

DISTRIBUTION GOVERNANCE – MUTUAL ANNUAL REPORTING DG-MAR: REVIEW - 2020

As part of our Distribution Governance – Mutual Annual Reporting ('DG-MAR'), this DG-MAR: Review - 2020 explains our ongoing monitoring and review processes and what we identified in respect of the risk / return profiles and expectations of our plans, through 2020, focusing on three key areas of consideration:

- 1) Market risk
 - 1.1) Market risk specific to the FTSE 100 FDEW
- 2) Issuer and counterparty risk
- 3) Operational risk

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Introduction

As professional advisers/end clients will be only too well aware, in January 2020, the World Health Organisation began publishing information and guidance on what has become known as Covid-19. The world has been dealing with the health, social and economic issues of Covid-19 since.

Clearly, the impact of Covid-19 is beyond just stock markets. However, as professional advisers and end clients will know, global stock markets, including the UK stock market, fell rapidly and significantly in February and March 2020 (in fact, commentators observed that this represented the fastest bear market in history), regaining ground since April, through 2020, but remaining generally volatile.

In addition to Covid-19, 2020 was also characterised by the focus on the US presidential election and Brexit.

1. Market risk: consideration of any changes to the risk/return profiles and expectations of our plans

Our plans are linked to stock markets, so significant falls in the prevailing level of the stock market index to which the plans are linked and increased stock market volatility have a consequential effect on their prevailing risk/return profiles and expectations. Generally, this can include:

- decreasing the likelihood of the future potential returns (such as kick-out or income payments) being generated; and
- increasing the likelihood of potential capital losses being experienced at maturity.

Increased stock market volatility means that there is more chance of a stock market index either rising or falling during the investment term, and therefore ending higher or lower, depending on the direction of any market movement. This means that there is more chance of returns being generated if the index rises, or of not being generated and of downside barriers also being breached and capital losses being experienced if the index falls.

In Q1 2020, as a result of the rapid and significant stock market falls (commentators observed that this represented the fastest bear market in history) and increased stock market volatility at the outbreak of Covid-19, particularly during February and March, the prevailing stock market index levels at that time (the UK low for the FTSE 100 was seen on 23 March) were such that for most of our plans:

- growth of more than 5% p.a. would be required in the stock market index level for the next kick-out or income payment to be generated
- stock market index levels were nearer the end of term barrier levels at which capital losses would be experienced at the end of the investment term than to the original start levels (our plans issued before the stock market falls typically included 60% end of term barrier levels, allowing for a 40% fall in the stock market index)
- secondary market bid prices/plan values were significantly below the initial par values/amount invested

While we identified that the dramatic events of Q1 2020 had a material impact on the prevailing risk/return profiles of certain plans at that time, we did not identify any plans which were performing differently to their known features and expected outcomes.

With regard to secondary market bid prices/plan values, the prevailing level of the stock market index which a plan is linked to is usually the key driver. Other factors which contribute to bid pricing/plan values include: the level of stock market/index volatility; the level of interest rates; the credit risk and credit spread of the issuer/counterparty bank; the level of implicit charges/costs of arranging the securities which the plan is based on; and the time left to maturity. It is possible that secondary market bid prices/plan values can move in the opposite direction to the level of the index, if any move in the index is dominated by other factors.

It's important to understand and remember that the prevailing secondary market bid prices/plan values of structured products are broadly irrelevant during the investment term, unless investors are looking to access an investment in a plan: noting that investors in structured product plans are generally expected to be prepared to hold their investments through the investment term, depending on specific plan features. Bid prices/plan values can usually be expected to move towards the stated terms of plans, which are contractually/legally defined on predefined dates, including the end maturity date.

All of the investors in our plans invest through authorised and regulated investment firms, who are responsible for assessing the suitability of our plans for individual investors. Assessment of suitability requires professional advisers to take into account the identified target markets for each plan. Our plan brochures detail the identified target market based on a number of points, typically including specifying that plans may be suitable for investors who:

- Are comfortable with investment products which are linked to the UK stock market, represented by a specific index.
- Want to increase the likelihood of receiving a fixed level of return, by investing in a product which does not need the specific index to rise – but understand that if it falls below the level needed, for example for a kickout or income payment, no return will be generated.
- Want to decrease the likelihood of losing money if the specific index falls, but understand that if it is below the defined level of protection on the end date, it will reduce the amount of any money repaid.

- Understand that the returns of the plan and repayment of the money invested depend on the financial stability of the issuer and counterparty bank during the investment term – and accept the potential risk of loss if it fails.
- Want the potential for a higher level of return than might be achieved from bank or building society savings accounts.
- Are prepared and able to leave any money invested for up to 10 years, if the level of the specific index means that the plan does not mature early on one of the kickout anniversary dates - and understand that cashing in the plan before the end date may result in a loss.
- Are likely to have some investment experience, already hold a portfolio of different investment products, and understand that any investment should be part of a diversified and balanced portfolio.
- Take advice from a professional Adviser, who is part of an authorised and regulated investment firm and assesses the suitability of the plan for investors' personal circumstances.

Since April 2020, stock markets rose strongly from the lows seen in Q1 (in fact, commentators observed that this represented the fastest recovery in stock market history, in certain markets).

As a result, as at our most recent and end-of-year regular review, of 31 December 2020, prevailing stock market index levels were such that:

- depending on the specific plan / option, fewer plans required growth of more than 5% p.a. in the stock market index level for the next kick-out or income payment to be generated
- there were no plans where the stock market index level was nearer the level at which capital losses would be experienced at the end of the investment term than to the original start levels
- for the majority of plans the secondary market bid prices / plan values were above the initial par values / amount invested

Throughout 2020, we considered that professional advisers would have been well aware of the Covid-19 environment, the stock market falls and the impact of the falls and other factors on the plans that their clients hold, all of which performed as expected based on the terms of the plans and the performance of the stock market / indexes to which they are linked.

Professional advisers can check the prevailing secondary market bid prices / plan values of their clients' plans through the James Brearley Web Portal at any point.

We have taken this opportunity to attach a Plan Prices and Valuation Report, which provides details for all of our plans, showing their secondary market bid prices / plan values as at 31 December (also including details of the start levels, stock market index movement since the start date, and summarising plan details).



In summary, over the period of review for 2020 (and including the period since the launch of our product suite in June 2018, as this is the first time that we have produced and provided DG-MAR):

- i) we identified that the dramatic events of Q1 2020 had a material impact on the prevailing risk / return profiles of certain plans, at that time;**
 - ii) we did not identify any plans which were performing differently to their known features and expected outcomes, in respect of market risk;**
 - iii) we did not identify any plans which had become inconsistent with the needs, characteristics and objectives of our identified target markets; and**
 - iv) we did not identify any need for professional advisers (or end clients) to take any specific action in addition to their regular and ongoing review of the suitability of portfolios for individual client circumstances.**
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1.1 Market risk, specific to the FTSE 100 FDEW: consideration of any changes to the risk/return profiles and expectations of our plans

Many of our plans are linked to the UK stock market by the FTSE 100 FDEW (the FTSE 100 Fixed Dividend Equal Weight Custom Index).

