

— OUT OF THE ORDINARY

Built on strong foundations

Investec Bank plc (a subsidiary of Investec plc)

Unaudited condensed consolidated financial information
for the six months ended 30 September 2021
IFRS – Pound Sterling



OVERVIEW OF RESULTS

Introduction

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information.

→ The description of alternative performance measures and their calculation is provided on page 49.

→ All other definitions can be found on page 50.

Key financial statistics	30 Sept 2021	30 Sept 2020	% change	31 March 2021
Total operating income before expected credit loss impairment charges (£'000)	504 299	432 761	16.5%	936 332
Operating costs (£'000)	370 843	346 895	6.9%	757 758
Adjusted operating profit (£'000)	128 473	46 716	>100.0%	108 301
Earnings attributable to ordinary shareholder (£'000)	105 365	31 188	>100.0%	63 809
Cost to income ratio (%)	73.5%	80.1%		80.9%
Total capital resources (including subordinated liabilities) (£'000)	3 209 534	3 151 081	1.9%	3 136 401
Total equity (£'000)	2 447 029	2 360 776	3.7%	2 364 920
Total assets (£'000) [^]	25 071 951	24 158 121	3.8%	24 395 538
Net core loans (£'000)	13 678 812	11 952 722	14.4%	12 311 104
Customer accounts (deposits) (£'000)	17 023 760	15 835 090	7.5%	16 240 634
Loans and advances to customers as a % of customer deposits	80.4%	75.5%		75.8%
Cash and near cash balances (£'mn)	7 315	6 222	17.6%	6 857
Funds under management (£'mn)	44 704	38 018	17.6%	41 708
Total gearing ratio (i.e. total assets to equity)	10.2x	10.2x		10.3x
Total capital ratio	16.0%	16.2%		16.4%
Tier 1 ratio	13.3%	13.1%		13.4%
Common Equity Tier 1 ratio	11.7%	11.5%		11.8%
Leverage ratio	7.9%	8.0%		8.0%
Leverage ratio (fully loaded)	7.7%	7.7%		7.7%
Stage 3 exposure as a % of gross core loans subject to ECL	2.1%	3.0%		2.8%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	1.6%	2.2%		2.0%
Credit loss ratio	0.10%*	0.60%*		0.56%

[^] Restated as detailed on page 25.

* Annualised.

CONDENSED CONSOLIDATED INCOME STATEMENT

£'000	Six months to 30 Sept 2021	Six months to 30 Sept 2020	Year to 31 March 2021
Interest income	344 652	356 156	702 126
Interest expense	(109 129)	(164 316)	(288 035)
Net interest income	235 523	191 840	414 091
Fee and commission income	237 562	226 322	499 671
Fee and commission expense	(7 245)	(6 478)	(13 201)
Investment income	4 962	26 246	23 820
Share of post-taxation profit of associates and joint venture holdings	334	1 356	1 768
Trading income/(loss) arising from			
– customer flow	32 715	(20 081)	(11 025)
– balance sheet management and other trading activities	(4 051)	9 341	11 206
Other operating income	4 499	4 215	10 002
Total operating income before expected credit loss impairment charges	504 299	432 761	936 332
Expected credit loss impairment charges	(4 983)	(39 680)	(71 134)
Operating income	499 316	393 081	865 198
Operating costs	(370 843)	(346 895)	(757 758)
Operating profit before goodwill, acquired intangibles and strategic actions	128 473	46 186	107 440
Impairment of goodwill	—	—	(8 787)
Amortisation of acquired intangibles	(6 482)	(6 414)	(12 851)
Closure and rundown of the Hong Kong direct investments business	(597)	(2 158)	7 387
Operating profit	121 394	37 614	93 189
Profit before taxation	121 394	37 614	93 189
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(16 287)	(8 181)	(31 270)
Taxation on goodwill, acquired intangibles and strategic actions	258	1 225	1 029
Profit after taxation	105 365	30 658	62 948
Loss attributable to non-controlling interests	—	530	861
Earnings attributable to shareholder	105 365	31 188	63 809

