Appendix 3.

SECTOR

CREDIT RATING UPDATE 567

UK Placed on Negative Outlook by S&P

21 May 2009

On May 21, 2009, Standard & Poor's Ratings Services revised its outlook on the United Kingdom (U.K.) to negative from stable. At the same time, the 'AAA' long-term and 'A-1+' short-term sovereign credit ratings were affirmed. Rating outlooks assess the potential direction of a rating, typically over a period of up to two years. An outlook does not necessarily precede a rating change.

- Standard & Poor's has revised the outlook on the United Kingdom to negative from stable.
- The 'AAA' long-term and 'A-1+' short-term sovereign credit ratings were affirmed.
- The outlook revision is based on S&P's view that, even factoring in further fiscal tightening, the U.K.'s net general government debt burden may approach 100% of GDP and remain near that level in the medium term.

"We have revised the outlook on the U.K. to negative due to our view that, even assuming additional fiscal tightening, the net general government debt burden could approach 100% of GDP and remain near that level in the medium term. We base our opinion on our updated projections of general government deficits in 2009-2013. These projections reflect our more cautious view of how quickly the erosion in the government's revenue base may be repaired, the extent to which the growth in government spending can be curtailed, and consequently the pace at which historically high fiscal deficits are likely to narrow. Our projections also incorporate updated estimates of the cumulative potential gross fiscal cost of government support to the banking system, which we now estimate to be in the range of £100 billion-£145 billion, or 7%–10% of 2009 estimated GDP. Taken together, these factors could, in our opinion, result in a doubling of the general government debt burden to nearly 100% of GDP by 2013. A government debt burden of that level, if sustained, would in Standard & Poor's view be incompatible with a 'AAA' rating.

We believe that the ratings on the U.K. continue to be supported by its wealthy, diversified economy; a high degree of fiscal and monetary policy flexibility; and its relatively flexible product and labor markets. However, last month's budget announcements underscored that U.K. public finances are deteriorating rapidly--at a faster rate than Standard & Poor's had previously assumed. In January 2009, for example, when we last affirmed the ratings on the U.K., we assumed that the U.K. net general government debt burden would rise from about 49% of GDP in 2008 to 83% in 2013.

We note that there is support across the political spectrum for additional fiscal tightening. However, the parties' intentions will likely remain unclear until the next administration is formed after the general election, due by mid-2010. How quickly the government can stabilize and then reduce the government debt burden will also depend on the timing and shape of the economic recovery and whether the cost of government support of the banking system is higher than we currently assume, areas where we also see continued downside risks.

The negative outlook reflects Standard & Poor's view that, in light of the challenges to strengthen the tax base and contain public expenditures, the U.K. government debt burden could approach 100% of GDP by 2013 and remain near that level thereafter. The rating could be lowered if we conclude that, following the election, the next government's fiscal consolidation plans are unlikely to put the U.K. debt burden on a secure downward trajectory over the medium term. Conversely, the outlook could be revised back to stable if comprehensive measures are implemented to place the public finances on a sustainable footing, or if fiscal outturns are more benign than we currently anticipate."

If you have any queries, please contact Steve Gordon on 0871 664 6809, Nina Loudon on 0871 664 6857, Kim Barrowcliffe on 0871 664 6814 or Maryum Malik on 0871 664 6813.

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CREDIT RATING UPDATE 649

30 October 2009

UK: Nationwide Building Society

Fitch Ratings has today changed the Outlook on the long-term rating of Nationwide Building Society. All other ratings have been affirmed.

Fitch Ratings applicable are:

Long Term Rating	affirmed at 'AA-', Negative Outlook
Short Term Rating	affirmed at 'F1+'
Individual Rating	affirmed at 'B'
Support Rating	affirmed at '1'
CDS Status:	'Monitoring'
Sector Colour:	'Red'

The Negative Outlook on Nationwide's Long-term IDR reflects Fitch's concerns that pressure on operating profit may intensify, throwing into relief the more limited financial flexibility inherent in a building society.

Fitch believes the society's asset quality is likely to show modest signs of weakening from its robust position given the agency's moderate economic outlook for the UK - Nationwide's main operating market.

In Fitch's view, the economic environment is likely to remain challenging in the UK over the next 12 months. The agency expects the Bank of England's base rate to rise in early 2011 and unemployment to peak by end-2010.

As a result, Nationwide's large, high quality residential mortgage book could experience further significant stress while pressure could intensify on its commercial book. Fitch expects the society's operating profitability to be positive but subdued for 2010 and 2011. The agency thus considers that Nationwide's financial flexibility to absorb potential charges is somewhat limited compared with its 'AA-' peers, especially given its restricted ability to raise capital by virtue of its mutual status.

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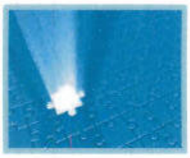

CREDIT RATING UPDATE 656

6 November 2009

UK: Barclays Bank Plc

Fitch Ratings has removed the Individual rating of Barclays Bank plc from Negative Watch. At the same time all the other ratings were affirmed and the Outlook on the long-term rating is Stable.

