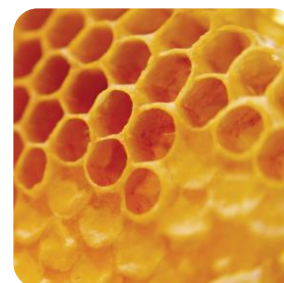


Counterparty Credit Default Swap Rates

4 January 2016



Credit default swaps

Bloomberg/Meteor Research Department Intraday 04 January 2016

04-Jan-16	Market Quoted CDS Rates		5Y CDS % Change			Model Implied ⁴	Credit Ratings				Tier 1 Capital Ratio (Parent Company)
	1Y CDS (bps)	5Y CDS (bps)	5 Days Ago	1 Month Ago	1 Year Ago	5Y CDS (bps)	S&P Long Term Local Currency Issuer Credit Rating	Moody's Long Term Rating	Fitch Long Term Issuer Default Rating		
United Kingdom of Great Britain and Northern Ireland ¹	5.01	18.78	-3.67%	2.74%	-5.18%	17.00	AAAu	Aa1	-	NA	
Lloyds Banking Group PLC	18.96	49.52	2.07%	3.17%	-5.68%	83.00	BBB+	(P)Baa1	A+	16.50%	
UBS AG	23.95	51.28	6.38%	16.55%	13.11%	55.00	A	A1 *	A	19.40%	
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/Netherlands ²	15.80	52.10	-0.13%	3.16%	7.82%	-	A+	Aa2	AA-	16.00%	
ING Groep NV	17.10	52.12	-0.19%	3.21%	-9.06%	76.00	A-	Baa1	A	13.49%	
Royal Bank of Scotland PLC/The	19.44	59.78	7.24%	3.07%	7.71%	100.00	BBB+	A3	BBB+	13.20%	
Danske Bank A/S	16.92	60.56	0.69%	3.51%	-22.86%	63.00	A	A2	A	16.70%	
Barclays Bank PLC	22.84	61.53	3.92%	4.29%	15.72%	110.00	A-	A2	A	13.00%	
Santander UK PLC	19.53	66.63	6.40%	0.19%	1.37%	-	A	A1	A	14.10%	
Natixis SA	14.94	68.28	-2.28%	-5.70%	16.40%	76.00	A	A2	A	11.40%	
Nomura Bank International PLC	18.52	68.36	-0.28%	2.98%	-24.07%	92.00	A-	-	-	12.90%	
Societe Generale SA	22.89	69.53	0.57%	2.25%	-29.65%	84.00	A	A2	A	12.60%	
Credit Agricole SA	25.47	70.39	0.52%	8.29%	-3.58%	84.00	A	A2	A	11.80%	
BNP Paribas SA	25.37	70.58	0.64%	12.03%	2.04%	75.00	A+ *	A1	A+	11.50%	
HSBC Holdings PLC	27.83	71.49	2.51%	6.70%	55.41%	91.00	A	A1	AA-	12.50%	
Bank of America Corp	23.68	72.18	-0.44%	-4.40%	3.25%	92.00	BBB+	Baa1	A	13.10%	
JPMorgan Chase & Co	28.65	72.53	0.04%	-3.93%	10.73%	81.00	A-	A3	A+	11.60%	
Citigroup Inc	27.53	82.14	0.79%	-1.63%	6.40%	94.00	BBB+	Baa1	A	13.10%	
Morgan Stanley	31.76	85.44	2.32%	-0.07%	1.23%	114.00	BBB+	A3	A	14.10%	
Goldman Sachs International	33.36	85.63	0.15%	-1.57%	-2.15%	104.00	A *	A1	A	13.80%	
Credit Suisse AG	52.14	87.76	6.11%	7.02%	52.63%	70.00	A	Aa3 *	A	17.10%	
Commerzbank AG	42.53	90.92	5.12%	6.96%	7.60%	79.00	BBB+	Baa1	BBB	11.70%	
Deutsche Bank AG	45.64	96.95	5.16%	5.38%	25.10%	92.00	BBB+	A3	A-	16.10%	
Macquarie Bank Ltd	50.14	116.17	-0.25%	1.88%	18.47%	118.00	A	A2	A	11.00%	
UniCredit SpA	67.60	133.67	9.73%	14.74%	2.30%	155.00	BBB-	Baa1	BBB+	11.26%	
Banco Bilbao Vizcaya Argentaria SA	70.35	134.12	10.10%	19.22%	66.61%	154.00	BBB+	A3	A-	11.90%	
Standard Chartered PLC	78.49	134.51	0.67%	0.01%	39.87%	103.00	A-	Aa3 *	A+	11.40%	
Banco Santander SA	74.88	140.26	5.76%	20.39%	67.63%	134.00	A-	A3	A-	12.20%	
Royal Bank of Canada ³	-	-	-	-	-	85.00	AA-	Aa3	AA	12.20%	
Investec Bank PLC ³	-	-	-	-	-	141.00	-	A3	BBB	11.90%	
Northern Trust Corp ³	-	-	-	-	-	82.00	A+	A2	AA-	13.20%	