The FTSE 100 FDEW was developed by FTSE Russell, in collaboration with Societe Generale, which has an exclusive license for the index: Tempo has agreed exclusivity with Societe Generale to use the FTSE 100 FDEW in our plans.

The FTSE 100 FDEW was developed in order to address an issue which investment banks may encounter when structured products are linked to the FTSE 100, with the aim of improving product terms for investors. Improved terms which can be achieved through use of the FTSE 100 FDEW can include: lower end of term barrier levels; lower conditions for positive returns to be generated; and/or higher potential returns.

The FTSE 100 FDEW measures the performance of the same 100 largest companies on the London Stock Exchange ('LSE') which make up the FTSE 100. However, as its name suggests, the FTSE 100 FDEW is different to the FTSE 100 in two important ways:

- **'FD'** stands for fixed dividend: The FTSE 100 FDEW is based on a total return index. This means that all of the dividends paid by the companies are included in the index. However, a fixed dividend of 50 points per year is deducted when FTSE Russell work out the index level.
- **'EW'** stands for equal weight: The 100 shares in the FTSE 100 FDEW are all equally weighted, at 1% by FTSE Russell, instead of being weighted according to their *'market capitalisation'*.

Our plan brochures explain the FTSE 100 FDEW, including the *'FD'* /fixed dividend and *'EW'* /equal weight, in plain English for investors. Our collateral materials for professional advisers provide extensive information, including comprehensive and granular performance analysis, including comparison to the FTSE 100.

Neither equally weighted nor market capitalisation weighted indexes are better or worse than the other. Each offers a different approach and has different merits: risks and returns will be different for each and will depend on the future stock market environment and the performance of the companies in each index.

The *'FD'* /fixed dividend is a term used to explain how FTSE Russell deals with dividends paid by the companies in the index, which is different to the way that this is done for the FTSE 100.

The FTSE 100 is known as a *'price return'* index. This means that any dividends paid by the companies in the index are not included by FTSE Russell when they work out the index level. The FTSE 100 FDEW is based on a *'total return'* index. This means that any dividends paid by the companies in the index are included by FTSE Russell. However, FTSE Russell deducts a fixed dividend of 50 points per year, when working out the index level.

The FTSE 100 FDEW was launched by FTSE Russell in March 2017, with a level of 1000 points, meaning that 50 points was equivalent to 5% when it was launched. If the level of the FTSE 100 FDEW is higher, for example, 1250 points, the 50 points fixed dividend is equivalent to 4%. However, if the level of the FTSE 100 FDEW is lower, for example 750 points, the 50 points fixed dividend is equivalent to 6.66%.

Since the inception of the FTSE 100 FDEW, the lowest points level was 660.16, on the 23rd March 2020. So, the 50 points fixed dividend was equivalent to 7.58% (source: Societe Generale).

As at 30 March 2020, the level of the FTSE 100 FDEW was 751.86 points. So, the 50 points fixed dividend was equivalent to 6.65% (source: Societe Generale).

As at market close on 31st December 2020, the level of the FTSE 100 FDEW was at 970.79 points. So, the 50 points fixed dividend was equivalent to 5.15% (source: Societe Generale).

If the level of the FTSE 100 FDEW was to fall in the future, for example to 600 points, the 50 points fixed dividend would be equivalent to 8.33%.

The total return/fixed dividend approach of the FTSE 100 FDEW addresses an issue which banks may encounter when arranging/hedging structured products which are linked to the FTSE 100, with the aim of improving product terms. However, at times when the fixed dividend of 50 points is higher than the level of dividends being paid by companies in the FTSE 100 FDEW (which is increasingly likely the further that the level of the FTSE 100 FDEW is below its start level of 1000 points, and during periods when companies reduce, suspend or cut their dividends), this would be likely to reduce the level of the FTSE 100 FDEW.

The impact of the fixed dividend could be significant, if the differential between the level of the fixed dividend and the index dividend level is significant, for even a short time, or if any differential persisted for a long time. This could create a 'dividend drag' on the level and performance of the FTSE 100 FDEW.

As at 31 Dec 2020, the level of the FTSE 100 FDEW was 970.79 points. So, the 50 points fixed dividend was equivalent to 5.15%. As at the same date, the dividend yield of the FTSE 100, on an equally weighted basis, was 2.96% per year. At this level for the FTSE 100 FDEW and this yield level for the FTSE 100, the fixed dividend reduces the level of the FTSE 100 FDEW by 2.19% per year, compared to the FTSE 100 on an equally weighted basis (source: Thomson Reuters).

A lower prevailing level for the FTSE 100 FDEW, compared to its start level of 1000, therefore impacts the risk/return profiles and expectations of products linked to the index. It:

- i) decreases the likelihood of the potential future returns (such as kick-out coupons or income payments) being generated
- ii) increases the likelihood of potential capital losses being experienced at maturity
- iii) increases the amount by which the secondary market prices/plan values typically rise or fall as the level of the FTSE 100 FDEW rises or falls

Notably, if a fixed dividend was applied to the FTSE 100, if the fixed dividend was higher than the dividend level of the index, it would create an instant drag on the level and performance of the index.

However, in the FTSE 100 FDEW, the 'FD' operates in tandem with the 'EW'. While the 'FD' of the FTSE 100 FDEW is set at level which can exceed the dividend level of the index (which optimises the terms of structured products), which can cause a drag on the level and performance of the index, the 'EW' may serve as a counterbalance.

We are extremely clear about both the 'FD' and the 'EW' in our investor-facing plan documents, using plain English. We also explain this extensively in the collateral materials, input and support which we provide for professional advisers.

There are other factors which are also pertinent to considering the risk/return profiles of structured product plans which are linked to the FTSE 100 FDEW, including the level of potential returns typically being higher than the level of potential returns for similar/comparable plans linked to the FTSE 100.

Our collateral materials for professional advisers include our 'FTSE 100 FDEW: Introduction and overview'. This includes comprehensive and granular performance analysis, updated to 31 December 2020, since the FTSE 100 FDEW was launched in 2017, in addition to the longer-term simulated data – including comparisons to the FTSE 100.

The analysis details: performance; risk-adjusted performance/sharpe ratios; drawdown; recovery; volatility, etc.

2020 and Covid-19 presented an opportunity to observe the FTSE 100 FDEW, particularly in respect of the fixed dividend, through one of the most challenging environments for UK dividends.

Widespread reductions, suspensions or cancellations of dividends by UK companies were seen, in GBP cash terms: 53 current or former FTSE 100 companies cut, deferred or cancelled c.£37bn of dividend payments (Source: AJ Bell).

However, lower dividend payment levels in GBP terms were (and often are) hand-in-hand with lower market index levels ... and the 12-month yield for the FTSE 100 remained relatively high, as shown below:

	FTSE 100 level	FTSE 100 yield % (12 mth ave)	FTSE 100 EQ yield % (12 mth ave)	FTSE 100 FDEW level	50 PTS FD as % (prevailing)	50 PTS FD as % (12 mth ave)	Yield diff. between EQ/FDEW
02 JAN 20	7604	4.52%	3.97%	1059	4.72%	5.09%	-1.12%
23 MAR 20	4993	4.77%	3.95%	660	7.58%	5.10%	-1.15%
30 JUN 20	6169	4.10%	3.17%	852	5.86%	5.40%	-2.23%
30 SEP 20	5866	3.83%	3.02%	850	5.88%	5.59%	-2.57%
31 DEC 20	6461	3.63%	2.91%	971	5.15%	5.65%	-2.74%

Source: Thomson Reuters: 31 Dec 20. The FTSE 100 FDEW was launched in March 2017. FTSE Russell has simulated how the FTSE 100 FDEW would have performed over the last 15 years. Neither past performance nor simulated past performance is a guide to future performance. The FTSE 100 FDEW may fall as well as rise.

