

LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES

Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted	FITCH IBCA Credit Rating Long Term	Sovereign	For Tre: CDS Overlay		
	1	<u>Other Local Authorities</u>		20 each	24 Months				
	2	<u>Debt Management Account Deposit Facility</u>		50	6 Month				
	3	<u>UK Banks</u>							
UK		# HSBC Group	20	364 Day					
		HSBC Bank Plc	20	364 Day	364 Day	SB	AA-	AA	364 Day
		HSBC Evergreen Notice Account	20	364 Day					
UK		# RBS Group - Part Nationalised	40	364 Day					
		National Westminster Plc	40	364 Day		SB	BBB+	AA	
		Natwest Instant Access Liquidity Account	40	364 Day					
UK		Natwest 90 Access - Liquidity Account	40	364 Day					
UK		Royal Bank of Scotland Plc	40	364 Day		SB	BBB+	AA	
UK		# LloydsHBOS Group -Part Nationalised	15	364 Day					
UK		Lloyds TSB Bank Plc	15	6 Months		SB	A+	AA	6 Months
		Bank of Scotland - Guaranteed Fixed Deposits	15	6 Months					6 Months
UK		Nationwide Building Society	15	6 Months	6 Months	SB	A+	AA	6 Months
UK		Standard Chartered Bank	15	6 Months	6 Months	SB	A+	AA+	6 Months
	4	<u>Other Banks</u>							
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
		# BNP Paribas Group	15	6 Months					
BEL		BNP Paribas Fortis	15	6 Months	6 Months	SB	A+	AA-	6 Months
FRA		BNP Paribas	15	6 Months	6 Months	SB	A+	AA	6 Months
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		National Bank of Canada	15	6 Months	6 Months	SB	A+	AAA	6 Months
CAN		Royal Bank of Canada	20	364 Day	364 Day	NO	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	Aa3	AA+	364 Day
SWE		Nordea Bank AB	20	364 Day	364 Day	SB	AA-	AAA	364 Day
FRA		Credit Industriel et Commercial	15	6 Months	6 Months	SB	A+	AA	6 Months
FIN		OP Corporate Bank	20	364 Day	364 Day	SB	Aa3	AA+	364 Day
GER		DZ Bank AG	20	364 Day	364 Day	SB	AA-	AAA	364 Day
GER		Landesbank Hessen-Thuringen Girozentrale (Heleba)	20	364 Day	364 Day	SB	A+	AAA	364 Day
NETH		Bank Nederlandse 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		ING Bank NV	15	6 Months	6 Months	SB	A+	AAA	6 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
		# UBS Group	20	364 Day					
SWITZ		UBS AG	20	364 Day	364 Day	SB	A+	AAA	364 Day
UK		UBS Ltd	15	6 Months	6 Months	SB	A+	AA+	6 Months
SWE		Skandinaviska Enskilda Banken AB	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SWE		Swedbank AB	20	364 Day	364 Day	SB	AA-	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		Bank of America	15	6 Months	6 Months	SB	A+	AAA	6 Months
USA		JP Morgan Chase Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
	5	<u>AAA Money Market Funds</u>							
		# MMF Group	100	24 Months					
		HSBC 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		
		#AberdeenStandard Group	20	24 Months					
		Aberdeen Global Liquidity Fund	20	24 Months			AAA		
		Standard Life 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 / C Machej / K Tonge / N Kay.									
Revised: 14th August 2017									

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 foreseeable events than the case for higher ratings.

“+” 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 AA- 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.

Sector 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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