

Appendix B

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LINCOLNSHIRE COUNTY COUNCIL		LENDING OF TEMPORARY SURPLUSES			FITCH IBCA		For Treas
Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted	Long Term	Credit Rating Sovereign	CDS Overlay
	1	Other Local Authorities	25 each	24 Months			
	2	Debt Management Account Deposit Facility	50	6 Month			
	3	UK Banks :					
		# HSBC Group	25	365 Day			
UK		HSBC Bank Plc (RFB)	25	365 Day	365 Day	SB	AA-
		HSBC 31 Day Notice Account	25	365 Day			AA-
		HSBC Evergreen Notice Account	25	365 Day			365 Day
		# RBS Group - Part Nationalised	50	365 Day			
UK		National Westminster Bank Plc (RFB)	50	365 Day	365 Day	SB	A+
UK		Royal Bank of Scotland Plc (RFB)	50	365 Day	365 Day	SB	A+
		# LloydsHBOS Group	20	365 Day			
		Lloyds TSB Bank Plc (RFB)	20	6 Months	6 Months	SB	A+
		Bank of Scotland PLC (RFB)	20	6 Months	6 Months	SB	A+
UK		Barclays Bank PLC (NRFB)	15	6 Months	6 Months	SB	A+
UK		Close Brothers Ltd	20	6 Months	6 Months	NO	A-
UK		Nationwide Building Society	20	6 Months	6 Months	SB	A
UK		Santander UK PLC	20	6 Months	6 Months	SB	A+
UK		Standard Chartered Bank	20	6 Months	6 Months	SB	A+
	4	Other Banks					
AUS		Australia & New Zealand Banking Group	25	365 Day	365 Day	SB	A+
AUS		Commonwealth Bank of Australia	25	365 Day	365 Day	SB	A+
AUS		National Australia Bank	25	365 Day	365 Day	SB	A+
AUS		Macquarie Bank Ltd.	20	6 Months	6 Months	SB	A
AUS		Westpac Banking Corporation	25	365 Day	365 Day	SB	A+
		# BNP Paribas Group	25	365 Day			
BEL		BNP Paribas Fortis	20	6 Months	6 Months	SB	A+
FRA		BNP Paribas	25	365 Day	365 Day	SB	A+
CAN		Bank of Montreal	25	365 Day	365 Day	NO	AA-
CAN		Bank of Nova Scotia	25	365 Day	365 Day	SB	AA-
CAN		Canadian Imperial Bank Commerce	25	365 Day	365 Day	SB	AA-
CAN		National Bank of Canada	20	6 Months	6 Months	SB	A+
CAN		Royal Bank of Canada	25	365 Day	365 Day	SB	AA-
CAN		Toronto Dominion Bank	25	365 Day	365 Day	SB	AA-
DEN		Danske A/S	20	6 Months	6 Months	SB	A
FRA		Credit Industriel et Commercial	25	365 Day	365 Day	SB	A+
FRA		Societe Generale	20	6 Months	6 Months	SB	A-
FIN		Nordea Bank Abp	25	365 Day	365 Day	SB	AA-
FIN		OP Corporate Bank	25	365 Day	365 Day	SB	AA-
GER		DZ Bank AG	25	365 Day	365 Day	SB	AA-
GER		Landesbank Hessen-Thuringen Girozentrale (Heleba)	25	365 Day	365 Day	SB	A+
NETH		Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AAA
NETH		Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	25	365 Day	365 Day	SB	A+
NETH		ING Bank NV	25	365 Day	365 Day	SB	AA-
SING		DBS Bank Ltd	25	365 Day	365 Day	SB	AA-
SING		Oversea Chinese Banking Corporation Ltd	25	365 Day	365 Day	SB	AA-
SING		United Overseas Bank	25	365 Day	365 Day	NO	AA-
SWITZ		UBS AG	20	365 Day	365 Day	NW	AA-
SWE		Skandinaviska Enskilda Banken AB	25	365 Day	365 Day	SB	AA-
SWE		Swedbank AB	25	365 Day	365 Day	SB	AA-
		# Svenska Group	25	365 Day			
SWE		Svenska Handelsbanken AB	25	365 Day	365 Day	SB	AA
UK		Handelsbanken Plc	25	365 Day	365 Day	SB	AA
		Svenska Handelsbanken - 35 Day Notice Account	25	365 Day	365 Day		AAA
		Svenska Handelsbanken- 10 Day Notice Account	25	365 Day	365 Day		AAA
		Svenska Handelsbanken- Call Account	25	365 Day	365 Day		AAA
USA		Bank of New York Mellon	25	24 Months	24 Months	SB	AA
USA		Bank of America NA	25	365 Day	365 Day	SB	AA
USA		JP Morgan Chase Bank NA	25	365 Day	365 Day	SB	AA
	5	AAA Money Market Funds					
		# MMF Group	200	24 Months			
		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
		# 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 / B Abioye					
					Revised:	31st March 2023	

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.

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