

FITCH DOWNGRADES 1 UK LOCAL GOVERNMENT, TFL & 3 OXFORD COLLEGES; OUTLOOKS NEGATIVE

Link to Fitch Ratings' Report: London Borough of Wandsworth - Rating Action Report
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=884407

Fitch Ratings-Barcelona/London-01 July 2016: Fitch Ratings has downgraded one UK local government, Transport for London, and three Oxford Colleges and assigned Negative Outlooks.

Under EU credit rating agency (CRA) regulation, the publication of sovereign reviews (including under the regulation Local and Regional Governments) is subject to restrictions and must take place according to a published schedule, except where it is necessary for CRAs to deviate from this in order to comply with their legal obligations.

Fitch interprets this provision as allowing us to publish a rating review in situations where there is material change in creditworthiness of the issuer that we believe makes it inappropriate for us to wait until the next scheduled review date to update the rating or Outlook/Watch. In this case the deviation was caused by the sovereign downgrade.

The rating actions reflect the downgrade of the United Kingdom's Issuer Default Rating (IDR) (see 'Fitch Downgrades the United Kingdom to 'AA'; Outlook Negative' dated 27 June 2016 at www.fitchratings.com). This action primarily reflected that the UK vote to leave the European Union in the referendum on 23 June will have a negative impact on the UK economy, public finances and political continuity.

We have downgraded the London Borough of Wandsworth as it is rated at the same level as the sovereign. According to the published calendar, the next review date for Wandsworth is scheduled on 2 December 2016.

KEY RATING DRIVERS

The rating actions also reflect the application of Fitch's criteria, according to which subnationals' ratings are normally capped by the sovereign, except in specific circumstances (see "International Local and Regional Governments Rating Criteria - Outside the United States", dated 18 April 2016 at www.fitchratings.com).

The rating actions on the PSEs also reflect the application of Fitch's "Rating of Public Sector Entities - Outside the United States" methodology, according to which ratings are also normally capped by the rating of the sponsor.

Fitch has maintained the one-notch difference between TfL's rating and the UK sovereign IDR.

RATING SENSITIVITIES

Any further downgrade of the UK's ratings would lead to a downgrade of these entities. Any weakening in the standalone finances of the entities or any weakening in the relationship with the sponsor could also lead to a downgrade.

The rating actions are as follows:

London Borough of Wandsworth

Long-Term Foreign and Local Currency IDRs downgraded to 'AA' from 'AA+'; Outlook Negative

Short-Term rating affirmed at 'F1+'

Transport for London

Long-term Foreign and Local Currency IDRs downgraded to 'AA-' from 'AA'; Outlook Negative

Short-Term rating affirmed at 'F1+'

Fitch has also downgraded TfL's GBP5bn MTN programme's Long-term local currency rating to 'AA-' from 'AA' and affirmed its commercial paper (ECP) programme's Short-term foreign and local currency ratings at 'F1+'. The corresponding debt issues have also been downgraded to 'AA-' from 'AA'.

Lincoln College, Oxford

Long-Term Foreign and Local Currency IDRs downgraded to 'AA' from 'AA+'; Outlook Negative

Short-Term rating affirmed at 'F1+'

Somerville College, Oxford

Long-Term Foreign and Local Currency IDRs downgraded to 'AA' from 'AA+'; Outlook Negative

Short-Term rating affirmed at 'F1+'

St Peters College, Oxford

Long-Term Foreign and Local Currency IDRs downgraded to 'AA' from 'AA+'; Outlook Negative

Short-Term rating affirmed at 'F1+'

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Applicable Criteria

International Local and Regional Governments Rating Criteria - Outside the United States (pub. 18 Apr 2016)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=878660

Rating Public-Sector Counterparty Obligations in PPP Transactions (pub. 15 Jan 2016)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=876726

Rating of Public-Sector Entities – Outside the United States (pub. 22 Feb 2016)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=877128

Revenue-Supported Rating Criteria (pub. 16 Jun 2014)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750012

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