MOODY'S
INVESTORS SERVICE

Rating Action: Moody's concludes reviews on 13 global investment banks' ratings

Global Credit Research - 28 May 2015

New York, May 28, 2015 -- Moody's Investors Service has concluded its reviews on 13 global investment banking groups (GIBs). These reviews were initiated on 17 March 2015 (see press release at https://www.moodys.com/research/Moodys-reviews-global-bank-ratings--PR_321005) following the publication of Moody's new bank rating methodology and also reflect revisions in Moody's government support assumptions for these banks.

The 13 GIBs covered in this press release are:

- Bank of America Corporation

- Barclays plc

- BNP Paribas

- Citigroup Inc.

- Credit Suisse Group AG

- Deutsche Bank AG

- The Goldman Sachs Group, Inc.

- HSBC Holdings plc

- JPMorgan Chase & Co.

- Morgan Stanley

- Royal Bank of Scotland Group plc

- Société Générale

- UBS AG

Among the actions taken today by Moody's on the key operating bank subsidiaries of these GIBs are the following:

- 12 baseline credit assessments (BCAs) were affirmed and one was upgraded (Morgan Stanley)

- 12 adjusted BCAs were affirmed and one was upgraded (Morgan Stanley)

- Nine long-term deposit ratings were upgraded and four were affirmed

- 12 short-term deposit ratings were affirmed and one was upgraded (Morgan Stanley)

- Six long-term bank issuer/senior unsecured debt ratings were upgraded, four were affirmed, two were confirmed and one remains on review for downgrade (UBS AG).

Further, nine of the 13 GIBs have ratings at the holding company level, for which four long-term holding company senior unsecured debt ratings were upgraded, four were downgraded, and one was affirmed.

Moody's has also assigned Counterparty Risk (CR) assessments to a number of the GIBs' operating subsidiaries and bank branches, in line with its new bank rating methodology.

Moody's has withdrawn the outlooks for all of the junior instrument ratings for the banking groups covered in this

press release for its own business reasons. Please refer to the Moody's Investors Service's Policy for Withdrawal of Credit Ratings available on its Web site, www.moodys.com.

For more information on these rating actions, please access "Key Analytic Considerations in Our Rating Actions on Global Investment Banks" at http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_1004940

Please click on the following link to access a full list of affected credit ratings. This list is an integral part of this press release and identifies each affected issuer: http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_181789

RATINGS RATIONALE

The new methodology includes a number of elements that Moody's has developed to help accurately predict bank failures and determine how each creditor class is likely to be treated when a bank fails and enters resolution. These new elements capture insights gained from the crisis and the fundamental shift in the banking industry and its regulation.

In light of the new bank rating methodology, Moody's rating actions on these 13 banking groups generally reflect the following considerations: (1) their "Strong" to "Very Strong -" bank-specific macro profiles ; (2) the banks' adequate core financial ratios; (3) the negative qualitative adjustments made owing to the groups' organizational complexity and balance sheet opacity; (4) the protections offered to depositors and senior creditors in the US, EU and Switzerland as assessed by Moody's Advanced Loss Given Failure (LGF) analysis, reflecting the benefit of instrument volume and subordination protecting creditors from losses in the event of resolution; and (5) the moderate likelihood of government support for the operating companies of most of these banking groups and the low likelihood of such support for their holding companies.

1) The "Strong" to "Very Strong -" bank-specific macro profiles of the GIBs

The Macro Profile constitutes an assessment of the macroeconomic environment in which a bank operates. Given the geographic scope of their operations, the GIBs are exposed to macro variables across multiple countries and regions. Most of the GIBs have a substantial portion of their exposures in markets other than their home countries. Even though the country-specific Macro Profile scores for the countries in which these banks are headquartered (US, UK, Germany, France and Switzerland) are "Very Strong -", the bank-specific Macro Profile scores are generally one to two categories lower (three Very Strong -, nine Strong +, and one Strong), given that the macroeconomic conditions in each bank's home country are stronger than those of most other countries in which it operates.