The Covid-19 crisis low (23 March) saw a FTSE 100 FDEW lowest level of 660: at this lowest level, the prevailing 50 points fixed dividend deduction was equivalent to 7.58% (and the 12-month average was 5.1%). The starting point of the FTSE 100 FDEW is a total return index, including all dividends, and the 12-month yield of the FTSE 100 EQ (equally weighted) at that point was 3.95%.

It is important to consider the ongoing impact that Covid-19 may have on UK companies and dividends and to understand the potential for dividend drag in the level and performance of the FTSE 100 FDEW.

The headline performance analysis of the FTSE 100 FDEW, compared to the FTSE 100, through 2020 is shown below:

	2020	Drawdown	Recovery			Volatility	Sharpe ratio
		17 January to 23 March	3 months since low	6 months since low	Since low to 31 December		
FTSE 100	-15.04%	-34.93%	+26.56%	+18.13%	+29.37%	29.55%	-0.51
FTSE 100 FDEW	-8.37%	-37.63%	+32.11%	+28.28%	+47.05%	30.23%	-0.28

Source: Thomson Reuters: 31 Dec 20. The FTSE 100 FDEW was launched in March 2017. FTSE Russell has simulated how the FTSE 100 FDEW would have performed over the last 15 years. Neither past performance nor simulated past performance is a guide to future performance. The FTSE 100 FDEW may fall as well as rise.

As can be seen, the drawdown of the FTSE 100 FDEW was greater / worse than the FTSE 100 during the outbreak of Covid-19. However, from the low of 23 March, through Q2 and Q3, the FTSE 100 FDEW recovery was materially stronger than the FTSE 100, despite the challenging backdrop for UK company dividends: it is important to consider the ongoing impact that Covid-19 may have on UK companies and dividends and to understand the potential for dividend drag in the level and performance of the FTSE 100 FDEW.

Our full updated materials for professional advisers provide extensive performance analysis. Longer term, discrete and cumulative performance analysis, including comparison to the FTSE 100, is shown below:

	1 year		3 years		5 years		10 years		15 years	
	Cum	Ann	Cum	Ann	Cum	Ann	Cum	Ann	Cum	Ann
FTSE 100	-15.04%	-15.04%	-15.96%	-5.63%	3.50%	0.69%	9.50%	0.91%	14.98%	0.93%
FTSE 100 FDEW	-8.37%	-8.37%	-6.20%	-2.11%	7.70%	1.50%	13.98%	1.32%	19.32%	1.18%

	Volatility (annualised)				Sharpe Ratio			
	1 year	5 years	10 years	15 years	1 year	5 years	10 years	15 years
FTSE 100	29.55%	17.36%	16.39%	18.85%	-0.51	0.04	0.06	0.05
FTSE 100 FDEW	30.23%	18.01%	17.11%	19.80%	-0.28	0.08	0.08	0.06

Source: Thomson Reuters: 31 Dec 20. The FTSE 100 FDEW was launched in March 2017. FTSE Russell has simulated how the FTSE 100 FDEW would have performed over the last 15 years. Neither past performance nor simulated past performance is a guide to future performance. The FTSE 100 FDEW may fall as well as rise.

Our collateral materials, including our 'FTSE 100 FDEW: Introduction and overview' ppt, are available to professional advisers.

We have presented our 'FTSE 100 FDEW: Introduction and overview', including the performance analysis, as part of our series of video webinars for professional advisers. A recording of the video webinar and a copy of the presentation is available to professional advisers: <https://tempo-sp.com/newsroom/recorded-video-webinars>.

Our plan brochures for end-clients and our collateral materials provided for professional advisers are clear that the FTSE 100 FDEW will perform differently to the FTSE 100, due to the equal weighting and total return / fixed dividend approach. This means that the returns from plans linked to the FTSE 100 FDEW might be higher or lower than the returns from a similar product linked to the FTSE 100.

i In summary, over the period of review for 2020 (and including the period since the launch of our product suite in June 2018, as this is the first time that we have produced and provided DG-MAR):

- i) we identified that the dramatic events of Q1 2020 had a material impact on the prevailing risk / return profiles of certain plans, at that time;
- ii) we did not identify any plans which were performing differently to their known and expected outcomes, in respect of the FTSE 100 FDEW;
- iii) we did not identify any plans which had become inconsistent with the needs, characteristics and objectives of our identified target markets; and
- iv) we did not identify any need for professional advisers (or end clients) to take any specific action in addition to their regular and ongoing review of the suitability of portfolios for individual client circumstances.

2. Issuer and counterparty risk: consideration of any changes to the risk/return profiles and expectations of our plans

Both the potential returns of our plans and the repayment of money invested depend on the financial stability of the issuer and counterparty bank for each plan.

If the issuer and counterparty bank for a plan become insolvent, or similar, or fail to be able to meet their obligations, it is likely that end clients will receive back less than they invested.

Through Q1 2020, bank credit risk increased, generally, hand in hand with stock market falls and increased market volatility. This was highlighted by increasing CDS levels across the banking sector.

The monthly movement of our TICS (our Tempo Issuer and Counterparty Scorecards) CDS Category Scorecard, for Q1 2020, is shown below, highlighting that the average TICS CDS score increased; i.e. worsened, from 2.87 in February to 3.92 in March to 5.93 in April (as per the approach for all of our TICS Category Scorecards, the scoring system for the TICS CDS Category Scorecard is based on a score out of 10, where a low score is good (indicating that the market considers a bank to be a lower credit risk) and, vice versa, a high score is bad):

