54.9 million for year-end 2022, reflecting inflationary pressures and an expected corresponding fall in house prices recognized in 2023.

### Good risk-based capitalisation, but relatively low nominal leverage

We assign an a1 Capital score to TSB, two notches below the Macro-Adjusted score. The assigned score reflects the bank's risk-based capitalisation levels, as well but also its relatively low nominal leverage.

TSB's fully loaded Common Equity Tier 1 (CET1) stood at 16.7% at year-end 2023, a slight decrease from 17.1% at year-end 2022, driven by higher credit risk RWAs due to the incorporation of macroeconomic challenges in the Internal Ratings Based RWA calculation (IRB). Most of the bank's credit risk is calculated based on the IRB approach, except for the Whistletree portfolio, for which the RWAs are calculated based on the standardized approach.

TSB is subject to the minimum regulatory capital levels of 10% of RWAs, including a capital conservation buffer of 2.5%, and a countercyclical buffer of 2% and a Pillar 2a capital requirement of 1.0% as of year-end 2023.

Nevertheless, TSB's nominal leverage, calculated under PRA's UK leverage framework (which excludes Bank of England reserves from the definition of leverage exposure) was 4.6% at year-end 2023 relative to PRA's expectation of 3.25% (TSB is not subject to the minimum leverage ratio requirement of 3.25%. TSB's level remains at relatively low (weaker) level in relation to its rated peers.

We expect TSB's risk-based capitalisation to remain well above regulatory minimum, supported by the bank's improved organic capital generation capacity. However, we expect TSB to optimise further its capital structure, as evident by the increased dividend payment to its parent during 2023, accounting for £120 million for YE 2023.

### **Improved profitability in the high interest rate environment is constrained by relatively weak efficiency while increased competition results in decreasing loan balances**

We assign a ba2 score to TSB's profitability, in line with the Macro-Adjusted score. The assigned score reflects TSB's improved core profitability during 2023, supported by the high rate environment and its relatively low cost of funding (reflective of its large retail deposit base). The bank's improved profitability is also reflective of the progress it has made on its strategic transition plan, which has entailed optimising its cost structure through branch closures and other budget initiatives, as well as investments in its technology platform.

However, while improved, TSB's core profitability remains weaker than most of its rated peers. At the same time the bank's growth potential was significantly constrained by the more challenging operating environment and intense competition which lead to a contraction on the bank's loan book by 4.7% year on year during 2023, compared to mid single digit growth for most of its peers. The bank witnessed declining balances in all products during 2023, although new mortgage lending started stabilizing between 3Q and 4Q.

TSB reported a record statutory profit before tax of £237.2 million in 2023, a 29% increase from £183.5 million earned in 2022. TSB's net interest income increased by 4% year-over-year, to £1,022 million in 2023 from £981.7 million in 2022, resulting in an improvement on the bank's interest margin to 2.24% from 2.13%, despite increased funding costs and increased competition, partly supported by the structural hedge and more selective pricing which resulted to negative credit growth.

TSB's cost-to-income ratio declined to 69% in 2023 from 77% in 2022. The improvement in efficiency reflects TSB's reduced operating expenses, which declined by 1.9% year-over-year to £852.9 million from £869.5 million, primarily reflecting lower staff and property costs. However, while improved, TSB's cost-to-income ratio remains one of the weakest among Moody's rated UK retail banks.

TSB's higher net interest income and improved cost efficiencies were partially offset by increased loan loss impairment changes, reflecting the more challenging economic outlook (£68.3 million in 2023, as compared to £54.9 million in 2022).

With interest rates having peaked in 2023, we expect the bank's profitability to remain at current levels in 2024, as continued cost reduction measures should offset decreasing interest margins as a result of decreasing rates, intense competition and low credit growth. However, we expect the bank's profitability to somewhat improve from 2025 onwards, benefiting from additional support from the structural hedge, as a large share of its mortgage book reprices.