2) and 3) The banks' adequate core financial ratios and qualitative adjustments

The average BCA for the group is baa2, primarily reflecting their asset risk profiles, and driven by (a) the counterparty, market and operational risk exposures of the GIBs' capital markets businesses, as well as their traditional banking activities; (b) persistent profitability and business model challenges; and (c) high wholesale funding dependence. In addition, Moody's makes a negative qualitative adjustment for the opacity and complexity of these groups, which is offset in certain cases by a positive adjustment for business diversification.

4) Protection offered to depositors and senior creditors as captured by Moody's Advanced LGF liability analysis.

Under its new methodology, Moody's applies its Advanced LGF analysis to the liability structures of banks subject to operational resolution regimes, which includes all 13 of the groups covered in this press release. This analysis resulted in upgrades or affirmations of the long-term deposit ratings for the 13 GIBs, in recognition of the following:

(a) the legal depositor preference in both the US and Switzerland

(b) some probability of depositor preference in the European Union under the Bank Recovery and Resolution Directive (BRRD)

(c) the protection offered by the amount of debt subordinated to deposits in these banking groups

All of the US and Swiss GIBs' long-term deposit ratings benefit from three notches of uplift above the banks' adjusted BCAs (before incorporating government support) under the LGF analysis. The EU GIBs' long-term deposit ratings benefit from LGF to a lesser extent, because the lack of legal depositor preference for junior depositors makes for a lower level of subordination below this creditor class than at the US and Swiss banks, and generally results in two notches of uplift (three notches for Royal Bank of Scotland plc and two notches for each of

the five other EU GIBs).

At the bank level, the US GIBs' senior unsecured debt/issuer ratings were also largely upgraded owing to the significant level of protection they receive from the holding company instruments positioned below them in the US creditor hierarchy, and the resulting "very low" loss given failure. Even though the US banks' senior operating company debt volumes are relatively small when compared to their holding company debt tranches, their bank-level senior debt ratings benefit from two to three notches (two notches for JPMorgan and three notches for the four other US GIBs) of uplift above the banks' adjusted BCAs (before incorporating government support) primarily from the subordination benefit under the LGF framework. The European banks' senior unsecured debt ratings benefit from LGF to a lesser extent, despite significant volumes of senior debt at the operating company level, because the volume of securities below this creditor class is lower, generally resulting in two notches of uplift (three notches for Royal Bank of Scotland plc and two notches for each of the six other European GIBs).

At the holding company level, most of the US GIBs' senior unsecured debt ratings were also upgraded. This reflects the higher volume of senior debt at the holding company level, generally leading to "low" loss given failure, or one notch of LGF uplift for this debt class, despite it being structurally subordinated to bank-level creditors (no LGF uplift for JPMorgan and one notch of uplift for the four other US GIBs). In contrast, the senior unsecured debt ratings of the European GIBs' holding companies were downgraded, reflecting the limited volume of these securities in their liability structures. This results in a "high" to "moderate" loss given failure and the positioning of these holding companies' senior ratings at or below their adjusted BCAs (no LGF uplift for HSBC Holdings plc and Royal Bank of Scotland Group plc, and -1 notch for Barclays and Credit Suisse).

The US GIBs' holding company subordinated debt ratings remain largely unchanged. Each of the four European GIB holding companies' subordinated debt ratings were upgraded by one notch as expected loss for these securities is now fully captured in Moody's Advance LGF Analysis.

For more information on Moody's LGF analysis and a discussion of the differences in creditor hierarchies in the US, EU and Switzerland, please see Moody's "How Resolution Frameworks Drive Our Creditor Hierarchies" at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1003760?docid=PBC_1003760 (in addition to the methodology itself).

