

Semi Annual Treasury Outturn Report 2016/17

1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides an additional quarterly update.

The Authority's Treasury Management Strategy for 2016/17 was approved by full Council on 18th February 2016 which can be accessed on:

<http://minutes.tewkesbury.gov.uk/ieListDocuments.aspx?CId=256&MId=2270&Ver=4>

The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. External Context – Economic Commentary and Outlook

The preliminary estimate of Q2 2016 GDP showed reasonably strong growth as the economy grew 0.7% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23rd June 2016. The surprise result of the referendum on EU membership prompted forecasters to rip up previous projections and dust off worst-case scenarios. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of the risks and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'.

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The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement on 23rd November is likely to witness fiscal initiatives to support economic activity and confidence, most likely infrastructure investment. Tax cuts or something similar cannot be ruled out.

Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017.

Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening real wage growth and real investment returns. The August Quarterly *Inflation Report* from the Bank of England forecasts a rise in CPI to 0.9% by the end of calendar 2016 and thereafter a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes, concentrating instead on the negative effects of Brexit on economic activity and, ultimately, inflation.

Market reaction: Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23rd June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively. The fall in gilt yields was reflected in the fall in PWLB borrowing rates, as evidenced in Tables 2 and 3 in Appendix 1.

On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets.

The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

3. Local Context

At 31/3/2016 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £1.5m, while usable reserves and working capital which are the underlying resources available for investment were £9.028m. The Authority had no borrowing and £8.496m of investments.

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The Authority has an increasing CFR over the next 3 years due to the capital programme, but minimal investments and will therefore require to borrow up to £20m over the forecast period.

4. Borrowing Strategy during the period

At 30/9/2016 the Authority held no loans to fund previous years' capital programmes.

The Authority expects to borrow up to £20m in 2016/17.

The Authority's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

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5. Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2016/17 the Authority's investment balances would range between £7 and £18 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits including certificates of deposit.

Given the increasing risk and continued low returns from short-term unsecured bank investments, it is the Authority's aim to further diversify into more secure and/or higher yielding asset classes. This is especially the case for the estimated £2m that is available for longer-term investment. The majority of the Authority's surplus cash is invested in short-term unsecured bank deposits, and money market funds.

The Authority invested in securities issued by Registered Providers of Social Housing. The Authority is also invested in pooled cash plus funds which provides diversification of investment risk. This represents a continuation of the strategy adopted in 2015/16.

Semi Annual Treasury Outturn Report 2016/17Investment Activity in 2016/17

| Investments | Balance on 01/04/2016 £m | Investments Made £m | Maturities/ Investments Sold £m | Balance on 30/09/2016 £m | Avg Rate/Yield (%) |
|--|--------------------------------|---------------------------|---------------------------------------|--------------------------------|--------------------------|
| Short term Investments (call accounts, deposits) - Banks and Building Societies with ratings of A- or higher | 4.061 | 31.294 | 28.863 | 6.492 | 0.83 |
| Long term Investments - Banks and Building Societies with ratings of A+ or higher | 0.0 | 0.0 | 0.0 | 0.0 | N/A |
| UK Government: - DMADF - Treasury Bills - Gilts | 0.0 | 0.0 | 0.0 | 0.0 | N/A |
| Money Market Funds | 0.935 | 31.135 | 28.270 | 3.8 | 0.30 |
| Investments with other Local Authorities | 0 | 1.0 | 0 | 1.0 | 0.25 |
| Other Pooled Funds (VNAV funds) | 3.5 | 0.5 | 0.0 | 4.0 | 0.78 |
| Investments with Registered Providers of Social Housing rated BBB- or higher | 0.0 | 2.0 | 0.0 | 2.0 | 1.35 |
| Bonds issued by Multilateral Development Banks Covered Bonds Corporate Bonds | 0.0 | 0.0 | 0.0 | 0.0 | N/A |
| Financial Institutions without credit ratings | 0.0 | 0.0 | 0.0 | 0.0 | N/A |
| Other organisations (e.g. loans to small businesses) | 0.0 | 0.0 | 0.0 | 0.0 | N/A |
| TOTAL INVESTMENTS | 8.496 | 65.929 | 57.133 | 17.292 | 0.71 |
| Increase/ (Decrease) in Investments £m | | | | 8.796 | |

