## Appendix A

### Lincolnshire County Council - Lending of Temporary Surpluses

<table>
<thead>
<tr>
<th>Country</th>
<th>Lending Limit</th>
<th>Maturity Limit</th>
<th>#</th>
<th>FITCH IBCA Credit Rating</th>
<th>For Tre CDS Overlay</th>
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<td><strong>Total</strong></td>
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</tbody>
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#### UK Banks:

- **# LloydsHBOS Group - Part Nationalised**
  - **UK Lloyds TSB Bank Plc**
    - 40 364 Day
  - **UK HBOS Treasury Services Plc**
    - 40 364 Day
  - **Bank of Scotland - Guaranteed Fixed Deposits**
    - 40 364 Day
  - **Bank of Scotland - Call Reserve Account**
    - 40 364 Day

- **# HSBC Group**
  - **HSBC Bank Plc**
    - 20 364 Day
  - **HSBC Evergreen Notice Account**
    - 20 364 Day

- **# RBS Group - Part Nationalised**
  - **UK National Westminster Plc**
    - 40 364 Day
  - **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
  - **UK Standard Chartered Bank**
    - 20 364 Day, 364 Day
    - **UK Bank of New York (International) Mellon Ltd**
      - 20 364 Day, 364 Day

#### Other Banks:

- **AUS Australia & New Zealand Banking Group**
  - 20 364 Day, 364 Day
- **AUS Commonwealth Bank of Australia**
  - 20 364 Day, 364 Day
- **AUS National Australia Bank**
  - 20 364 Day, 364 Day
- **CAN Bank of Montreal**
  - 20 364 Day, 364 Day
- **CAN Bank of Nova Scotia**
  - 20 364 Day, 364 Day
- **CAN Canadian Imperial Bank Commerce**
  - 20 364 Day, 364 Day
- **CAN Royal Bank of Canada**
  - 20 364 Day, 364 Day
- **CAN Toronto Dominion Bank**
  - 20 364 Day, 364 Day

### Nordea Bank Group

- **SWE Nordea Bank AB**
  - 20 364 Day, 364 Day
- **FIN Nordea Bank Finland Plc**
  - 20 364 Day, 364 Day

### SING Overseas Banks

- **SING DBS Bank Ltd**
  - 20 364 Day, 364 Day
- **SING Overseas Chinese Banking Corporation Ltd**
  - 20 364 Day, 364 Day
- **SING United Overseas Bank**
  - 20 364 Day, 364 Day

### # Svenska Group

- **SWE Svenska Handelsbanken**
  - 20 364 Day, 364 Day
- **SWE Svenska Handelsbanken - 35 Day Notice Account**
  - 20 364 Day, 364 Day
- **SWE Svenska Handelsbanken - 10 Day Notice Account**
  - 20 364 Day, 364 Day
- **SWE Svenska Handelsbanken - Call Account**
  - 20 364 Day, 364 Day

### AAA Money Market Funds

<table>
<thead>
<tr>
<th># MMF Group</th>
<th>Lending Limit</th>
<th>Maturity Limit</th>
<th>#</th>
<th>FITCH IBCA Credit Rating</th>
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<td><strong>Total</strong></td>
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</tbody>
</table>

- **HSBC Global Liquidity Fund**
  - 20 24 Months
- **SWIF Global Liquidity Fund**
  - 20 24 Months
- **Morgan Stanley Sterling Liquidity Fund**
  - 20 24 Months
- **Deutsche Managed Sterling Fund**
  - 20 24 Months
- **Insight GBP Liquidity Fund**
  - 20 24 Months
- **IGNIS Liquidity Fund**
  - 20 24 Months

### 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 T Warnock, JJ Ray, K Tonge and N Kay.

Revised: 30th June 2014
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 AA- 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.

“+” 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 AAA 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 (Moodys)**

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.