5) Lower likelihood of government support

With the implementation of bank resolution legislation that aims to shift the cost of bank failures to shareholders and creditors, Moody's has either eliminated or lowered its assumption about the probability of government support for the global investment banks in the US, the EU and Switzerland. Moody's assigns no government support to these banks' holding company debt and a "low" to "moderate" level of support for senior unsecured debt and deposit ratings of the bank operating subsidiaries. As a result, the bank senior unsecured debt and long-term deposit ratings of the operating subsidiaries of nine of the GIBs benefit from one notch of government support uplift, while those of the remaining three (Goldman Sachs, Morgan Stanley and HSBC Bank plc) receive no benefit.

Moody's removed support for all junior instruments in prior rating actions in recognition of the reduced likelihood of government support for such instruments.

BANK-SPECIFIC CONSIDERATIONS

Moody's assessment of the credit profile (other than the five rating drivers already discussed) of each GIB follows.

-- Bank of America Corporation and its rated affiliates

Moody's affirmed the baa2 BCA of Bank of America N.A. The affirmation reflects the group's superior domestic retail and commercial banking and wealth management franchises, its strong liquidity profile and significant improvements to its capital position, partly countered by its modest but improving profitability, the large absolute size and funding requirements of its capital markets activities and the bank's relatively high historical earnings volatility.

Future upward pressure on the bank's ratings could develop in the event of the following: sustainable improvement in profitability and reduction in earnings volatility; reduced size of capital markets operations; and sustained enhancements to risk management and controls throughout the firm.

Negative rating pressure could develop in the event of any of the following: deterioration in capital or liquidity levels relative to peers and targets; marked increase in risk appetite; major adverse legal rulings; or indications of internal

control failures.

-- Barclays plc (Barclays) and its rated affiliates

Barclays Bank's baa2 BCA was affirmed, reflecting a high, albeit decreasing, proportion of revenues and earnings from global investment banking activities, a regulatory capital ratio marginally below that of its peers, an improved leverage position, now in line with the average of its European peers, and Moody's expectation of the successful completion of Barclays' 2016 plan. The BCA also reflects the bank's strong franchises in UK retail and business banking and in global cards, low historical earnings volatility when compared with its global peers and adequate funding and liquidity.

Upward pressure on the bank's ratings could arise if the profitability of the noninvestment banking businesses significantly strengthens and capital levels increase significantly from current levels or risks in the UK and European operating environment were to recede further.

Downward pressures could result from the partial or unsuccessful implementation of the group's 2016 plan, a significant deterioration in the UK housing market, a significant rise in unemployment in its primary markets or volatility in the euro area, any additional large unexpected losses due to control failures or litigation charges, an increase in risk appetite or leverage, an aggressive step to reduce liquidity or capital.

-- BNP Paribas (BNP) and its rated affiliates

Moody's affirmed BNP Paribas' BCA at baa1, in light of the group's very strong retail and commercial banking franchises in a variety of product lines and geographies, which provide a relatively stable earnings stream and significant shock-absorbing capacity. These positive rating drivers are partially mitigated by the bank's funding structure, which continues to depend on a large amount of confidence-sensitive wholesale funding, as well as the bank's inherently volatile capital markets activities, the revenues of which constitute a smaller proportion of total revenues when compared to most of BNP's global investment bank peers.

Moody's changed the outlook on BNP's senior unsecured debt rating to stable from negative because the firm has managed the consequences of its large US fine and business curtailment with a limited degree of capital and franchise erosion. In particular, the negative impact of the US settlement on BNP's capital position has been mitigated by the firm's earnings capacity, as well as by the only modest franchise impairment resulting from the financial and reputational effects of the US fine and the bank's guilty plea.

Upward ratings pressure could develop in the event of improvements in capital and leverage ratios, a further structural improvement in funding, a material reduction in the exposure to risks posed by the capital markets business in the group, or a further reduction in the credit risk posed by its Italian exposures.

Downwards ratings pressure could develop in the event of a deterioration in the funding and liquidity profile, risk-management failures or material unexpected losses, or worsening macroeconomic conditions.