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Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Credit Risk

The table below shows counterparty credit quality as measured by credit ratings and the percentage of the in-house investment portfolio exposed to bail-in risk.

| Date | Value Weighted Average – Credit Risk Score | Value Weighted Average – Credit Rating | Time Weighted Average – Credit Risk Score | Time Weighted Average – Credit Rating | Investments exposed to bail-in risk % |
|------------|--|--|---|---------------------------------------|---------------------------------------|
| 31/03/2016 | 5.30 | A+ | 5.01 | A+ | 100 |
| 30/06/2016 | 5.26 | A+ | 5.14 | A+ | 100 |
| 30/09/2016 | 5.02 | A+ | 5.69 | A | 77 |

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

-D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Counterparty Update

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.

Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government. S&P also downgraded the long-term ratings of the local authorities to which it assigns ratings as well as the long-term rating of the EU

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from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.

Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.

The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks after markets closed on Friday 29th July. The stress tests gave a rather limited insight into how large banks might fare under a particular economic scenario. When the tests were designed earlier this year, a 1.7% fall in GDP over three years must have seemed like an outside risk. Their base case of 5.4% growth now looks exceptionally optimistic and the stressed case could be closer to reality. No bank was said to have failed the tests. The Royal Bank of Scotland made headline news as one of the worst performers as its ratios fell by some of the largest amounts, but from a relatively high base. Barclays Bank and Deutsche Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised. The tests support our cautious approach on these banks.

In July Arlingclose completed a review of unrated building societies' annual financial statements. Cumberland, Harpenden and Vernon Building Society were removed from Arlingclose's advised list, following a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven societies from 6 months to 100 days due to the uncertainty facing the UK property market following the EU referendum.

Budgeted Income and Outturn

The UK Bank Rate had been maintained at 0.5% since March 2009 until August 2016, when it was cut to 0.25%. It is now forecast to fall further towards zero but not go negative. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 1). Following the reduction in Bank Rate, rates for very short-dated periods (overnight – 1 month) fell to between 0.1% and 0.2%. Debt Management Account Deposit Facility (DMADF) rates fell to 0.15% for periods up to 3 months and to 0.10% for 4 – 6 month deposits.

New investments on an unsecured basis with banks and building societies over the 6-month period were made at an average rate of 0.45%. Investments in Money Market Funds generated an average rate of 0.44%.

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The Authority's budgeted investment income for the year was estimated at £120,000.

The Bank Rate is expected to be cut further towards zero in the coming months, which will in turn lower the rates short-dated money market investments with banks and building societies. As the majority of the Authority's surplus cash continues to be invested in short-dated money market instruments, it will most likely result in a fall in investment income over the year.

Externally Managed Funds:

The Cash Plus investments continue to produce good levels of income for the Council. As at 30/09/2016 the average yields were 0.78%. During the period a further £500,000 was invested in the Ignis Short Duration Cash Plus Fund, reaching the maximum allowed investment in this fund, and bringing the Authority's total investment in externally managed funds to £4m.

The Authority anticipates an investment outturn of £113,000 for the whole year.

6. Compliance with Prudential Indicators

The Authority confirms compliance with its Prudential Indicators for 2016/17, which were set in February 2016 as part of the Authority's Treasury Management Strategy Statement.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

| | 2016/17 | 2017/18 | 2018/19 |
|--|----------------|----------------|----------------|
| Upper limit on fixed interest rate exposure | £5m | £5m | £5m |
| Actual | £0m | | |
| Upper limit on variable interest rate exposure | £0m | £0m | £0m |
| Actual | £0m | | |