### **Funding profile benefits from a large retail deposit base and low reliance on wholesale funding**

We assign a baa1 Funding Structure score to TSB, two notches below the Macro-Adjusted score, to reflect the bank's large and retail deposit base and moderate wholesale funding reliance. TSB's deposit base represents 82% of its total funding and constitutes mostly of savings (56% of total) and personal current accounts (37% of total).

However, in 2023, TSB's customer deposits decreased by £1.6 billion, or 4.3%, to £34.8 billion, compared to an average decrease of just over 3% for the large UK banks, driven by customers switching their deposits to higher earning accounts in the market and higher outflows due to increased customer spend.

TSB's wholesale funding mainly consists of central bank funding: as of year-end 2023, its drawings under the Bank of England's (BOE) Term Funding Scheme with additional incentives for SMEs (TFSME) facility amounted to £4 billion and its borrowings under the BOE's indexed long-term repo totaled £5 million.

During 2023, TSB repaid £1.5 billion of the £5.5 billion (£5.0 billion TFSME + £0.5 billion Indexed long term repo) and successfully issued £1.75 billion of covered bonds. Most of TSB's TFSME borrowings (£3.4 billion) will be due in 2025 and the remainder in 2027. The rest of TSB's wholesale funding at year-end 2023 was in the form of covered bonds (£2.8 billion), and £900 million of senior unsecured debt issued by TSB to its parent Sabadell. TSB also issued £300 million subordinated notes to Sabadell, but these obligations are not included in Moody's market funds calculation because they are longer-dated and hence pose limited refinancing risk. In 2022, TSB also had £1.3 billion of securitized mortgages, which were fully retained by the banks and hence not included in its wholesale funding.

TSB's wholesale funding, calculated as the amount of market funds (including derivatives) as a proportion of tangible banking assets, declined year-over-year, to 14.1% at year-end 2023 from 14.9% at year-end 2022, mainly resulting from the repayment of TFSME and replacement with covered bonds.

### Liquidity profile remains strong

TSB has a strong liquidity profile, as reflected in our assigned baa2 Liquid Resources score, which is in line with the Macro-Adjusted score. TSB maintains a large liquidity portfolio, which amounted to £8.1 billion (Moody's definition) at year-end 2023, translating into a liquid assets ratio of 17.9% of tangible banking assets, a jump from 15.8% as of December 2022, mainly resulting from an increase of £0.7 billion in balances with central banks. The bank's liquidity coverage ratio (LCR) was 203% as of year-end 2023 relative to the PRA minimum regulatory requirement of 100%.

### Qualitative adjustment and relationship with Sabadell

In aggregate, we assign a Financial Profile score of a3 to TSB. Given that TSB's business activity has been predominantly focused on retail banking, its relatively narrow focus results in a one-notch negative qualitative adjustment in respect of business diversification, resulting in the score at the top of the range of the Scorecard-indicated BCA range of baa1-baa3, one notch higher than the assigned BCA of baa2.

TSB Bank's baa2 BCA exceeds the BCA of its ultimate parent, Sabadell, by one notch. This differential reflects the limited strategic and operational connections between the two institutions and the regulatory "ring-fencing" of TSB Bank in the UK.

### Support and structural considerations

#### Loss given failure (LGF) analysis and additional notching

TSB is domiciled in the UK, a jurisdiction that is subject to the European Union Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We assume a residual tangible common equity (TCE) of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions. Particular to TSB and most savings banks and building societies in the UK, we assume the proportion of deposits considered junior at 10%, relative to the standard assumption of 26%, because of their largely retail-oriented deposit base.

Our Advanced LGF analysis indicates that TSB's deposits and senior unsecured debt (none currently publicly outstanding, as all unsecured debt has been issued to Sabadell) are likely to face low loss given failure, because of the loss absorption provided by £900 million of senior unsecured and £300 million of subordinated debt internally issued to its parent, Sabadell, and the volume of deposits themselves. This results in a one-notch uplift for TSB's deposits and issuer rating Preliminary Rating Assessment from the bank's BCA of baa2.

TSB Group's issuer rating is likely to face a high loss given failure according to our Advanced LGF analysis, given the relatively small volume of existing subordinated debt issued to parent Sabadell and very limited protection from residual equity. This results in a baa3 preliminary rating assessment for TSB Group's issuer rating, one notch below that of TSB's BCA.

