

## Appendix B

LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES									
Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted		FITCH Long Term	IBCA Credit Rating Sovere		For Treas CDS Overlay
	<b>1 Other Local Authorities</b>	25 each	24 Months						
	<b>2 Debt Management Account Deposit Facility</b>	50	6 Month						
	<b>3 UK Banks :</b>								
	<b># HSBC Group</b>	<b>25</b>	<b>365 Day</b>						
UK	HSBC Bank Plc (RFB)	25	365 Day	365 Day	NO	AA-	AA-		365 Day
	HSBC 31 Day Notice Account	25	365 Day						
	HSBC Evergreen Notice Account	25	365 Day						
	<b># RBS Group - Part Nationalised</b>	<b>50</b>	<b>365 Day</b>						
UK	National Westminster Bank Plc (RFB)	50	365 Day	365 Day	SB	A+	AA-		365 Day
UK	Royal Bank of Scotland Plc (RFB)	50	365 Day	365 Day	SB	A+	AA-		365 Day
	<b># LloydsHBOS Group</b>	<b>20</b>	<b>365 Day</b>						
	Lloyds TSB Bank Plc (RFB)	20	6 Months	6 Months	SB	A+	AA-		6 Months
	Bank of Scotland PLC (RFB)	20	6 Months	6 Months	SB	A+	AA-		6 Months
UK	Barclays Bank PLC (NRFB)	20	6 Months	6 Months	SB	A+	AA-		6 Months
UK	Close Brothers Ltd	20	6 Months	6 Months	SB	A-	AA-		6 Months
UK	Nationwide Building Society	20	6 Months	6 Months	SB	A	AA-		6 Months
UK	Santander UK PLC	20	6 Months	6 Months	SB	A+	AA-		6 Months
UK	Standard Chartered Bank	20	6 Months	6 Months	NO	A+	AA-		6 Months
	<b>4 Other Banks</b>								
AUS	Australia & New Zealand Banking Group	25	365 Day	365 Day	SB	A+	AAA		365 Day
AUS	Commonwealth Bank of Australia	25	365 Day	365 Day	SB	A+	AAA		365 Day
AUS	National Australia Bank	25	365 Day	365 Day	SB	A+	AAA		365 Day
AUS	Macquarie Bank Ltd.	20	6 Months	6 Months	SB	A	AAA		6 Months
AUS	Westpac Banking Corporation	25	365 Day	365 Day	SB	A+	AAA		365 Day
	<b># BNP Paribas Group</b>	<b>25</b>	<b>365 Day</b>						
BEL	BNP Paribas Fortis	20	6 Months	6 Months	SB	A+	AA-		6 Months
FRA	BNP Paribas	25	365 Day	365 Day	SB	A+	AA		365 Day
CAN	Bank of Montreal	25	365 Day	365 Day	NO	AA-	AA+		365 Day
CAN	Bank of Nova Scotia	25	365 Day	365 Day	NO	AA-	AA+		365 Day
CAN	Canadian Imperial Bank Commerce	25	365 Day	365 Day	SB	AA-	AA+		365 Day
CAN	National Bank of Canada	20	6 Months	6 Months	SB	A+	AA+		6 Months
CAN	Royal Bank of Canada	25	365 Day	365 Day	SB	AA	AA+		365 Day
CAN	Toronto Dominion Bank	25	365 Day	365 Day	SB	AA-	AA+		365 Day
DEN	Danske A/S	20	6 Months	6 Months	SB	A	AAA		6 Months
FRA	Credit Industriel et Commercial	25	365 Day	365 Day	SB	A+	AA		365 Day
FRA	Societe Generale	20	6 Months	6 Months	SB	A-	AA		6 Months
FIN	Nordea Bank Abp	25	365 Day	365 Day	SB	AA-	AA+		365 Day
FIN	OP Corporate Bank	25	365 Day	365 Day	SB	AA-	AA+		365 Day
GER	DZ Bank AG	25	365 Day	365 Day	SB	AA-	AAA		365 Day
GER	Landesbank Hessen-Thuringen Girozentrale (Heleba)	25	365 Day	365 Day	SB	A+	AAA		365 Day
NETH	Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AAA	AAA		24 Months
NETH	Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	25	365 Day	365 Day	SB	A+	AAA		365 Day
NETH	ING Bank NV	25	365 Day	365 Day	SB	AA-	AAA		365 Day
SING	DBS Bank Ltd	25	365 Day	365 Day	SB	AA-	AAA		365 Day
SING	Oversea Chinese Banking Corporation Ltd	25	365 Day	365 Day	SB	AA-	AAA		365 Day
SING	United Overseas Bank	25	365 Day	365 Day	NO	AA-	AAA		365 Day
SWITZ	UBS AG	25	365 Day	365 Day	SB	AA-	AAA		365 Day
SWITZ	Credit Suisse AG	20	6 Months	6 Months	NO	A+	AAA		3 Months
SWE	Skandinaviska Enskilda Banken AB	25	365 Day	365 Day	SB	AA-	AAA		365 Day
SWE	Swedbank AB	25	365 Day	365 Day	PO	A+	AAA		365 Day
	<b># Svenska Group</b>	<b>25</b>	<b>365 Day</b>						
SWE	Svenska Handelsbanken AB	25	365 Day	365 Day	SB	AA	AAA		365 Day
UK	Handelsbanken Plc	25	365 Day	365 Day	SB	AA	AA-		365 Day
	Svenska Handelsbanken - 35 Day Notice Account	25	365 Day	365 Day					365 Day
	Svenska Handelsbanken - 10 Day Notice Account	25	365 Day	365 Day					365 Day
	Svenska Handelsbanken - Call Account	25	365 Day	365 Day					365 Day
USA	Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA		24 Months
USA	Bank of America NA	25	365 Day	365 Day	SB	AA	AAA		365 Day
USA	JP Morgan Chase Bank NA	25	365 Day	365 Day	SB	AA	AAA		365 Day
	<b>5 AAA Money Market Funds</b>								
	<b># MMF Group</b>	<b>200</b>	<b>24 Months</b>						
	HSBC Global Liquidity Fund	25	24 Months			AAA			
	Morgan Stanley Sterling Liquidity Fund	25	24 Months			AAA			
	Deutsche Managed Sterling Fund	25	24 Months			AAA			
	Insight GBP Liquidity Fund	25	24 Months			AAA			
	Aberdeen Standard Liquidity Fund	25	24 Months			AAA			
	<b># Group Limit of applies where indicated.</b>								
	** 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 / B Abioye								

Revised: 31st March 2022

## **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 five 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 Council's 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, 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 Council's 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.

This page is intentionally left blank