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

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Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

| | Upper | Lower | Actual |
|--------------------------------|--------------|--------------|---------------|
| Under 12 months | 100% | 0% | 0% |
| 12 months and within 24 months | 100% | 0% | 0% |
| 24 months and within 5 years | 100% | 0% | 0% |
| 5 years and within 10 years | 100% | 0% | 0% |
| 10 years and above | 100% | 0% | 0% |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

| | 2016/17 | 2017/18 | 2018/19 |
|---|----------------|----------------|----------------|
| Limit on principal invested beyond year end | £2m | £2m | £1m |
| Actual | £2m | £0m | £0m |

7. Investment Training

The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staffs regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

8. Outlook for the remainder of 2016/17

The economic outlook for the UK has immeasurably altered following the popular vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.

The short to medium-term outlook has been more downbeat due to the uncertainty generated by the result and the forthcoming negotiations. Economic and political uncertainty will likely dampen or delay investment intentions, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum may continue through the second half of 2016, although

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some economic data has held up better than was initially expected, perhaps suggesting a less severe slowdown than feared.

Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers. Arlingclose's central case is for Bank Rate to remain at 0.25%, but there is a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero.

Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

| | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Arlingclose Central Case | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Downside risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 |

Global interest rate expectations have been pared back considerably. There remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in in December 2016 but only if economic conditions warrant.

In addition, Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Authority's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

Semi Annual Treasury Outturn Report 2016/17**Appendix 1****Money Market Data and PWLB Rates**

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates below are *Standard Rates*. Authorities eligible for the *Certainty Rate* can borrow at a 0.20% reduction. Borrowing eligible for the *project rate* can be undertaken at a 0.40% reduction.

Table 1: Bank Rate, Money Market Rates

| Date | Bank Rate | O/N LIBID | 7-day LIBID | 1-month LIBID | 3-month LIBID | 6-month LIBID | 12-month LIBID | 2-yr SWAP Bid | 3-yr SWAP Bid | 5-yr SWAP Bid |
|----------------|-----------|-----------|-------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| 01/4/2016 | 0.50 | 0.36 | 0.36 | 0.39 | 0.46 | 0.61 | 0.88 | 0.78 | 0.83 | 0.98 |
| 30/4/2016 | 0.50 | 0.36 | 0.36 | 0.38 | 0.47 | 0.62 | 0.90 | 0.86 | 0.95 | 1.13 |
| 31/5/2016 | 0.50 | 0.35 | 0.37 | 0.39 | 0.46 | 0.61 | 0.89 | 0.82 | 0.92 | 1.09 |
| 30/6/2016 | 0.50 | 0.35 | 0.36 | 0.39 | 0.43 | 0.55 | 0.80 | 0.49 | 0.49 | 0.60 |
| 31/7/2016 | 0.50 | 0.15 | 0.45 | 0.42 | 0.52 | 0.64 | 0.77 | 0.47 | 0.47 | 0.54 |
| 31/8/2016 | 0.25 | 0.11 | 0.18 | 0.18 | 0.38 | 0.54 | 0.69 | 0.42 | 0.42 | 0.48 |
| 30/9/2016 | 0.25 | 0.10 | 0.25 | 0.45 | 0.51 | 0.61 | 0.74 | 0.43 | 0.42 | 0.47 |
| | | | | | | | | | | |
| Minimum | 0.25 | 0.02 | 0.15 | 0.18 | 0.30 | 0.50 | 0.66 | 0.38 | 0.37 | 0.42 |
| Average | 0.43 | 0.26 | 0.37 | 0.42 | 0.52 | 0.66 | 0.83 | 0.61 | 0.64 | 0.75 |
| Maximum | 0.50 | 0.43 | 0.55 | 0.61 | 0.72 | 0.83 | 1.04 | 0.88 | 0.99 | 1.20 |
| Spread | 0.25 | 0.41 | 0.40 | 0.43 | 0.42 | 0.33 | 0.38 | 0.51 | 0.62 | 0.78 |