	Bank/institution	Region	Sovereign	February 2020			March 2020			April 2020		
				CDS Score	CDS Rank	+/- Rank change	CDS Score	CDS Rank	+/- Rank change	CDS Score	CDS Rank	+/- Rank change
1	HSBC	UK	UK	2.40	12	(6)	2.85	8	4	6.15	16	(8)
2	CCB	Asia	China	N/A	36	0	N/A	36	0	N/A	36	0
3	ICBC	Asia	China	N/A	37	0	N/A	37	0	N/A	37	0
4	Sumitomo	Asia	Japan	1.60	5	(1)	1.45	2	3	1.45	1	1
5	Nordea	Europe	Sweden	1.15	1	0	1.75	3	(2)	2.35	4	(1)
6	Toronto Dominion	North America	Canada	2.65	14	(14)	4.00	20	(6)	5.50	14	6
7	Mitsubishi	Asia	Japan	1.90	7	3	1.90	4	3	1.90	2	2
8	BONYM	North America	USA	2.35	11	3	2.35	5	6	2.35	3	2
9	Bank of China	Asia	China	3.20	26	(17)	3.35	13	13	4.75	10	3
10	RBC	North America	Canada	2.85	17	2	3.90	19	(2)	4.20	7	12
11	ABC	Asia	China	6.40	35	(1)	6.40	34	1	6.40	19	15
12	BPCE_Natixis	Europe	France	3.35	29	(2)	3.35	15	14	3.35	5	10
13	Credit Agricole	Europe	France	1.65	6	(1)	3.15	11	(5)	5.50	13	(2)
14	UBS AG	Europe	Switzerland	2.10	8	3	3.60	18	(10)	5.35	12	6
15	State Street	North America	USA	N/A	40	0	N/A	40	0	N/A	40	0
16	JP Morgan	North America	USA	2.60	13	2	4.20	21	(8)	7.00	23	(2)
17	BNP Paribas	Europe	France	1.55	3	0	3.15	10	(7)	6.25	18	(8)
18	Mizuho	Asia	Japan	1.35	2	0	1.35	1	1	4.45	8	(7)
19	MSIP	UK	UK	N/A	39	0	N/A	39	0	N/A	39	0
20	Bank of America	North America	USA	3.20	22	2	4.95	26	(4)	7.75	33	(7)
21	Wells Fargo	North America	USA	3.20	25	(5)	4.95	27	(2)	7.60	27	0
22	Societe Generale	Europe	France	1.55	4	3	3.15	12	(8)	6.10	15	(3)
23	Santander	Europe	Spain	2.75	16	(8)	3.05	9	7	4.55	9	0
24	Citi	North America	USA	3.05	20	2	5.70	32	(12)	7.65	28	4
25	Standard Chartered	UK	UK	3.25	27	(1)	5.05	28	(1)	7.70	32	(4)
26	Morgan Stanley	North America	USA	3.20	24	(1)	5.45	30	(6)	7.65	30	0
27	Lloyds	UK	UK	2.15	9	3	2.75	6	3	6.15	17	(11)
28	Goldman Sachs	North America	USA	3.05	21	9	5.60	31	(10)	7.65	29	2
29	Danske Bank	Europe	Denmark	2.30	10	3	3.50	16	(6)	5.20	11	5
30	ING Bank	Europe	Netherlands	2.90	19	(1)	4.65	23	(4)	7.35	24	(1)
31	Investec Bank plc	UK	UK	N/A	38	0	N/A	38	0	N/A	38	0
32	Aviva	UK	UK	3.65	32	(3)	5.10	29	3	6.90	22	7
33	Barclays	UK	UK	3.20	23	(2)	3.35	14	9	7.50	25	(11)
34	Prudential	UK	UK	3.30	28	4	4.65	24	4	6.60	20	4
35	RBS	UK	UK	3.35	30	(5)	4.55	22	8	7.70	31	(9)
36	Credit Suisse	Europe	Switzerland	2.90	18	(2)	4.70	25	(7)	7.50	26	(1)
37	Deutsche Bank	Europe	Germany	5.80	34	1	6.35	33	1	9.60	35	(2)
38	Nomura	Asia	Japan	2.75	15	2	2.75	7	8	6.85	21	(14)
39	Bank of Ireland	Europe	Ireland	3.55	31	(3)	3.55	17	14	3.55	6	11
40	Unicredit Group	Europe	Italy	4.40	33	0	6.60	35	(2)	9.10	34	1

Source: Tempo Structured Products/Thomson Reuters/FT Banker Database/Issuers: 01 Apr 2020

In addition to the TICS CDS Category Scorecards, the other four TICS Category Scorecards (which cover: Credit ratings; Fundamentals (Balance Sheet); Fundamentals (Market Indicators); and Systemic Importance) and the TICS Amalgamated Scorecard highlighted the increase in bank credit risk, including deteriorating fundamentals, across the banking sector.

With regard to credit ratings, specific to our plans, on 3 April Standard & Poor's changed its outlook for Societe Generale's long term rating, from positive to stable (simultaneously affirming an 'A' rating).

However, despite the perceived increase in bank credit risk in Q1 2020, governments around the world reacted to Covid-19 with significant economic stimulus packages, which the banking sector has been involved in delivering, highlighting the global systemic importance of the major banking groups.

The monthly movement of our TICS CDS Category Scorecard for Q2 2020 is shown below, highlighting that the average TICS CDS score reduced, i.e. improved, from 5.9 in April; to 5.47 in May; to 5.17 in June.

	Bank/institution	Region	Sovereign	April 2020			May 2020			June 2020		
				CDS Score	CDS Rank	+/- Rank change	CDS Score	CDS Rank	+/- Rank change	CDS Score	CDS Rank	+/- Rank change
1	HSBC	UK	UK	6.15	16	(8)	5.25	15	1	4.65	16	(1)
2	CCB	Asia	China	N/A	36	0	N/A	36	0	N/A	36	0
3	ICBC	Asia	China	N/A	37	0	N/A	37	0	N/A	37	0
4	Toronto Dominion	North America	Canada	5.50	14	6	4.30	7	7	4.15	10	(3)
5	BONYM	North America	USA	2.35	3	2	2.35	3	0	2.35	2	1
6	Nordea	Europe	Sweden	2.35	4	(1)	2.35	4	0	2.35	3	1
7	Credit Agricole	Europe	France	5.50	13	(2)	4.75	12	1	4.45	12	0
8	Bank of China	Asia	China	4.75	10	3	4.75	11	(1)	5.20	18	(7)
9	Sumitomo	Asia	Japan	1.45	1	1	1.45	1	0	3.00	4	(3)
10	Mitsubishi	Asia	Japan	1.90	2	2	1.90	2	0	1.90	1	1
11	UBS AG	Europe	Switzerland	5.35	12	6	5.35	18	(6)	4.45	15	3
12	JP Morgan	North America	USA	7.00	23	(2)	5.65	20	3	5.65	21	(1)
13	ABC	Asia	China	6.40	19	15	6.40	24	(5)	6.40	27	(3)
14	BNP Paribas	Europe	France	6.25	18	(8)	5.35	16	2	4.45	11	5
15	RBC	North America	Canada	4.20	7	12	5.20	14	(7)	5.35	19	(5)
16	State Street	North America	USA	N/A	40	0	N/A	40	0	N/A	40	0
17	BPCE_Natixis	Europe	France	3.35	5	10	3.15	5	0	3.15	6	(1)
18	Bank of America	North America	USA	7.75	33	(7)	5.65	19	14	5.65	20	(1)
19	Mizuho	Asia	Japan	4.45	8	(7)	4.45	8	0	3.10	5	3
20	Wells Fargo	North America	USA	7.60	27	0	6.25	23	4	6.25	26	(3)
21	MSIP	UK	UK	N/A	39	0	N/A	39	0	N/A	39	0
22	Societe Generale	Europe	France	6.10	15	(3)	5.35	17	(2)	4.45	14	3
23	Citi	North America	USA	7.65	28	4	7.00	29	(1)	6.40	28	1
24	Santander	Europe	Spain	4.55	9	0	4.55	10	(1)	4.45	13	(3)
25	Lloyds	UK	UK	6.15	17	(11)	4.50	9	8	4.05	9	0
26	Danske Bank	Europe	Denmark	5.20	11	5	5.05	13	(2)	4.00	8	5
27	Morgan Stanley	North America	USA	7.65	30	0	7.00	31	(1)	5.95	24	7
28	ING Bank	Europe	Netherlands	7.35	24	(1)	6.00	21	3	4.80	17	4
29	Standard Chartered	UK	UK	7.70	32	(4)	7.70	33	(1)	7.70	33	0
30	Goldman Sachs	North America	USA	7.65	29	2	7.00	30	(1)	7.00	32	(2)
31	Investec Bank plc	UK	UK	N/A	38	0	N/A	38	0	N/A	38	0
32	Aviva	UK	UK	6.90	22	7	6.60	25	(3)	6.15	25	0
33	Barclays	UK	UK	7.50	25	(11)	6.75	26	(1)	6.75	29	(3)
34	Prudential	UK	UK	6.60	20	4	6.00	22	(2)	5.85	23	(1)
35	Credit Suisse	Europe	Switzerland	7.50	26	(1)	6.75	27	(1)	5.85	22	5
36	RBS	UK	UK	7.70	31	(9)	7.70	32	(1)	6.95	31	1
37	Nomura	Asia	Japan	6.85	21	(14)	6.85	28	(7)	6.85	30	(2)
38	Deutsche Bank	Europe	Germany	9.60	35	(2)	9.60	35	0	9.60	35	0
39	Bank of Ireland	Europe	Ireland	3.55	6	11	3.55	6	0	3.55	7	(1)
40	Unicredit Group	Europe	Italy	9.10	34	1	9.10	34	0	8.20	34	0

