

Appendix 2- Associated Risks

Counterparty	Long-term Credit Rating (Fitch or Equivalent)	Associated Risk
Money Market Funds	AAA	EU regulators are seeking to propose changes to current valuation technique applied by MMFs with the view to phasing out CNAV* funds and replacing them with VNAV* funds. This will result in some volatility in fund valuation resulting in potential capital gains/ losses. Regulatory changes anticipated to come into force in 2015 or later and are subject to EU consultation. A move to VNAV could also result in a AAA rating loss as funds will no longer be able to afford a credit rating though underlying fund principals will remain the same.
Lloyds TSB Group	A	General financial, economic and regulatory risks that is normally associated with a bank, which can affect profitability, consequently impacting on credit ratings and the CDS price. The Lloyds Group is 32% UK Government owned and the process of the Government selling of its stake in the bank has already begun.
Barclays	A	General financial, economic and regulatory risks that is normally associated with a bank, which can affect profitability, consequently impacting on credit ratings and the CDS price. Barclays is involved in litigation and any fines arising from any outcome will reduce future profits.
Santander UK	A	General financial, economic and regulatory risks that is normally associated with a bank, which can affect profitability, consequently impacting on credit ratings and the CDS price. A subsidiary of Banco Santander (Spanish Bank) that has exposure to the problems in the EU (Santander UK is separately capitalised to its parent company and any transfer of capital to Banco Santander will need to be authorised by UK regulators first). Furthermore, the bank has a large UK mortgage book that is exposed to housing bubbles and default on mortgages in the current economic environment (high probability if there is no wage growth and interest rates suddenly rise).
Nationwide Building Society	A	General financial, economic and regulatory risks that is normally associated with a bank, which can affect profitability, consequently impacting on credit ratings and the CDS price. Furthermore Nationwide has a large UK mortgage book that is exposed to housing bubbles and default on mortgages in the current economic environment (high probability if there is no wage growth and interest rates suddenly rise).
Development Bank Singapore	AA-	General financial, economic and regulatory risks that is normally associated with a bank, which can affect profitability, consequently impacting on credit ratings and the CDS price. Exposure to the far east market

		and the CDS price. Exposure to the far east market and any operational risks arising within.
Svenska Handelsbanken (Sweden)	AA-	General financial, economic and regulatory risks that is normally associated with a bank, which can affect profitability, consequently impacting on credit ratings and the CDS price.
Deutsche Bank (Germany)	A+	General financial, economic and regulatory risks that is normally associated with a bank, which can affect profitability, consequently impacting on credit ratings and the CDS price. Exposure to the European market and any operational risks arising within.

*CNAV Fund- Constant net asset value where the assets within the fund are valued at £1 per unit.

*VNAV Fund- Variable net asset value where assets prices fluctuate on a daily basis, and potentially result in a capital gain/ loss.