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans (Standard Rate)

| Change Date | Notice No | 1 year | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|-------------|-----------|--------|----------|-----------|------------|------------|------------|------------|
| 01/4/2016 | 125/16 | 1.33 | 1.82 | 2.51 | 3.24 | 3.33 | 3.19 | 3.15 |
| 30/4/2016 | 165/16 | 1.37 | 1.95 | 2.65 | 3.34 | 3.40 | 3.25 | 3.21 |
| 31/5/2016 | 205/16 | 1.36 | 1.93 | 2.56 | 3.22 | 3.27 | 3.11 | 3.07 |
| 30/6/2016 | 249/16 | 1.17 | 1.48 | 2.09 | 2.79 | 2.82 | 2.61 | 2.57 |
| 31/7/2016 | 292/16 | 1.07 | 1.31 | 1.84 | 2.57 | 2.65 | 2.48 | 2.44 |
| 31/8/2016 | 336/16 | 1.09 | 1.23 | 1.65 | 2.22 | 2.29 | 2.12 | 2.08 |
| 30/9/2016 | 380/16 | 1.02 | 1.20 | 1.70 | 2.34 | 2.43 | 2.29 | 2.27 |
| | | | | | | | | |
| | Low | 1.01 | 1.15 | 1.62 | 2.20 | 2.27 | 2.10 | 2.07 |
| | Average | 1.20 | 1.54 | 2.12 | 2.81 | 2.87 | 2.70 | 2.67 |
| | High | 1.40 | 2.00 | 2.71 | 3.40 | 3.46 | 3.31 | 3.28 |

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Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans (Standard Rate)

| Change Date | Notice No | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|-------------|----------------|----------|-----------|------------|------------|------------|------------|
| 01/4/2016 | 125/16 | 1.50 | 1.86 | 2.54 | 2.99 | 3.25 | 3.34 |
| 30/4/2016 | 165/16 | 1.59 | 1.99 | 2.68 | 3.11 | 3.34 | 3.42 |
| 31/5/2016 | 205/16 | 1.58 | 1.97 | 2.58 | 2.99 | 3.23 | 3.30 |
| 30/6/2016 | 249/16 | 1.24 | 1.51 | 2.11 | 2.55 | 2.79 | 2.86 |
| 31/7/2016 | 292/16 | 1.13 | 1.34 | 1.87 | 2.31 | 2.58 | 2.67 |
| 31/8/2016 | 336/16 | 1.12 | 1.25 | 1.67 | 2.02 | 2.23 | 2.31 |
| 30/9/2016 | 380/16 | 1.05 | 1.22 | 1.72 | 2.13 | 2.36 | 2.44 |
| | Low | 1.03 | 1.17 | 1.64 | 2.00 | 2.20 | 2.28 |
| | Average | 1.30 | 1.57 | 2.15 | 2.58 | 2.82 | 2.89 |
| | High | 1.63 | 2.04 | 2.73 | 3.17 | 3.41 | 3.48 |

Table 4: PWLB Variable Rates (standard rate)

| | 1-M Rate | 3-M Rate | 6-M Rate | 1-M Rate | 3-M Rate | 6-M Rate |
|-----------|----------|----------|----------|----------|----------|----------|
| | Pre-CSR | Pre-CSR | Pre-CSR | Post-CSR | Post-CSR | Post-CSR |
| 1/4/2016 | 0.61 | 0.65 | 0.67 | 1.51 | 1.55 | 1.57 |
| 30/4/2016 | 0.61 | 0.65 | 0.67 | 1.51 | 1.55 | 1.57 |
| 31/5/2016 | 0.65 | 0.66 | 0.70 | 1.55 | 1.56 | 1.60 |
| 30/6/2016 | 0.64 | 0.62 | 0.62 | 1.54 | 1.52 | 1.52 |
| 31/7/2016 | 0.55 | 0.48 | 0.45 | 1.45 | 1.38 | 1.35 |
| 31/8/2016 | 0.38 | 0.41 | 0.48 | 2.18 | 1.31 | 1.38 |
| 30/9/2016 | 0.38 | 0.40 | 0.48 | 1.28 | 1.30 | 1.38 |

Please note PWLB rates are standard rates