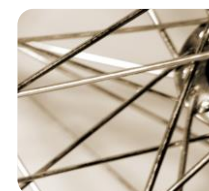
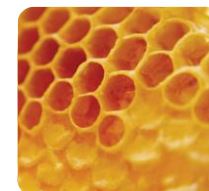
The table is sorted by Market Quoted 5Y CDS ascending.

* indicates that the credit rating agency has that company on watch. *+ indicates a possible upgrade, and *- a possible downgrade.

¹ The 'u' in the UK Government rating of 'AAAu' indicates it is an unsolicited rating (assigned at the initiative of credit rating agency not the issuer).² Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/Netherlands is the full name of Rabobank Groep N.V.³ There is no market quoted price for credit default swaps on Northern Trust Corp, Royal Bank of Canada or Investec Bank PLC.⁴ Model implied CDS rate is the 5 year model CDS from the Bloomberg Default Risk function.

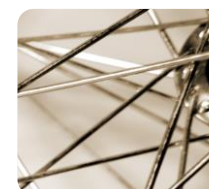
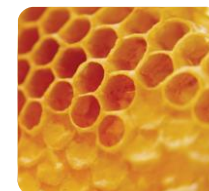
Credit default swaps

- Historically credit ratings have been used as the principal measure of the financial strength of an underlying issuer. However, over recent years Credit Default Swap ('CDS') rates have become an additional measure of the financial security of a company and are now often utilised alongside ratings produced by credit rating agencies.
- CDS rate levels are determined by the supply and demand of market participants and therefore do not rely on one single agency to determine a company's credit worthiness.
- A CDS is basically an insurance contract - the buyer makes periodic payments to the seller to effectively insure against a debt default and in return receives a payoff, if the underlying financial instrument/institution does default.
- CDS spreads allow investors to analyse how risky an institution's debt is perceived to be by the market, a relevant factor when considering the credit strength of a counterparty.
- The CDS rates on the next page detail the % above London Interbank Offered Rate ('LIBOR') that buyers are willing to pay a seller in order to insure themselves against the likelihood of a credit default event of the underlying issuer.
- Companies with higher CDS spreads are considered riskier by the market, as they are considered more likely to default than those with a lower CDS spread, all other things being equal.
- Capital ratios are another measure of a bank's strength. These are used by regulatory authorities, with the most widely known being tier one capital ratio, which consists largely of shareholders' equity. It is the amount paid originally to purchase permanent capital (such as ordinary shares) of the bank and retained earnings (minus losses). It is the core measure of a bank's financial strength from a regulator's point of view. This ratio has been the subject of much review over recent years resulting in the Basel III Accord, requiring banks to maintain a minimum tier one capital ratio of 6%.