-- Citigroup Inc. and its rated affiliates

Citibank's BCA was affirmed at baa2, reflecting the bank's strengthened balance sheet, as well as its improving profitability and earnings stability, which Moody's expects will continue to improve. Management remains committed to a global wholesale and consumer strategy, although this commitment also poses a formidable risk management challenge. Citibank's achievement of its 2015 profitability targets will likely require some revenue growth and an end to legal and restructuring costs. Although Citigroup's restructuring is incomplete and execution challenges remain, the firm's capital and liquidity positions continue to support its baa2 standalone credit profile.

Given these challenges, an upgrade to the standalone credit assessment is unlikely. In the longer term, material simplification of the business model or a permanent down-sizing of the capital markets business (neither of which Moody's expects) could lead to upward pressure on the BCA. Downward pressure on the BCA could result from a rise in earnings volatility compared to its peers', or a material increase in the share of the capital markets business in its business mix. Below-average capital or liquidity metrics or a new pattern of risk control breakdowns could also lead to a downgrade of the BCA.

-- Credit Suisse Group AG and its rated affiliates

Moody's affirmed the baa1 BCA of Credit Suisse AG, in light of the more stable earnings and lower risk profile of the bank's large global wealth management franchise and well-positioned domestic Swiss banking franchise, a pro-active approach to risk management, sound liquidity management and strong risk-based capital, inclusive of

high-trigger contingent capital instruments. These strengths help offset the risks posed to creditors by the bank's significant exposure to capital markets activities, relatively high leverage and relatively weak, albeit improving, profitability.

Moody's also assigned a negative outlook to the long-term deposit ratings of Credit Suisse AG and Credit Suisse International. The negative outlook on deposits reflects fundamental pressures on the bank, most notably its relatively weak profitability and leverage ratio in the context of ratings that are higher than most peers'. Profitability challenges include the potential for additional costs as non-strategic units are wound down, pressure on efficiency, given increasing compliance and regulatory costs, pressure on net interest margins from low and even negative interest rates, or the potential for additional litigation-related charges. In addition, to boost the bank's leverage ratio, management intends to reduce the bank's leverage exposure by between CHF110 billion and CHF140 billion by end-2015. In Moody's view, achieving this target could pose execution risk for the bank and hurt profitability if not managed prudently.

The outlook is stable on the long-term senior debt and issuer ratings of Credit Suisse AG, Credit Suisse International, and the bank's parent holding company Credit Suisse Group AG. The stable outlook on the senior debt and issuer ratings reflects the likelihood that the holding company will continue to issue significant amounts of long-term debt over the medium term, driven by regulatory pressures, which would reduce the loss given failure for both the holding company and bank level senior creditors, potentially offsetting the negative fundamental pressure on the bank.

Moody's does not expect upward pressure on the bank's ratings, absent a significant and sustained reduction in the bank's reliance on earnings from its global capital markets business. Conversely, the ratings could decline if Moody's concludes that the bank is unlikely to improve its profitability or its leverage ratio over the medium term to levels more consistent with its BCA, or in the event of any risk management or control failures, an increase in risk appetite, a significant decline in the Swiss economy and/or deterioration in the bank's capital levels.

-- Deutsche Bank AG and its rated affiliates

The baa3 standalone BCA of Deutsche Bank AG was affirmed and reflects the firm's modest profitability, elevated earnings volatility and high dependence on capital markets businesses. These challenges are offset in part by the more stable retail banking, transaction services and asset and wealth management franchises. Although the firm raised a substantial amount of Tier 1 capital in 2014 to bring its capital ratios more in line with its peers', it may require a significant portion of fresh capital to address its exposure to future litigation and regulatory costs.

Deutsche Bank is likely to remain more dependent on its capital markets earnings than many of its peers, which Moody's considers is a structural weakness that will be difficult for the firm to mitigate. If capitalization, liquidity and asset quality do not deteriorate, achievement of the firm's new strategic plan and a further rebalancing of the earnings stream towards more stable businesses (combined with more stable results from the capital markets franchise) could lead to upward rating pressure on the BCA over the medium term. Significant weakening of capital ratios, asset quality or liquidity compared to peers could place downward pressure on the BCA.