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Six months to 30 Sept 2021	Six months to 30 Sept 2020	Year to 31 March 2021
Profit after taxation	105 365	30 658	62 948
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
(Gains)/losses on realisation of debt instruments at FVOCI recycled through the income statement*	(229)	835	821
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	(431)	(1 202)	(228)
Foreign currency adjustments on translating foreign operations**	1 975	6 324	(3 771)
Effect of rate change on deferred tax relating to adjustment for IFRS 9	1 049	1	380
Items that will never be reclassified to the income statement:			
Gains/(losses) attributable to own credit risk*	4 753	(966)	62
Movement in post-retirement benefit liabilities	—	(32)	(39)
Total comprehensive income	112 482	35 618	60 173
Total comprehensive loss attributable to non-controlling interests	—	(530)	(861)
Total comprehensive income attributable to ordinary shareholder	104 044	27 710	44 159
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities	8 438	8 438	16 875
Total comprehensive income	112 482	35 618	60 173

* Net of £4.1 million tax charge (30 September 2020: £0.2 million tax credit; 31 March 2021: £0.2 million tax credit), except for the impact of rate changes on deferred tax as shown separately above.

** The six months to 30 September 2021 includes £0.6 million loss on recycling of currency translation differences from sale of Investec Capital Asia Limited.

CONSOLIDATED BALANCE SHEET

£'000	At 30 Sept 2021	At 31 March 2021	At 30 Sept 2020 [^]
Assets			
Cash and balances at central banks	3 332 458	3 043 034	1 918 509
Loans and advances to banks	1 525 367	1 383 602	1 632 185
Reverse repurchase agreements and cash collateral on securities borrowed	1 486 577	2 065 232	3 024 055
Sovereign debt securities	1 086 517	1 108 253	903 752
Bank debt securities	50 699	48 044	65 645
Other debt securities	503 353	708 845	757 275
Derivative financial instruments	634 892	773 334	900 209
Securities arising from trading activities	457 478	281 645	394 444
Investment portfolio	358 737	350 941	392 734
Loans and advances to customers	13 681 707	12 316 313	11 956 708
Other loans and advances	138 934	162 456	175 091
Other securitised assets	101 851	107 259	107 353
Interests in associated undertakings and joint venture holdings	10 925	4 213	7 265
Deferred taxation assets	89 240	109 849	120 441
Current taxation assets	16 079	42 620	34 330
Other assets	1 124 205	1 395 915	1 242 865
Property and equipment	170 369	185 502	202 038
Goodwill	244 072	244 072	253 058
Software	7 892	7 791	7 108
Other acquired intangible assets	50 599	56 618	63 056
	25 071 951	24 395 538	24 158 121
Liabilities			
Deposits by banks	1 420 178	1 352 279	1 384 329
Derivative financial instruments	750 953	916 352	883 885
Other trading liabilities	42 364	49 055	101 542
Repurchase agreements and cash collateral on securities lent	158 810	157 357	192 593
Customer accounts (deposits)	17 023 760	16 240 634	15 835 090
Debt securities in issue	1 034 974	1 193 378	1 071 279
Liabilities arising on securitisation of other assets	104 215	108 281	109 107
Current taxation liabilities	17 528	37 287	36 329
Deferred taxation liabilities	—	20 652	20 010
Other liabilities	1 309 635	1 183 862	1 372 876
	21 862 417	21 259 137	21 007 040
Subordinated liabilities	762 505	771 481	790 305
	22 624 922	22 030 618	21 797 345
Equity			
Ordinary share capital	1 280 550	1 280 550	1 280 550
Share premium	199 538	199 538	199 538
Capital reserve	153 177	153 177	153 177
Other reserves	(5 710)	(12 827)	(6 079)
Retained income	569 084	494 092	479 064
	2 196 639	2 114 530	2 106 250
Shareholder's equity excluding non-controlling interests			
Additional Tier 1 securities in issue	250 000	250 000	250 000
Non-controlling interests in partially held subsidiaries	390	390	4 526
	2 447 029	2 364 920	2 360 776
Total equity	2 447 029	2 364 920	2 360 776
Total liabilities and equity	25 071 951	24 395 538	24 158 121

[^] Restated as detailed on page 25.

