

LIST OF COUNTERPARTIES FOR DEPOSITS
APPROVED BY FULL COUNCIL ON 23RD FEBRUARY 2012

| Banking Institutions | Maximum Duration [per Sector] | Individual Limits |
|--|--|--------------------------|
| Barclays Bank plc | 3 months | 2m |
| Clydesdale Bank / Yorkshire Bank | 3 months | 2m |
| Lloyds TSB Bank plc / Bank of Scotland | 12 months | 2m |
| HSBC Bank plc | 3 months | 10m |
| Nationwide Building Society | 3 months | 2m |
| Santander UK Plc | 3 months | 2m |
| Royal Bank of Scotland plc | 12 months | 2m |

| Other Institutions | Maximum Duration | Individual Limits |
|--|-------------------------|--------------------------|
| Local Authorities | 12 months | 2m |
| Government Debt Management Office | 12 months | Unlimited |
| Lancashire County Council Call Account | 12 months | 2m |

Sectors Methodology in Determining Duration:

Sector's creditworthiness service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap [CDS] spreads to give early warning of likely changes in credit ratings and gauge a market view of the counterparty
- sovereign ratings to select counterparties from only the most creditworthy countries

Sector's modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are used to determine the duration for deposits and are therefore referred to as durational bands. This approach gives a much improved level of security for its deposits.

There are currently 5 colour bands, with each band relating to a duration:

| | |
|--------|-----------|
| White | 0 Months |
| Green | 3 Months |
| Red | 6 Months |
| Orange | 12 Months |
| Purple | 24 Months |