As a result of Moody's LGF analysis, Deutsche Bank's deposit rating was affirmed at A3 and assigned a positive outlook, while Deutsche Bank's senior debt was confirmed at A3 and assigned a negative outlook. The differing outlooks on the debt and deposit ratings reflect the potential for legislation in Germany that could subordinate senior debt to deposits to the benefit of depositors and to the detriment of senior unsecured creditors.

Deutsche Bank Trust Corporation is a US bank holding that owns Deutsche Bank Trust Company Americas (DBTCA) as well as two small closely integrated sister companies. The affirmation of the a3 BCAs of DBTCA and its sister companies reflects the entities' emphasis on clearing and wealth management (as opposed to capital markets activities), as well as strong regulatory ring fencing that bolsters capital ratios. The customer-confidence linkage is a key constraint on the ratings of DBTCA and its sister companies that effectively limits the BCAs of the trust companies to three notches above the BCA of Deutsche Bank AG. Accordingly, upward movement in the ratings of the trust companies could be triggered by an increase in the ratings of Deutsche Bank AG. Conversely, a decline in Deutsche Bank AG's standalone credit assessment would put downward pressure on DBTCA's and its sister companies' ratings given their close operational and reputational ties. Significant deterioration in capital or liquidity metrics, as well as increased risk-taking, evidenced by material loan growth at these US trust companies, could also lead to a lower rating.

The ba1 BCA of Deutsche Postbank AG was affirmed, in light of the bank's strong funding profile and the decline in its non-core exposures. Dis-integration needs prior to a sale of Postbank and earnings pressure in the current low interest rate environment will continue to dampen future profits, a factor that weighs on the BCA, as does a

capital base that will likely require further strengthening ahead of a sale. The outlook on Postbank's long-term debt and deposit ratings is negative, reflecting several factors, including the potential for legislation in Germany that could subordinate senior debt to deposits to the benefit of depositors and to the detriment of senior unsecured creditors, and the potential for deconsolidation of the bank from Deutsche Bank over the rating outlook horizon, which would lead Moody's to reconsider the current four notches of uplift incorporated in Postbank's A3 debt and deposit ratings from the bank's ba1 BCA.

-- The Goldman Sachs Group, Inc. and its banking entities

Moody's affirmed the baa1 BCA for Goldman Sachs Bank USA and the baa3 BCA and baa1 adjusted BCA for Goldman Sachs International Bank. These affirmations reflect the company's superior risk management track record, empowered and independent control functions, prudent and comprehensive liquidity management, good expense discipline, strong client relationships, low earnings volatility, and well-balanced capital markets franchise. These core strengths help mitigate the firm's heavy involvement in global capital markets activities, its reliance on wholesale funding, the confidence-sensitivity of customers and funding counterparties, a high degree of opacity in risk-taking, and the significant interconnectedness with other large capital markets intermediaries.

Moody's does not expect upward pressure on Goldman Sachs' ratings, absent a significant decline in the company's reliance on earnings from its capital markets business. In addition, any indications of control or risk management failures, a marked increase in risk appetite and/or deterioration in leverage or other capital metrics would lead to downward pressure on the ratings.

-- HSBC Holdings plc and its rated affiliates

Moody's affirmed HSBC Bank plc's BCA at a3, in light of the bank's strong franchise in the European banking market, particularly in the UK, its resilient earnings from retail and commercial banking activities, and its strong liquidity and adequate capitalization. The a3 BCA also captures the risks resulting from its investment banking activities, given HSBC Bank plc's role as one of the four hubs for the HSBC group's capital markets activities, as well as its sizeable, albeit declining, structured finance exposures.

The bank also benefits from two notches of affiliate support from the broader HSBC Group, which Moody's estimates has an intrinsic financial strength of a1, reflecting its strong international franchise, relatively low historical earnings volatility and a conservative funding profile, based on a sizeable customer deposit base.

