

Help Sheet: Fair Values Borrowing

Arlingclose Online Spreadsheets

Purpose

The Fair Values Borrowing spreadsheet is designed to calculate the data required for the financial instrument disclosure notes for borrowing, namely fair values, maturity profiles for liquidity risk disclosure and impact of a 1% rate rise for the market risks disclosure.

This spreadsheet links to the Borrowing workbook where details of your existing loans are saved and to the MarketData workbook in the library for the discount rates. You should enable links when opening the file.

Input

The input and output are both on the Fair Values worksheet.

In cell 11, select the date for which you wish to calculate data. The dropdown list is populated with the dates for which discount rates are available.

Cell K1 can be used to filter and only show PWLB, LOBO or other loans to match our recommended analysis in the disclosure note template. Select "All" to remove the filter and show all loans.

In cell N1, select "Yes" to include short-term loans or "No" to exclude them from the list. A short-term loan is one where the start and end dates are less than 365 days apart.

Once you update links, the table will be populated with all your loans that have a non-zero balance on the calculation date. If any loans are missing, please enter them on the Borrowing spreadsheet. Note that you should not delete any matured loans from this spreadsheet, so that prior years' analysis remains correct.

You may alter the sort criteria using cells Q1 and S1.

Cells AX1 to BD1 allow you to select the years for the maturity analysis.

Loan details copied from the Borrowing workbook are shown in columns H to N and R to T.

Previous and next interest payments are calculated in columns O and P based on market standards. You may overwrite these cells if you have non-standard payment dates, but beware that the cell will remain overwritten, but against the wrong loan, when you re-sort or use the spreadsheet another year.

Outputs

The outstanding principal balance as at the calculation date is shown in column Q and accrued interest since the last payment date is shown in column AG.

The fair value is shown in column AH. The impact of a 1% rise and fall in market rates on the fair value is shown in columns AL and AP.

The one-year impact of a 1% rate rise and fall on interest payable is shown in columns AT and AU. These will be zero for fixed rate loans that mature more than one year in the future.

The discounted maturity profile (i.e. principal payments plus accrued interest to the calculation date) is shown in columns AW to BE. The undiscounted maturity profile (i.e. contractual payments of principal and interest) is shown in columns BG to BO; this version is required for the liquidity risk disclosure note.

We suggest you save a PDF copy of the file for your working papers.



Methodology

Fair values are calculated by discounting the future contractual cash flows this based on the discount rate in column W. Discount rates for fixed and variable rate loans are taken directly from column E on the Data worksheet. Discount rates for LOBO loans are subject to an adjustment as shown in cells G3:J7 on the Data worksheet. Contractual cash flows for variable rate loans are assumed to vary in line with swap rates.

Fair values include accrued interest for the calculation date to enable direct comparison with the amortised cost as required by accounting standards.

The impact of a 1% rate rise on interest payable is calculated in accordance with the methodology in our December 2022 <u>technical update</u>.

Interest payments in the maturity profiles for variable rate loans are based on current interest rate.

More Help

If you see errors on the sheet, please check that you are using the UK date format. On Teams and Sharepoint this can be changed under File > Options > Regional Format Settings.

We published details of the IFRS 7 requirements for a liquidity risk disclosure in our April 2023 <u>technical</u> <u>update</u>.

Further help sheets are available at https://www.arlingclose.com/insights/help-sheets.

If you have any further queries, please email the Arlingclose team at treasury@arlingclose.com.

Arlingclose Limited 4th April 2024