Fitch Ratings applicable are:

Long Term Rating	affirmed at 'AA-', outlook stable
Short Term Rating	affirmed at 'F1+'
Individual Rating	affirmed at 'B', removed from Negative Watch
Support Rating	affirmed at '1'
CDS Status:	'Monitoring'
Sector Colour:	'Red'

The rating affirmation reflects the stabilisation in financial markets following a prolonged period of severe turbulence that had put pressure on banks with large wholesale and investment banking businesses. This has been reflected in a sharp rebound in Barclays Capital's revenues in H109, which has underpinned group profitability and compensated for growing cyclical pressures elsewhere. Despite notable improvements in the investment banking operating environment, Fitch retains the view that the scale and ambitions of Barclays Capital expose the group to greater risks and earnings volatility over the long-term and this is likely to be a constraining factor on the group's ratings.

Fitch has removed the Rating Watch Negative from Barclays Individual rating to reflect the reduction in near-term concerns. Significant improvements to the group's capital base in 2008 and H109 have mitigated concerns over the potential for additional asset deterioration and the adequacy of impairment charges in credit market portfolios wrapped by sub-investment grade monoline insurers. At end-June 2009 credit market exposures had reduced to 72% of tier 1 capital from 116% as at end-2008. The transaction announced in September 2009 whereby Barclays has agreed to sell USD12.3bn credit market assets to Protium Finance LP is rating-neutral, in Fitch's opinion, since the structure of the transaction leaves Barclays exposed to the performance of the underlying assets.

Barclays enjoys a strong retail and commercial banking franchise in the UK which should be capable of generating sound profitability and capital over the cycle. However, earnings and asset quality are currently being impacted by a weak UK operating environment and impairment charges are likely to rise meaningfully in UK commercial and retail unsecured portfolios through the rest of 2009 and possibly into 2010. In mitigation, Barclays has a relatively conservatively positioned UK residential mortgage portfolio and is less exposed than several of its domestic peers to commercial property.

The UK authorities have provided a substantial amount of support to both the UK banking system and to specific UK banks. Barclays has not made use of direct capital support and will not be required to join the Asset Protection Scheme. It has, however, participated in various schemes to support system-wide liquidity and wholesale funding, including the 'Credit Guarantee Scheme' under which it has issued 'AAA' rated debt.

Barclays has improved its capital position significantly since end-2007. Including the effects of the sale of BGI, its reported core tier 1 and tier 1 ratios would have been 8.8% and 11.7%, respectively, at end-June 2009, thereby providing a stronger cushion against further asset deterioration. In recognition of changing market perceptions, Barclays has reduced its adjusted leverage ratio (the most significant adjustment being the elimination of net/collateralised derivative balances) to 20x at end-June 2009 (including the effects of the BGI sale) from 32x a year earlier. Fitch views Barclays' capitalisation as adequate relative to its risk profile and notes that despite improvements it remains somewhat weaker than many large global peers'. The agency expects Barclays to maintain capital ratios above the group's historical levels while market conditions remain uncertain. Material downward pressure on capital, which could arise from organic growth and/or acquisitions, is likely to be tempered by external influences such as evolving regulatory requirements.

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SECTOR

CREDIT RATING UPDATE 520

9 March 2009

UK: HSBC Bank Plc

Moody's Investors Service has downgraded the Long-Term and Financial Strength Ratings of HSBC Bank Plc, placing these ratings on Negative Outlook. The Short-Term Rating has been affirmed.

Moody's Ratings applicable are:

Long Term Rating	downgraded to 'Aa2' from 'Aa1', Negative Outlook
Short Term Rating	affirmed at 'P-1'
Financial Strength Rating	downgraded to 'C+' from 'B', Negative Outlook
Sector Colour Code	'Purple'

The change in outlook to negative on HSBC Holdings' Aa2 long-term debt rating reflects Moody's view of the increasing pressures on the profitability and capital of the group as the credit crunch develops into a global phenomenon, as well as ongoing charges in relation to the US consumer finance business, HSBC Finance, and remaining ABS exposures on the group's balance sheet. The rating also takes into account the benefit of the group's recently announced US$17.7bn rights issue.

The rating agency still considers HSBC Holdings to be one of the more resilient global banks, with the capacity to continue to generate capital over the medium term through earnings. Liquidity remains a core strength of HSBC, with a high level of customer deposits (the loan-to-deposit ratio was 84% at the end of 2008). Elisabeth Rudman, Senior Credit Officer and lead analyst for HSBC, explained that "we expect the group to be able to continue to generate capital and maintain its current rating level, even in a scenario based on Moody's stress tests with a drop in pre-provision earnings of up to 30% and provisions and writedowns (net of specific provisions already set aside for HSBC Finance) of up to USD40 billion".

The downgrade of HSBC Bank's ratings reflects the bank's modest capital ratios, risks from large corporate and ABS exposures, and pressures on profits across HSBC's European banking franchise. But the ratings also incorporate a high level of systemic support and support from the group for this core part of its operations.

With regard to the UK activities, which represent the majority of the consolidated bank's lending, Moody's considers the residential mortgage books and personal lending to be conservatively positioned relative to its peers, but expects higher provisions on the corporate loan books and further potential writedowns from Global Banking and Markets to reduce profitability through the recession.

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