Credit rating agencies

- Credit rating agencies are independent organisations, which monitor the probability of default of financial institutions. The three main credit rating agencies are Moody's, Fitch and Standard & Poor's.
- The scales and definitions of these three credit rating agencies can be found on the next page.
- Standard & Poor's highest possible rating is AAA, followed by AA and A. These three ratings along with their BBB rating are generally regarded as investment grade. All of these ratings except the AAA rating can also be modified by a plus or a minus. The '+' and '-' markings indicate relative standing within the grade category; for example, A+, A, A- for the A rating. Ratings from BB downwards are provided in respect of other securities.
- Other ratings agencies, including Fitch and Moody's, who issue ratings along lines very similar to Standard & Poor's, although Moody's ratings are expressed slightly differently. Moody's ratings symbols range from Aaa to C, and numerical modifiers 1, 2, and 3 are added to each generic rating classification from Aa through to Caa to indicate relative standing within the grade category.
- A credit rating is the opinion of the credit ratings agency. A high rating from one or more of the credit rating agencies is not a guarantee that the counterparty will meet its obligation to pay the amounts due from the Plan.
- A rating outlook assesses the potential direction of a long-term credit rating over the intermediate term. Moody's definition of long term is a financial obligations with an original maturity of one year or more, Fitch's definition is a period of one to two years, and Standard & Poor's definition is typically for a period of six months to two years.
- The agencies use slightly different terminology but an outlook will usually be in one of three broad categories – Positive, stable and negative. A ratings outlook is not necessarily a precursor to a rating change and does not necessarily mean that a rating will change or that it will change in the direction indicated by the outlook or that a rating could not change prior to the time of rating horizon indicated.



Rating agency scales

Standard & Poor's	Investment Grade	AAA AA+, AA, AA- A+, A, A- BBB+, BBB, BBB-	Extremely strong capacity to meet financial commitments. Highest Rating. Very strong capacity to meet financial commitments. Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
	Non-Investment Grade	BB+, BB, BB- B+, B, B- CCC+, CCC, CCC- CC C CI R SD D	Less vulnerable in the near-term but faces major on-going uncertainties to adverse business, financial and economic conditions. More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments. Currently vulnerable and dependent on favourable business, financial and economic conditions to meet financial commitments. Currently highly vulnerable. Currently highly vulnerable obligations and other defined circumstances. Past due on interest Under regulatory supervision due to its financial situation Has selectively defaulted on some obligations Payment default on financial commitments.
Fitch	Investment Grade	AAA AA+, AA, AA- A+, A, A- BBB+, BBB, BBB-	Exceptionally strong capacity for payment of financial commitments. Highly unlikely to be adversely affected by foreseeable events. Very strong capacity for payment of financial commitments. Not significantly vulnerable to foreseeable events. Strong capacity for payment of financial commitments, but may be more vulnerable to adverse business or economic conditions. Adequate capacity for payment of financial commitments, but adverse business or economic conditions are more likely to impair this capacity.
	Non-Investment Grade	BB+, BB, BB- B+, B, B- CCC+, CCC, CCC- CC C D	Elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions. But business or financial flexibility exists which supports the servicing of financial commitments. Financial commitments currently being met. Capacity for continued payment vulnerable to deterioration in business and economic environment. Substantial credit risk. Default is a real possibility. Very high levels of credit risk. Default of some kind appears probable. Exceptionally high levels of credit risk. Default is imminent or inevitable, or the issuer is in standstill. Has defaulted on obligations and Fitch believes that it will generally default on most or all obligations
Moody's	Investment Grade	Aaa Aa1, Aa2, Aa3 A1, A2, A3 Baa1, Baa2, Baa3	Judged to be of the highest quality, with minimal credit risk. Judged to be of high quality and are subject to very low credit risk. Considered upper-medium grade and are subject to low credit risk. Subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.
	Non-Investment Grade	Ba1, Ba2, Ba3 B1, B2, B3 Caa1, Caa2, Caa3 Ca C Special WR P	Judged to be of the highest quality, with minimal credit risk. Judged to be of high quality and are subject to very low credit risk. Judged to be of poor standing and are subject to very high credit risk. Highly speculative and are likely in, or very near, default, but with some prospect of recovery of principal and interest. Lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest. Withdrawn Rating Provisional

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