CONDENSED CASH FLOW STATEMENT

£'000	Six months to 30 Sept 2021	Year to 31 March 2021	Six months to 30 Sept 2020*
Cash inflows from operations	140 568	141 199	77 100
(Increase)/decrease in operating assets	(307 216)	472 934	(84 241)
Increase/(decrease) in operating liabilities	669 916	(167 411)	(409 649)
Net cash inflow/(outflow) from operating activities	503 268	446 722	(416 790)
Net cash inflow/(outflow) from investing activities	1 434	12 910	(8 666)
Net cash outflow from financing activities	(54 263)	(81 329)	(36 882)
Effects of exchange rate changes on cash and cash equivalents	(1 224)	5 872	7 253
Net increase/(decrease) in cash and cash equivalents	449 215	384 175	(455 085)
Cash and cash equivalents at the beginning of the year	4 367 635	3 983 460	3 983 460
Cash and cash equivalents at the end of the year	4 816 850	4 367 635	3 528 375

^ Restated as detailed on page 25.

Cash and cash equivalents are defined as including cash and balances at central banks and on demand loans and advances to banks (all of which have a maturity profile of less than three months).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Share premium	Capital reserve account
At 1 April 2020	1 280 550	199 538	153 177
Movement in reserves 1 April 2020 – 30 September 2020			
Profit after taxation	—	—	—
Effect of rate change on deferred tax relating to adjustment for IFRS 9	—	—	—
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Losses attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
At 30 September 2020	1 280 550	199 538	153 177
Movement in reserves 1 October 2020 – 31 March 2021			
Profit after taxation	—	—	—
Effect of rate change on deferred tax relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
Transfer from foreign currency reserve	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
At 31 March 2021	1 280 550	199 538	153 177
Movement in reserves 1 April 2021 – 30 September 2021			
Profit after taxation	—	—	—
Effect of rate change on deferred tax relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
At 30 September 2021	1 280 550	199 538	153 177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves				Retained income	Shareholder's equity excluding non-controlling interests	Additional Tier 1 securities in issue	Non-controlling interests	Total equity
Fair value reserve	Foreign currency reserves	Own credit reserve						
2 469	(1 356)	(12 184)	455 609	2 077 803	250 000	3 369	2 331 172	
—	—	—	31 188	31 188	—	(530)	30 658	
1	—	—	—	1	—	—	1	
835	—	—	—	835	—	—	835	
(1 202)	—	—	—	(1 202)	—	—	(1 202)	
—	6 324	—	—	6 324	—	—	6 324	
—	—	(966)	—	(966)	—	—	(966)	
—	—	—	(32)	(32)	—	—	(32)	
(366)	6 324	(966)	31 156	36 148	—	(530)	35 618	
—	—	—	6	6	—	—	6	
—	—	—	731	731	—	—	731	
—	—	—	(8 438)	(8 438)	8 438	—	—	
—	—	—	—	—	(8 438)	—	(8 438)	
—	—	—	—	—	—	1 687	1 687	
2 103	4 968	(13 150)	479 064	2 106 250	250 000	4 526	2 360 776	
—	—	—	32 621	32 621	—	(331)	32 290	
(20)	—	399	—	379	—	—	379	
(14)	—	—	—	(14)	—	—	(14)	
974	—	—	—	974	—	—	974	
—	(10 095)	—	—	(10 095)	—	—	(10 095)	
—	—	1 028	—	1 028	—	—	1 028	
—	—	—	(7)	(7)	—	—	(7)	
940	(10 095)	1 427	32 614	24 886	—	(331)	24 555	
—	—	—	101	101	—	—	101	
—	—	—	2 998	2 998	—	—	2 998	
—	—	—	(11 000)	(11 000)	—	—	(11 000)	
—	—	—	(8 437)	(8 437)	8 437	—	—	
—	—	—	—	—	(8 437)	—	(8 437)	
—	980	—	(980)	—	—	—	—	
—	—	—	(268)	(268)	—	(3 805)	(4 073)	
3 043	(4 147)	(11 723)	494 092	2 114 530	250 000	390	2 364 920	
—	—	—	105 365	105 365	—	—	105 365	
(55)	—	1 104	—	1 049	—	—	1 049	
(229)	—	—	—	(229)	—	—	(229)	
(431)	—	—	—	(431)	—	—	(431)	
—	1 975	—	—	1 975	—	—	1 975	
—	—	4 753	—	4 753	—	—	4 753	
(715)	1 975	5 857	105 365	112 482	—	—	112 482	
—	—	—	(266)	(266)	—	—	(266)	
—	—	—	2 331	2 331	—	—	2 331	
—	—	—	(24 000)	(24 000)	—	—	(24 000)	
—	—	—	(8 438)	(8 438)	8 438	—	—	
—	—	—	—	—	(8 438)	—	(8 438)	
2 328	(2 172)	(5 866)	569 084	2 196 639	250 000	390	2 447 029	

