

LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES

Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted	FITCH IBCA Credit Rating		For Tre: CDS Overlay	
					Long Term	Sovereign		
	1 Other Local Authorities	20 each	24 Months					
	2 Debt Management Account Deposit Facility	50	6 Month					
	3 UK Banks :							
	# HSBC Group	20	364 Day					
UK	HSBC Bank Plc	20	364 Day	364 Day	SB	AA-	AA+	364 Day
	HSBC Evergreen Notice Account	20	364 Day					
	# RBS Group - Part Nationalised	40	364 Day					
UK	National Westminster Plc	40	364 Day		NO	A	AA+	
	Natwest Instant Access Liquidity Account	40	364 Day					
	Natwest 90 Access - Liquidity Account	40	364 Day					
UK	Royal Bank of Scotland Plc	40	364 Day		NO	A	AA+	
UK	Standard Chartered Bank	20	364 Day	364 Day	NO	AA-	AA+	6 Months
	4 Other Banks							
AUS	Australia & New Zealand Banking Group	20	364 Day	364 Day	SB	AA-	AAA	364 Day
AUS	Commonwealth Bank of Australia	20	364 Day	364 Day	SB	AA-	AAA	364 Day
AUS	National Australia Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
AUS	Westpac Banking Corporation	20	364 Day	364 Day	SB	AA-	AAA	364 Day
CAN	Bank of Montreal	20	364 Day	364 Day	SB	AA-	AAA	364 Day
CAN	Bank of Nova Scotia	20	364 Day	364 Day	SB	AA-	AAA	364 Day
CAN	Canadian Imperial Bank Commerce	20	364 Day	364 Day	SB	AA-	AAA	364 Day
CAN	Royal Bank of Canada	20	364 Day	364 Day	SB	AA	AAA	364 Day
CAN	Toronto Dominion Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
	# Nordea Group	20	364 Day					
FIN	Nordea Bank Finland	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SWE	Nordea Bank AB	20	364 Day	364 Day	SB	AA-	AAA	364 Day
FIN	Pohjola Bank	20	364 Day	364 Day	SB	A+	AAA	364 Day
GER	DZ Bank AG	20	364 Day	364 Day	SB	AA-	AAA	364 Day
GER	Landwirtschaftliche Rentenbank	25	24 Months	24 Months	SB	AAA	AAA	24 Months
GER	NRW Bank	25	24 Months	24 Months	SB	AAA	AAA	24 Months
NETH	Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AA+	AAA	24 Months
NETH	Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	20	364 Day	364 Day	SB	AA-	AAA	364 Day
NETH	Nederlandse Waterschapsbank	25	24 Months	24 Months	SB	AA+	AAA	24 Months
SING	DBS Bank Ltd	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SING	Oversea Chinese Banking Corporation Ltd	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SING	United Overseas Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SWE	Skandinaviska Enskilda Banken AB	20	364 Day	364 Day	FO	A+	AAA	364 Day
SWE	Swedbank AB	20	364 Day	364 Day	FO	A+	AAA	364 Day
	# Svenska Group	20	364 Day					
SWE	Svenska Handelsbanken	20	364 Day	364 Day	SB	AA-	AAA	364 Day
	Svenska Handelsbanken - 35 Day Notice Account	20	364 Day	364 Day				364 Day
	Svenska Handelsbanken- 10 Day Notice Account	20	364 Day	364 Day				364 Day
	Svenska Handelsbanken- Call Account	20	364 Day	364 Day				364 Day
USA	Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA	24 Months
USA	JP Morgan Chase Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
	5 AAA Money Market Funds							
	# MMF Group	100	24 Months					
	HSBC Global Liquidity Fund	20	24 Months			AAA		
	SWIP Global Liquidity Fund	20	24 Months			AAA		
	Morgan Stanley Sterling Liquidity Fund	20	24 Months			AAA		
	Deutsche Managed Sterling Fund	20	24 Months			AAA		
	Insight GBP Liquidity Fund	20	24 Months			AAA		
	IGNIS Liquidity Fund	20	24 Months			AAA		
	# Group Limit of applies where indicated.							
	** A maximum of 20% of total funds to be held in the Building Society Sector.							
	** No more than 20% of total funds to be held in any one institution or group, excluding Govt/MMFs.							
	Any adverse press comments concerning borrowers/potential borrowers should be referred to D Forbes / J Ray / K Tonge / N Kay.							
	Revised: 13th July 2015							

Definition of Credit Ratings and Credit Default Swap Spreads

Credit Ratings:

Long Term Rating (Fitch)

The Long Term rating assesses the borrowing characteristics of banks and the capacity for the timely repayment of debt obligations which apply to instruments of up to 5 years duration.

Long Term Ratings range from AAA, AA, A to DDD, DD, D. Only Institutions with Ratings of A+ and above are acceptable on the Councils Lending List as follows:

AAA - Highest Credit Quality - lowest expectation of credit risk. Exceptionally strong capacity for timely payment of financial commitments. Highly unlikely to be adversely affected by foreseeable events.

AA - Very High Credit Quality - Very low expectation of credit risk. Very strong capacity for timely payment of financial commitments. Not significantly vulnerable to foreseeable events.

A - High Credit Quality - Low expectation of credit risk. Strong capacity for timely payment of financial commitments. More vulnerable to adverse business or economic conditions.

“+” Or “-” may be appended to a rating to denote relative status within major rating categories.

Sovereign Ratings (Fitch)

The Sovereign (Governments of Countries) Rating measures a sovereign's capacity and willingness to honour its existing and future obligations in full or on time. It looks at factors such as:

- Macroeconomic performance and prospects;
- Structural features of the economy that render it more or less vulnerable to shocks as well as political risk and governance factors;
- Public finances, including the structure and sustainability of public debt as well as fiscal financing;
- The soundness of the financial sector and banking system, in particular with respect to macroeconomic stability and contingent liability for the sovereign; and
- External finances, with a particular focus on the sustainability of international trade balances, current account funding and capital flows, as well as the level and structure of external debt (public and private).

Sovereign Ratings range from AAA, AA, A to DDD, DD, D. Only countries with a Sovereign Rating of AAA from a minimum two out of three Credit Rating Agencies are acceptable on the Councils Lending List.

Credit Rating Watches and Outlooks issued by Credit Rating Agencies

Rating Watches -indicate that there is a heightened probability of a rating change in the short term either in a positive or negative direction. A Rating Watch is typically event-driven and, as such, it is generally resolved over a relatively short period.

Rating Outlooks -indicate the direction a rating is likely to move over a one- to two-year period reflecting a position not yet reached but if trends continue will do so hence triggering a rating move.

Money Market Fund Rating (Moody's)

Aaa/MR1+ - this rating denotes the lowest expectation of default risk. It is assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events. Funds rated MR1+ are considered to have the lowest market risk.

Credit Default Swap (CDS) Spreads

A CDS is effectively a contract between two counterparties to 'insure' against default. The higher the CDS price of a counterparty, the higher the supposed risk of default. The CDS level therefore provides a perceived current market sentiment regarding the credit quality of a counterparty and generally the movement in the CDS market gives an early warning of the likely changes in credit ratings of a counterparty.

Capita has employed a benchmark system which compares the CDS spread of a counterparty against a pre-determined benchmark rate (iTraxx Senior Financial Index) to produce a CDS status overlay of 'In Range', 'Monitoring' or 'Out of Range' and this status is used to further determine the creditworthiness of the counterparty.

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