#### Government support considerations

Because of the limited interconnection with other financial institutions and the relatively small size of its operations, we assume a low probability of government support for TSB's deposits and its potential senior unsecured debt, resulting in no uplift to the Preliminary Rating Assessment. The same assumption applies to the future bondholders of TSB Group because holding company creditors would be expected to bear losses, if necessary.

As a result, we assign issuer and deposit ratings of Baa1 to TSB, in line with the Preliminary Rating Assessment. We also assign a Baa3 issuer rating to TSB Group.

In line with our support assumptions on deposits and senior unsecured debt ratings, neither the CR Assessment (CRA) nor Counterparty Risk Ratings (CRRs) benefit from a notching uplift because of government support.

### Counterparty Risk Ratings (CRRs)

TSB's CRRs are positioned at A3/P-2, two notches above the bank's Adjusted BCA of baa2. The uplift derives from the buffer against default provided to the operating obligations by bail-in-able debt and deposits.

### Counterparty Risk (CR) Assessment

TSB's CR Assessment is positioned at A2(cr)/P-1(cr), three notches above the Adjusted BCA of baa2, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments.

### Methodology and scorecard

#### 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 6

### TSB Banking Group 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	1.7%	a1	↔	a2	Expected trend		
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	18.0%	aa2	↔	a1	Nominal leverage	Capital retention	
Profitability							
Net Income / Tangible Assets	0.3%	ba2	↔	ba2	Expected trend		
Combined Solvency Score		a2		a3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	14.1%	a2	↔	baa1	Expected trend		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	17.9%	baa2	↔	baa2			
Combined Liquidity Score		a3		baa1			
Financial Profile				a3			
Qualitative Adjustments				Adjustment			
Business Diversification				-1			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				-1			
Sovereign or Affiliate constraint				-			
BCA Scorecard-indicated Outcome - Range				a3 - baa2			
Assigned BCA				baa2			
Affiliate Support notching				0			
Adjusted BCA				baa2			
<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		7,941	17.5%	10,374	22.9%		
Deposits		34,764	76.8%	32,331	71.4%		
Preferred deposits		31,288	69.1%	29,723	65.7%		
Junior deposits		3,476	7.7%	2,607	5.8%		
Senior unsecured holding company debt		900	2.0%	900	2.0%		
Dated subordinated holding company debt		300	0.7%	300	0.7%		
Equity		1,358	3.0%	1,358	3.0%		
Total Tangible Banking Assets		45,263	100.0%	45,263	100.0%		

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	11.4%	11.4%	11.4%	11.4%	2	2	2	2	0	a3
Counterparty Risk Assessment	11.4%	11.4%	11.4%	11.4%	3	3	3	3	0	a2 (cr)
Deposits	11.4%	5.7%	11.4%	5.7%	1	1	1	1	0	baa1
Senior unsecured bank debt	11.4%	5.7%	5.7%	5.7%	1	0	1	-	-	-
Senior unsecured holding company debt	5.7%	3.7%	5.7%	3.7%	-1	-1	-1	-1	0	baa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	2	0	a3	0	A3	A3
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	1	0	baa1	0	Baa1	
Senior unsecured bank debt	-	-	-	0	Baa1	
Senior unsecured holding company debt	-1	0	baa3	0	Baa3	

[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 7

Category	Moody's Rating
<b>TSB BANKING GROUP PLC</b>	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
<b>PARENT: BANCO SABADELL, S.A.</b>	
Outlook	Positive
Counterparty Risk Rating	A3/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Senior Unsecured MTN -Dom Curr	(P)Baa2
Junior Senior Unsecured -Dom Curr	Baa3
Senior Subordinate -Dom Curr	(P)Ba1
<b>TSB BANK PLC</b>	
Outlook	Stable
Counterparty Risk Rating	A3/P-2
Bank Deposits -Dom Curr	Baa1/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating -Dom Curr	Baa1

Source: Moody's Ratings

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