Upward pressure on HSBC Bank plc's standalone credit assessment could develop if the bank were to improve its profitability, efficiency and further reduce its structured finance portfolio. The a1 adjusted BCA could be raised in the event of an improvement in the bank's a3 standalone credit assessment or an increase in the intrinsic financial strength of the broader HSBC group, which would translate into higher affiliate support uplift.

Downward pressure on HSBC Bank plc's a1 adjusted BCA could develop in the event of deterioration in the bank's financial performance, leading to a weakening of its capital base or to a material decline in asset quality or weakening of the intrinsic financial strength of the broader HSBC group, which would result in a decline in Moody's assumptions of affiliate support.

-- JPMorgan Chase & Co. and its rated affiliates

JP Morgan's BCA was affirmed at a3, reflecting the strong competitive position of its four franchises, the diversity of its business mix, the stability of its earnings, and its sound structural liquidity and solid capital ratios. The firm is well positioned strategically to adapt to the changing environment. The rating incorporates the substantial size and risks of JPMorgan's Corporate and Investment Bank, which accounts for roughly 30% of earnings. However, since 2007, the firm's risk management track record has been above average, resulting in more stable earnings than many peers.

Given the high BCA, upward pressure on JP Morgan's BCA is unlikely, absent a material shrinking and de-risking of the investment bank, which Moody's does not anticipate. A major risk control failure or a sharp decline in capital or liquidity could pressure the BCA.

Chase Bank USA, N.A. is the legal entity housing JPMorgan's credit card business and a key pillar of the company's consumer banking franchise. The downgrade of Chase Bank's standalone credit assessment to baa2 from baa1 reflects Moody's more conservative view of the bank's standalone liquidity profile, despite the bank's solid position in the US credit card industry and strong profitability. The BCA also reflects the monoline nature of the entity and the vulnerabilities stemming from a single asset class concentration. Continued strength of Chase USA's credit card franchise that translates into strengthened profitability could lead to an upgrade of the BCA,

while a deterioration in asset quality could lead to a downgrade.

The affirmation of the a3 adjusted BCA reflects Moody's assumption of the very high likelihood of support from the parent, given the strategic importance of Chase Bank to JP Morgan's consumer franchise.

-- Morgan Stanley and its rated affiliates

Moody's upgraded the BCAs of Morgan Stanley Bank N.A., Morgan Stanley Bank International Limited and Morgan Stanley Bank AG to baa2 from baa3, and their adjusted BCAs to baa1 from baa2. The upgrades reflect the firm's increased business diversification and prospects for improved profitability and lower earnings volatility, superior risk-based capital ratios and improved leverage ratios, conservative liquidity management policies and reduced reliance on short-term funding, management's commitment to a gradualist approach to earnings improvements and conservative capital plans, the benefit to creditors from sustained enhancements to risk governance, management and controls.

Upward ratings pressure could develop should there be a significant reduction in the firm's reliance on earnings from its capital markets business, or sustainable above-peer profitability, capital, and liquidity ratios accompanied by lower earnings volatility and the absence of control or risk management failures. Negative ratings pressure could develop in the event of a marked increase in risk appetite, such as through weaker loan underwriting standards, a significant increase in fixed-income risk-weighted assets above current targets, an increase illiquid risk assets, or an increase in portfolio concentrations. Negative ratings pressure could also result from any deterioration in the firm's liquidity profile, leverage or other capital metrics, or any control or risk management failures.

-- Royal Bank of Scotland Group plc and its rated affiliates

Royal Bank of Scotland plc's (RBS) BCA was affirmed at ba1, in light of the challenges the firm continues to face in implementing its complex restructuring, its still sizeable global capital markets business, its persistently weak, albeit improving, asset quality and weak profitability. These factors are partly mitigated by strong earnings from non-investment banking activities, despite erosion owing to conduct, litigation and restructuring costs, the group's strong de-risking track record, adequate and improving capitalization, sound liquidity and funding positions.

Upward pressure on RBS's ba1 standalone credit assessment could develop if the bank were to return to sustainable profitability and generate capital organically. Further material reduction of the risks posed by the group's overall restructuring could also lead to a higher BCA.