Source: Tempo Structured Products/Thomson Reuters/FT Banker Database/Issuers: 01 July 2020

The Q2 2020 TICS CDS Category Scorecard scores for issuers / counterparties to our public-offer plans are shown below:

Issuer/counterparty	April	May	June
Morgan Stanley	7.65	7.00	5.95
Societe Generale	6.10	5.35	4.45

The Q2 2020 actual CDS levels for issuers / counterparties to our public-offer plans are shown below:

Issuer/Counterparty	CDS Level	April	May	June
Morgan Stanley	1Y	85.60	54.75	46.80
	5Y	122.41	81.22	72.32
Societe Generale	1Y	33.76	24.67	14.72
	5Y	69.37	57.13	46.99

Note regarding our TICS CDS Category Scorecard scoring

As per the approach for all of our TICS Category Scorecards, the scoring system for the TICS CDS Category Scorecard is based on a score out of 10, where a low score is good (indicating that the market considers a bank to be a lower credit risk) and, vice versa, a high score is bad.

The methodology for our TICS CDS Category Scorecard takes into account 4 Factors. The scoring system for each of the Factors is shown below:

- **5-year and 1-year CDS levels:** a higher CDS level indicates that the market considers a bank to be a higher credit risk. The longer term 5-year CDS level is given more weighting, reflecting the typical term of structured products.

Factor scoring system CDS:F1 CDS: 5 year CDS										
CDS Level	0-25	25-35	35-50	50-65	65-80	80-100	100-125	125-150	150-175	175+
SCORE	1	2	3	4	5	6	7	8	9	10

Factor scoring system CDS:F2 CDS: 1 year CDS										
CDS Level	0-5	5-10	10-15	15-20	20-25	25-35	35-50	50-75	75-100	100+
SCORE	1	2	3	4	5	6	7	8	9	10

- **5-year CDS level proximity to 12-month low:** direction is assessed by calculating how proportionately close (as a percentage) the prevailing CDS is to its own low over the previous 12 months – the nearer to the low the better, which is awarded a lower score.

Factor scoring system CDS:F1 CDS: 5 year CDS proximity to 12 month low										
CDS Direction	0-10%	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%	70-80%	80-90%	90%+
SCORE	1	2	3	4	5	6	7	8	9	10

- **5-year CDS volatility:** the volatility of the 5-year CDS is assessed over the previous 12 months – a less volatile CDS is awarded a lower score.

Factor scoring system CDS:F4 CDS: 5 year CDS Volatility										
CDS Volatility	1-10	10-20	20-30	30-40	40-50	50-75	75-100	100-125	125-150	150+
SCORE	1	2	3	4	5	6	7	8	9	10

The weighting for the TICS CDS Factors, which are taken into account as part of the TICS Amalgamated Scorecard, are:

TICS CDS Factor and TICS CDS Category weighting in the TICS Amalgamated Scorecard				
5 Year CDS	1 Year CDS	Direction of 5 Year CDS	5 Year CDS volatility	Amalgamated scorecard weighting
60%	15%	15%	10%	15%

We have presented our 'TICS: Workshop', as part of our series of video webinars for professional advisers. A recording of the video webinar and a copy of the presentation is available to professional advisers: <https://tempo-sp.com/newsroom/recorded-video-webinars>.

TICS includes the TICS Side-by-Side View, which provides the raw data for some of the main issuers / counterparties to UK retail structured products. The TICS Side-by-Side View for 01 June 2020 is shown below:

TICS SIDE-BY-SIDE VIEW: DATA AS AT 01 JUNE 2020																				
TICS CODE		TICS FACTOR	ANGLE	STATUS	BARC	BNP	BoA	CITI	CS	GS	HSBC	INV	JPM	MSIP	MS	NATX	RBC	SANT	SG	UBS
CREDIT RATINGS	CR-F1	STANDARD & POOR'S L/T RATING	FORWARD	VIEW	BBB	A+	A-	BBB+	BBB+	BBB+	A+	NULL	A-	A+	BBB+	A+	AA-	A	A	A-
	CR-F2	STANDARD & POOR'S OUTLOOK	FORWARD	VIEW	NEGATIVE	NEGATIVE	STABLE	STABLE	STABLE	STABLE	STABLE	NULL	STABLE	STABLE	STABLE	NEGATIVE	STABLE	NEGATIVE	NEGATIVE	STABLE
	CR-F3	MOODY'S L/T RATING	FORWARD	VIEW	Baa2	Aa3	A2	A3	Baa2	A3	Aa3	A1	A2	A1	A3	A1	A2	A2	A1	Aa3
	CR-F4	MOODY'S OUTLOOK	FORWARD	VIEW	STABLE	STABLE	STABLE	STABLE	POSITIVE	STABLE	NEGATIVE	STABLE	STABLE	POSITIVE	RUR	STABLE	STABLE	STABLE	STABLE	STABLE
	CR-F5	FITCH L/T RATING	FORWARD	VIEW	A	A+	A+	A	A-	A	AA-	BBB+	AA-	NULL	A	A+	AA	A-	A-	A+
	CR-F6	FITCH OUTLOOK	FORWARD	VIEW	STABLE	STABLE	STABLE	NEGATIVE	STABLE	NEGATIVE	NEGATIVE	STABLE	NEGATIVE	NULL	NEGATIVE	NULL	NEGATIVE	STABLE	NEGATIVE	STABLE
CDS	CDS-F1	5 YEAR CDS	PREVAILING	INDICATOR	85.62	44.83	63.39	75.29	73.77	86.17	49.89	N/A	62.4	N/A	72.32	46.43	72.46	41.87	46.99	38.01
	CDS-F2	1 YEAR CDS	PREVAILING	INDICATOR	35.67	14.98	46.8	51.1	21.69	55.79	20.66	N/A	38.96	N/A	46.8	34.08	24.69	18.4	14.72	12.69
	CDS-F3	5 YEAR CDS DIRECTION	BACKWARD	INDICATOR	170.95%	123.03%	96.56%	101.58%	106.23%	102.37%	114.58%	N/A	111.10%	N/A	73.64%	9.95%	70.53%	89.11%	126.79%	157.52%
	CDS-F4	5 YEAR CDS VOLATILITY	BACKWARD	INDICATOR	72.66%	85.91%	86.84%	79.24%	72.62%	81.74%	69.86%	N/A	85.28%	N/A	77.77%	29.18%	30.78%	92.58%	91.31%	80.68%
BALANCE SHEET	FBS-F1	TIER 1 CAP RATIO	HISTORIC	FACT	20.70%	15.00%	15.40%	16.64%	17.70%	18.00%	20.00%	17.00%	15.53%	15.30%	21.79%	19.60%	14.60%	14.98%	16.60%	20.09%
	FBS-F2	LEVERAGE RATIO (ASSET/EQTY)	HISTORIC	FACT	17.70	20.15	11.44	11.13	18.04	12.56	16.65	11.71	11.47	7.45	12.26	26.46	18.36	15.22	21.35	17.83
	FBS-F3	LOAN-TO-DEPOSIT RATIO	HISTORIC	FACT	88.33	92.28	70.96	69.23	76.12	80.82	74.88	78.8	69	N/A	80.2	123.88	72.48	111.83	97.15	78.46
	FBS-F4	PRICE-TO-BOOK RATIO (Bps)	HISTORIC	FACT	0.31	0.38	0.81	0.54	0.43	0.74	0.50	0.24	1.15	N/A	0.82	0.33	1.53	0.36	0.19	0.66
	FBS-F5	TIER 1 CAPITAL SIZE (\$Bln)	HISTORIC	FACT	67.09	97.60	189.04	158.12	46.98	83.70	147.14	2.49	209.09	19.15	70.62	71.86	48.30	89.33	58.41	46.28
	FBS-F6	TOTAL ASSETS (\$Bln)	HISTORIC	FACT	1,434.54	2,345.79	2,354.98	1,917.38	784.61	931.80	2,558.12	29.11	2,622.53	446.20	853.53	1,464.28	1,018.88	1,677.32	1,505.09	958.49
MARKET INDICATORS	FMI-F1	MARKET CAPITALISATION (\$Bln)	PREVAILING	INDICATOR	25.72	46.42	213.51	102.95	24.94	68.75	95.16	1.82	300.44	N/A	70.43	7.19	93.67	38.20	13.08	44.23
	FMI-F2	SHARE PRICE VOLATILITY (260d)	BACKWARD	INDICATOR	51.60	46.40	51.68	60.01	46.13	47.19	29.36	58.69	47.88	N/A	52.35	73.76	35.24	44.25	57.34	39.17
	FMI-F3	SHARE PRICE BETA	BACKWARD	INDICATOR	1.40	1.66	1.60	1.81	1.81	1.47	0.81	1.64	1.18	N/A	1.18	0.72	1.49	1.62	1.48	
	FMI-F4	SHARE PRICE DIRECTION	BACKWARD	INDICATOR	62.58%	61.76%	68.90%	59.50%	63.56%	79.83%	56.37%	36.65%	69.88%	N/A	77.64%	46.59%	83.20%	48.66%	42.88%	77.56%
	FMI-F5	ANALYST'S RECOMMENDATIONS	FORWARD	VIEW	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	BUY	BUY	N/A	BUY	HOLD	BUY	HOLD	HOLD	BUY
SYSTEMIC IMPORTANCE	SI-F1	G-SIB STATUS	PREVAILING	FACT	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
	SI-F2	G-SIB ADD. TIER 1 CAP RATIO REQ	PREVAILING	FACT	1.50%	1.50%	1.50%	2.00%	1.00%	1.50%	2.00%	N/A	2.50%	N/A	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	SI-F3	TOTAL DEPOSITS (\$Bln)	HISTORIC	FACT	585.27	1,006.28	1,381.59	1,013.23	386.88	157.92	1,418.97	43.47	1,470.67	N/A	187.82	708.03	610.54	923.94	561.79	430.80
	SI-F4	SOVEREIGN S&P RATING	HISTORIC	FACT	AA	AA	AA+	AA+	AAA	AA+	AA	AA	AA+	AA	AA+	AA	AAA	A	AA	AAA
	SI-F5	SOVEREIGN S&P OUTLOOK	FORWARD	VIEW	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE	NEGATIVE	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	SI-F6	NO. OF EMPLOYEES	PREVAILING	FACT	83,500	189,509	201,834	217,058	45,680	36,600	235,217	10,500	249,632	344	60,348	105,458	81,870	202,713	149,022	66,888

TICS includes individual TICS Reports for some of the main issuers / counterparties to UK retail structured products. The TICS Reports for issuers / counterparties to our public offer plans for 01 June 2020 are shown below:

