

Appendix B

LINCOLNSHIRE COUNTY COUNCIL		LENDING OF TEMPORARY SURPLUSES							
		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted		FITCH Long Term	IBCA Credit Rating Sovere	For Treas CDS Overlay	
1	Other Local Authorities	20 each	24 Months						
2	Debt Management Account Deposit Facility	50	6 Month						
3	UK Banks :								
	# HSBC Group	20	365 Day						
	HSBC Bank Plc (RFB)	20	365 Day	365 Day	NO	AA-	AA-	365 Day	
	HSBC 31 Day Notice Account	20	365 Day						
	HSBC Evergreen Notice Account	20	365 Day						
	# RBS Group - Part Nationalised	40	365 Day						
	National Westminster Bank Plc (RFB)	40	365 Day	365 Day	NO	A+	AA-	365 Day	
	Royal Bank of Scotland Plc (RFB)	40	365 Day	365 Day	NO	A+	AA-	365 Day	
	# LloydsHBOS Group	15	365 Day						
	Lloyds TSB Bank Plc (RFB)	15	6 Months	6 Months	NO	A+	AA-	6 Months	
	Bank of Scotland PLC (RFB)	15	6 Months	6 Months	NO	A+	AA-	6 Months	
	Barclays Bank PLC (NRFB)	15	6 Months	6 Months	NO	A+	AA-	6 Months	
	Close Brothers Ltd	15	6 Months	6 Months	NO	A+	AA-	6 Months	
	Nationwide Building Society	15	6 Months	6 Months	NO	A+	AA-	6 Months	
	Santander UK PLC	15	6 Months	6 Months	NO	A+	AA-	6 Months	
	Standard Chartered Bank	15	6 Months	6 Months	NO	A+	AA-	6 Months	
4	Other Banks								
	Australia & New Zealand Banking Group	20	365 Day	365 Day	NO	A+	AAA	365 Day	
	Commonwealth Bank of Australia	20	365 Day	365 Day	NO	A+	AAA	365 Day	
	National Australia Bank	20	365 Day	365 Day	NO	A+	AAA	365 Day	
	Macquarie Bank Ltd.	15	6 Months	6 Months	NO	A+	AAA	6 Months	
	Westpac Banking Corporation	20	365 Day	365 Day	NO	A+	AAA	365 Day	
	# BNP Paribas Group	20	365 Day						
	BNP Paribas Fortis	15	6 Months	6 Months	NO	A+	AA-	6 Months	
	BNP Paribas	20	365 Day	365 Day	NO	A+	AA	365 Day	
	Bank of Montreal	20	365 Day	365 Day	NO	AA-	AA+	365 Day	
	Bank of Nova Scotia	20	365 Day	365 Day	NO	AA-	AA+	365 Day	
	Canadian Imperial Bank Commerce	20	365 Day	365 Day	NO	AA-	AA+	365 Day	
	National Bank of Canada	15	6 Months	6 Months	SB	A+	AA+	6 Months	
	Royal Bank of Canada	20	365 Day	365 Day	NO	AA	AA+	365 Day	
	Toronto Dominion Bank	20	365 Day	365 Day	NO	AA-	AA+	365 Day	
	Danske A/S	15	6 Months	6 Months	NO	A+	AAA	6 Months	
	Credit Industriel et Commercial Societe Generale	15	6 Months	6 Months	NO	A+	AA	6 Months	
		15	6 Months	6 Months	SB	A+	AA	6 Months	
	Nordea Bank Abp	20	365 Day	365 Day	NO	AA-	AA+	365 Day	
	OP Corporate Bank	20	365 Day	365 Day	SB	AA-	AA+	365 Day	
	DZ Bank AG	20	365 Day	365 Day	NO	AA-	AAA	365 Day	
	Landesbank Hessen-Thuringen Girozentrale (Heleba)	20	365 Day	365 Day	NO	A+	AAA	365 Day	
	Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AAA	AAA	24 Months	
	Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	20	365 Day	365 Day	NO	A+	AAA	365 Day	
	ING Bank NV	20	365 Day	365 Day	NO	AA-	AAA	365 Day	
	DBS Bank Ltd	20	365 Day	365 Day	NO	AA-	AAA	365 Day	
	Oversea Chinese Banking Corporation Ltd	20	365 Day	365 Day	NO	AA-	AAA	365 Day	
	United Overseas Bank	20	365 Day	365 Day	NO	AA-	AAA	365 Day	
	UBS AG	20	365 Day	365 Day	SB	AA-	AAA	365 Day	
	Credit Suisse AG	15	6 Months	6 Months	SB	A+	AAA	6 Months	
	Skandinaviska Enskilda Banken AB	20	365 Day	365 Day	NO	AA-	AAA	365 Day	
	Swedbank AB	20	365 Day	365 Day	SB	A+	AAA	365 Day	
	# Svenska Group	20	365 Day						
	Svenska Handelsbanken AB	20	365 Day	365 Day	NO	AA	AAA	365 Day	
	Handelsbanken Plc	20	365 Day	365 Day	NO	AA	AA-	365 Day	
	Svenska Handelsbanken - 35 Day Notice Account	20	365 Day	365 Day				365 Day	
	Svenska Handelsbanken- 10 Day Notice Account	20	365 Day	365 Day				365 Day	
	Svenska Handelsbanken- Call Account	20	365 Day	365 Day				365 Day	
	Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA	24 Months	
	Bank of America NA	20	365 Day	365 Day	SB	AA-	AAA	365 Day	
	JP Morgan Chase Bank NA	20	365 Day	365 Day	NO	AA	AAA	365 Day	
5	AAA Money Market Funds								
	# 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			
	Aberdeen Standard 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 M Grady / S Maycock / K Tonge / N Kay.								
					Revised:	31st March 2021			

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.

Link 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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