Downward pressure on the BCA could develop if the bank's restructuring and de-risking strategy fails to deliver improvements in its credit fundamentals, weakening its capital, asset quality, profitability and efficiency. A deterioration in the operating environment in which RBS operates or regulatory and litigation charges substantially higher than what Moody's expects, could also result in a reduction of the BCA.

The outlook on the ratings is stable, reflecting the material progress the group has made over the last few quarters towards the implementation of its multi-year restructuring, reducing downside risk.

-- Société Générale and its rated affiliates

Moody's affirmed Société Générale's (SG) BCA at baa2, in light of the bank's strong franchises, good geographical diversification and broad spread of predominantly retail banking activities, according to its universal bank model. The baa2 BCA also captures SG's enhanced capital ratios and improved liquidity and funding positions. These factors are partially countered by SG's exposures to the weak and volatile economic environment in Russia and Romania, as well as its sizeable capital markets activities and high, albeit declining, reliance on more confidence sensitive wholesale funding.

Upward pressure could develop on the ratings following further structural improvements in the bank's funding and liquidity profile and a further reduction in the weight of the group's capital markets-related activity. Downward pressure could develop as a result of deteriorating funding or liquidity conditions, risk-management failures or material unexpected losses, worsening macroeconomic conditions, a significant deterioration of the performance and stability of the Russian businesses.

-- UBS AG and its rated affiliates

Moody's affirmed the baa2 BCA of UBS AG, in light of the bank's superior global wealth management and domestic retail and corporate banking franchises, as well as its strong liquidity profile and capital position. These

strengths are counterbalanced by ongoing pressure on the bank's profitability, its relatively high historical earnings volatility and weaknesses in risk management, governance and controls evidenced during the financial crisis. The BCA also reflects the steps the bank has taken since the crisis to scale back its fixed-income capital markets activities and strengthen its risk management and controls. Nevertheless, the bank's remaining capital markets activities still expose bondholders to potential concentration risks and earnings volatility, and the bank remains exposed to a sizeable non-core and legacy portfolio that is likely to take several years to run off.

The long-term and short-term ratings for UBS's senior unsecured debt as well as its issuer ratings remain under review for downgrade. The continuing review will focus on the evolution of UBS AG's balance sheet over the next few months to see whether any changes in liability structures lead to additional uplift to the bank's senior debt ratings under Moody's Advanced LGF framework. Moody's expects to conclude the review by mid-September 2015.

Upward ratings pressure could result from a significant decline in the bank's non-core and legacy portfolio relative to its capitalization, coupled with a sustainable improvement in profitability and earnings stability. Upward rating pressure could also emerge if UBS were to demonstrate it has fully embedded its improved risk management, internal processes and controls throughout the bank. Indications of this development would include superior comparative performance under adverse market conditions. Any indications of control or risk management failures, an increase in risk appetite, a significant decline in the Swiss economy or deterioration in the bank's capital levels or targets would put downward pressure on the ratings.

RATIONALE FOR COUNTERPARTY RISK ASSESSMENTS

Moody's has also assigned Counterparty Risk Assessments (CR Assessments) to a number of rated global investment banks' operating subsidiaries and their branches. 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 expected loss and (2) apply to 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 (e.g., swaps), letters of credit, guarantees and liquidity facilities.

Moody's CR assessments for banks subject to a going-concern operational resolution regime, which includes all key entities of these GIBs, start with the banks' adjusted BCA and use an Advanced LGF approach that takes into account the level of subordination in the bank's liability structure as well as an assumption of government support. As a result, the CR assessments of 12 of the global investment banks are positioned four notches above the banks' adjusted BCA (three notches for LGF and one for government support), while the CR assessment of HSBC Bank plc is positioned three notches above the banks' adjusted BCA (three notches for LGF and none for government support).

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in March 2015. Please see the Credit Policy 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_181789 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:

• Unsolicited ratings

• Non participating issuers

• [EU only] participation in unsolicited ratings

• Person approving the credit rating

• Releasing office

• Lead Analyst

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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