TICS REPORT - SOCIETE GENERALE: DATA AS AT 01 JUNE 2020										
Societe Generale is a leading French bank. It operates across three core business areas: retail banking, international retail banking and corporate and investment banking. Total assets exceed \$1.5 trillion. Total Tier 1 assets exceed \$58 billion. Market capitalisation is in excess of \$27 billion. Societe Generale has more than 149,000 employees with more than 44 million customers.										
TICS CODE	TICS FACTOR	ANGLE	STATUS	SG DATA	BEST	WORST	AVERAGE	TICS FACTOR RANK (OUT OF 40)	TICS CATEGORY RANK (OUT OF 40)	
CREDIT RATINGS	CR-F1	STANDARD & POOR'S L/T RATING	FORWARD	VIEW	A	AA- STABLE	BBB- NEGATIVE	A- POSITIVE	18	
	CR-F2	STANDARD & POOR'S OUTLOOK	FORWARD	VIEW	NEGATIVE					
	CR-F3	MOODY'S L/T RATING	FORWARD	VIEW	A1	Aa3 STABLE	Baa2 STABLE	A2 STABLE	8	
	CR-F4	MOODY'S OUTLOOK	FORWARD	VIEW	STABLE					
	CR-F5	FITCH L/T RATING	FORWARD	VIEW	A-	AA NEGATIVE	BBB- STABLE	A STABLE	30	
	CR-F6	FITCH OUTLOOK	FORWARD	VIEW	STABLE					
CDS	CDS-F1	5 YEAR CDS	PREVAILING	INDICATOR	46.99	29.14	195.16	67.02	13	
	CDS-F2	1 YEAR CDS	PREVAILING	INDICATOR	14.72	5.12	150.69	30.91	9	
	CDS-F3	5 YEAR CDS DIRECTION	BACKWARD	INDICATOR	126.79%	0.00%	193.05%	81.44%	29	
	CDS-F4	5 YEAR CDS VOLATILITY	BACKWARD	INDICATOR	91.31%	0.00%	119.03%	64.92%	29	
BALANCE SHEET	FBS-F1	TIER 1 CAP RATIO	HISTORIC	FACT	16.60%	23.40%	14.60%	17.91%	23	
	FBS-F2	LEVERAGE RATIO (ASSET/EQTY)	HISTORIC	FACT	21.35	3.90	28.09	16.23	33	
	FBS-F3	LOAN-TO-DEPOSIT RATIO	HISTORIC	FACT	97.15	14.30	186.32	84.80	27	
	FBS-F4	PRICE-TO-BOOK RATIO (Bps)	HISTORIC	FACT	0.19	0.19	1.80	0.59	2	
	FBS-F5	TIER 1 CAPITAL SIZE (\$Bln)	HISTORIC	FACT	58.41	337.54	2.49	95.12	21	
	FBS-F6	TOTAL ASSETS (\$Bln)	HISTORIC	FACT	1,505.09	4,043.73	29.11	1,461.14	17	
MARKET INDICATORS	FMI-F1	MARKET CAPITALISATION (\$Bln)	PREVAILING	INDICATOR	13.08	300.44	1.82	66.77	33	
	FMI-F2	SHARE PRICE VOLATILITY (260d)	BACKWARD	INDICATOR	57.34	12.32	73.76	42.75	12	
	FMI-F3	SHARE PRICE BETA	BACKWARD	INDICATOR	1.62	0.49	1.81	1.30	31	
	FMI-F4	SHARE PRICE DIRECTION	BACKWARD	INDICATOR	42.88%	90.84%	30.31%	65.42%	35	
	FMI-F5	ANALYST'S RECOMMENDATIONS	FORWARD	VIEW	HOLD	BUY	SELL	BUY	N/A	
SYSTEMIC IMPORTANCE	SI-F1	G-SIB STATUS	PREVAILING	FACT	Y	Y	N	Y	N/A	
	SI-F2	G-SIB ADD. TIER 1 CAP RATIO REQ	PREVAILING	FACT	1.00%	2.50%	1.00%	1.00%	13	
	SI-F3	TOTAL DEPOSITS (\$Bln)	HISTORIC	FACT	561.79	3,125.39	32.16	894.70	22	
	SI-F4	SOVEREIGN S&P RATING	HISTORIC	FACT	AA	AAA STABLE	BBB NEGATIVE	AA STABLE	17	
	SI-F5	SOVEREIGN S&P OUTLOOK	FORWARD	VIEW	STABLE					
	SI-F6	NO. OF EMPLOYEES	PREVAILING	FACT	149,022	473,691	344	122,899	12	

TICS REPORT - MORGAN STANLEY: DATA AS AT 01 JUNE 2020 (ALSO SEE 'MORGAN STANLEY INTERNATIONAL PLC')										
Morgan Stanley is a leading American bank. It operates across three core business areas: institutional securities, wealth management and investment management. Total assets exceed \$853 billion. Total Tier 1 assets exceed \$70 billion. Market capitalisation is in excess of \$84 billion. Morgan Stanley has more than 60,000 employees.										
TICS CODE	TICS FACTOR	ANGLE	STATUS	SG DATA	BEST	WORST	AVERAGE	TICS FACTOR RANK (OUT OF 40)	TICS CATEGORY RANK (OUT OF 40)	
CREDIT RATINGS	CR:F1	STANDARD & POOR'S L/T RATING	FORWARD	VIEW	BBB+	AA- STABLE	BBB- NEGATIVE	A- POSITIVE	28	33
	CR:F2	STANDARD & POOR'S OUTLOOK	FORWARD	VIEW	STABLE					
	CR:F3	MOODY'S L/T RATING	FORWARD	VIEW	A3	Aa3 STABLE	Baa2 STABLE	A2 STABLE	31	
	CR:F4	MOODY'S OUTLOOK	FORWARD	VIEW	RUR					
	CR:F5	FITCH L/T RATING	FORWARD	VIEW	A	AA NEGATIVE	BBB- STABLE	A STABLE	22	
	CR:F6	FITCH OUTLOOK	FORWARD	VIEW	NEGATIVE					
CDS	CDS:F1	5 YEAR CDS	PREVAILING	INDICATOR	72.32	29.14	195.16	68.95	22	24
	CDS:F2	1 YEAR CDS	PREVAILING	INDICATOR	46.8	5.12	150.69	31.99	29	
	CDS:F3	5 YEAR CDS DIRECTION	BACKWARD	INDICATOR	73.64%	0.00%	193.05%	83.37%	15	
	CDS:F4	5 YEAR CDS VOLATILITY	BACKWARD	INDICATOR	77.77%	0.00%	119.03%	65.47%	18	
BALANCE SHEET	FBS:F1	TIER 1 CAP RATIO	HISTORIC	FACT	21.79%	23.40%	14.60%	17.85%	3	12
	FBS:F2	LEVERAGE RATIO (ASSET/EQTY)	HISTORIC	FACT	12.26	3.90	28.09	16.18	12	
	FBS:F3	LOAN-TO-DEPOSIT RATIO	HISTORIC	FACT	80.2	14.30	186.32	85.22	21	
	FBS:F4	PRICE-TO-BOOK RATIO (Bps)	HISTORIC	FACT	0.82	0.19	1.80	0.59	34	
	FBS:F5	TIER 1 CAPITAL SIZE (\$Bln)	HISTORIC	FACT	70.62	337.54	2.49	94.14	18	
	FBS:F6	TOTAL ASSETS (\$Bln)	HISTORIC	FACT	853.53	4,043.73	29.11	1,448.51	28	
MARKET INDICATORS	FMI:F1	MARKET CAPITALISATION (\$Bln)	PREVAILING	INDICATOR	70.43	300.44	1.82	65.56	12	14
	FMI:F2	SHARE PRICE VOLATILITY (260d)	BACKWARD	INDICATOR	52.35	12.32	73.76	42.91	12	
	FMI:F3	SHARE PRICE BETA	BACKWARD	INDICATOR	1.48	0.49	1.82	1.31	24	
	FMI:F4	SHARE PRICE DIRECTION	BACKWARD	INDICATOR	77.64%	90.84%	30.31%	65.14%	8	
	FMI:F5	ANALYST'S RECOMMENDATIONS	FORWARD	VIEW	BUY	BUY	SELL	BUY	N/A	
SYSTEMIC IMPORTANCE	SI:F1	G-SIB STATUS	PREVAILING	FACT	Y	Y	N	Y	N/A	28
	SI:F2	G-SIB ADD. TIER1 CAP RATIO REQ	PREVAILING	FACT	1.00%	2.50%	1.00%	1.00%	13	
	SI:F3	TOTAL DEPOSITS (\$Bln)	HISTORIC	FACT	187.82	3,125.39	32.16	887.54	31	
	SI:F4	SOVEREIGN S&P RATING	HISTORIC	FACT	AA+	AAA STABLE	BBB NEGATIVE	AA STABLE	9	
	SI:F5	SOVEREIGN S&P OUTLOOK	FORWARD	VIEW	STABLE					
	SI:F6	NO. OF EMPLOYEES	PREVAILING	FACT	60,348	473,691	344	121,996	26	

TICS REPORT - MORGAN STANLEY INTERNATIONAL PLC: DATA AS AT 01 JUNE 2020 (ALSO SEE 'MORGAN STANLEY')										
Morgan Stanley International plc is part of Morgan Stanley. Morgan Stanley is a leading American bank. It operates across three core business areas: institutional securities, wealth management and investment management. Total assets exceed \$853 billion. Total Tier 1 assets exceed \$70 billion. Market capitalisation is in excess of \$84 billion. Morgan Stanley has more than 60,000 employees.										
TICS CODE	TICS FACTOR	ANGLE	STATUS	SG DATA	BEST	WORST	AVERAGE	TICS FACTOR RANK (OUT OF 40)	TICS CATEGORY RANK (OUT OF 40)	
CREDIT RATINGS	CR:F1	STANDARD & POOR'S L/T RATING	FORWARD	VIEW	A+	AA- STABLE	BBB- NEGATIVE	A- POSITIVE	4	7
	CR:F2	STANDARD & POOR'S OUTLOOK	FORWARD	VIEW	STABLE					
	CR:F3	MOODY'S L/T RATING	FORWARD	VIEW	A1	Aa3 STABLE	Baa2 STABLE	A2 STABLE	7	
	CR:F4	MOODY'S OUTLOOK	FORWARD	VIEW	POSITIVE					
	CR:F5	FITCH L/T RATING	FORWARD	VIEW	NULL	AA NEGATIVE	BBB- STABLE	A STABLE	N/A	
	CR:F6	FITCH OUTLOOK	FORWARD	VIEW	NULL					
CDS	CDS:F1	5 YEAR CDS	PREVAILING	INDICATOR	N/A	29.14	195.16	68.95	N/A	N/A
	CDS:F2	1 YEAR CDS	PREVAILING	INDICATOR	N/A	5.12	150.69	31.99	N/A	
	CDS:F3	5 YEAR CDS DIRECTION	BACKWARD	INDICATOR	N/A	0.00%	193.05%	83.37%	N/A	
	CDS:F4	5 YEAR CDS VOLATILITY	BACKWARD	INDICATOR	N/A	0.00%	119.03%	65.47%	N/A	
BALANCE SHEET	FBS:F1	TIER 1 CAP RATIO	HISTORIC	FACT	15.30%	23.40%	14.60%	17.85%	32	35
	FBS:F2	LEVERAGE RATIO (ASSET/EQTY)	HISTORIC	FACT	7.45	3.90	28.09	16.18	2	
	FBS:F3	LOAN-TO-DEPOSIT RATIO	HISTORIC	FACT	N/A	14.30	186.32	85.22	N/A	
	FBS:F4	PRICE-TO-BOOK RATIO (Bps)	HISTORIC	FACT	N/A	0.19	1.80	0.59	N/A	
	FBS:F5	TIER 1 CAPITAL SIZE (\$Bln)	HISTORIC	FACT	19.15	337.54	2.49	94.14	35	
	FBS:F6	TOTAL ASSETS (\$Bln)	HISTORIC	FACT	446.20	4,043.73	29.11	1,448.51	35	
MARKET INDICATORS	FMI:F1	MARKET CAPITALISATION (\$Bln)	PREVAILING	INDICATOR	N/A	300.44	1.82	65.56	N/A	N/A
	FMI:F2	SHARE PRICE VOLATILITY (260d)	BACKWARD	INDICATOR	N/A	12.32	73.76	42.91	N/A	
	FMI:F3	SHARE PRICE BETA	BACKWARD	INDICATOR	N/A	0.49	1.82	1.31	N/A	
	FMI:F4	SHARE PRICE DIRECTION	BACKWARD	INDICATOR	N/A	90.84%	30.31%	65.14%	N/A	
	FMI:F5	ANALYST'S RECOMMENDATIONS	FORWARD	VIEW	N/A	BUY	SELL	BUY	N/A	
SYSTEMIC IMPORTANCE	SI:F1	G-SIB STATUS	PREVAILING	FACT	N	Y	N	Y	N/A	37
	SI:F2	G-SIB ADD. TIER1 CAP RATIO REQ	PREVAILING	FACT	N/A	2.50%	1.00%	1.00%	N/A	
	SI:F3	TOTAL DEPOSITS (\$Bln)	HISTORIC	FACT	N/A	3,125.39	32.16	887.54	N/A	
	SI:F4	SOVEREIGN S&P RATING	HISTORIC	FACT	AA	AAA STABLE	BBB NEGATIVE	AA STABLE	29	
	SI:F5	SOVEREIGN S&P OUTLOOK	FORWARD	VIEW	NEGATIVE					
	SI:F6	NO. OF EMPLOYEES	PREVAILING	FACT	344	473,691	344	121,996	40	



In summary, over the period of review for 2020 (and including the period since the launch of our product suite in June 2018, as this is the first time that we have produced and provided DG-MAR):

- i) we identified that the dramatic events of Q1 2020 had a material impact on the prevailing risk / return profiles of certain plans, at that time;
 - ii) we did not identify any plans which were performing differently to their known features and expected outcomes, in respect of issuer and counterparty risk;
 - iii) we did not identify any plans which had become inconsistent with the needs, characteristics and objectives of our identified target markets; and
 - iv) we did not identify any need for professional advisers (or end clients) to take any specific action in addition to their regular and ongoing review of the suitability of portfolios for individual client circumstances.
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3. Operational Risk: consideration of any changes to the risk / return profiles and expectations of our plans

Tempo is part of the Alpha Real Capital family of companies ('Alpha').

Tempo, the wider Alpha family and our plan administrator, James Brearley & Sons ('JBS'), have followed government guidelines throughout 2020, and have therefore been working from home, with full connectivity to office based systems.

We have operated successfully during this period with no impact on our service levels, without furloughing any staff. In fact, we have been hiring to further strengthen our team, through 2020, and this is continuing in 2021.

JBS experienced a significant increase in normal trading volumes, across their whole business, in Q2 2020, but continued to meet all service level agreements and key performance indicators with us.

Our ability to interface as required with issuers and counterparty banks has been unaffected by either us or the banks operating while working from home, through 2020.

Our ability to interface as required with professional advisers has been unaffected by either us or professional advisers operating while working from home, through 2020.

We have responded to the Covid-19 environment, which may prove to be a long term environment, by reviewing aspects of our normal operating procedures, identifying advances and improvements that we could make. This has included facilitating application forms which can be completed and executed electronically and submitted to our plan administrator by email as scanned copies, including images taken by smart phone cameras (without hard copies being required).

We have also moved to interfacing with professional advisers digitally, making use of Teams, Zoom and other online communication options, including introducing live video webinars, which has proven to be highly efficient and effective.



In summary, over the period of review for 2020 (and including the period since the launch of our product suite in June 2018, as this is the first time that we have produced and provided DG-MAR):

- i) we identified that the dramatic events of Q1 2020 had a material impact on the prevailing risk / return profiles of certain plans, at that time;
 - ii) we did not identify any plans which were performing differently to their known features and expected outcomes, in respect of operational risk;
 - iii) we did not identify any plans which had become inconsistent with the needs, characteristics and objectives of our identified target markets; and
 - iv) we did not identify any need for professional advisers (or end clients) to take any specific action in addition to their regular and ongoing review of the suitability of portfolios for individual client circumstances.
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