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

For the six months to 30 September 2021 £'000	Specialist Banking			Total group
	Private Client			
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	
Net interest income	436	30 546	204 541	235 523
Fee and commission income	173 390	404	63 768	237 562
Fee and commission expense	(345)	(14)	(6 886)	(7 245)
Investment income	5	(12)	4 969	4 962
Share of post-taxation profit of associates and joint venture holdings	—	—	334	334
Trading income/(loss) arising from				
– customer flow	534	767	31 414	32 715
– balance sheet management and other trading activities	(115)	1	(3 937)	(4 051)
Other operating income	—	—	4 499	4 499
Total operating income before expected credit loss impairment charges	173 905	31 692	298 702	504 299
Expected credit loss impairment charges	(2)	(560)	(4 421)	(4 983)
Operating income	173 903	31 132	294 281	499 316
Operating costs	(131 728)	(19 842)	(219 273)	(370 843)
Operating profit before goodwill, acquired intangibles and strategic actions	42 175	11 290	75 008	128 473
Loss attributable to other non-controlling interests	—	—	—	—
Adjusted operating profit after non-controlling interests	42 175	11 290	75 008	128 473
Selected returns and key statistics				
Cost to income ratio	75.7%	62.6%	73.4%	73.5%
Total assets (£'mn)	1 056	3 993	20 023	25 072

For the six months to 30 September 2020 [^] £'000	Specialist Banking			Total group
	Private Client			
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	
Net interest income	1 597	14 013	176 230	191 840
Fee and commission income	153 389	327	72 606	226 322
Fee and commission expense	(385)	(58)	(6 035)	(6 478)
Investment income	47	—	26 199	26 246
Share of post-taxation profit of associates and joint venture holdings	—	—	1 356	1 356
Trading income/(loss) arising from				
– customer flow	323	538	(20 942)	(20 081)
– balance sheet management and other trading activities	102	2	9 237	9 341
Other operating income	—	—	4 215	4 215
Total operating income before expected credit loss impairment charges	155 073	14 822	262 866	432 761
Expected credit loss impairment charges	(6)	(981)	(38 693)	(39 680)
Operating income	155 067	13 841	224 173	393 081
Operating costs	(126 190)	(16 989)	(203 716)	(346 895)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	28 877	(3 148)	20 457	46 186
Loss attributable to other non-controlling interests	—	—	530	530
Adjusted operating profit/(loss) after non-controlling interests	28 877	(3 148)	20 987	46 716
Selected returns and key statistics				
Cost to income ratio	81.4%	114.6%	77.3%	80.1%
Total assets (£'mn)	995	2 783	20 380	24 158

[^] Restated as detailed on page 25.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

For the six months to 30 September £'000		2021			2020		
		Average balance sheet value	Interest income	Average yield	Average balance sheet value	Interest income	Average yield
Cash, near cash and bank debt and sovereign debt securities	1	7 325 980	8 777	0.24%	7 757 738	14 941	0.39%
Loans and advances	2	12 893 618	298 175	4.63%	11 992 358	287 529	4.80%
Private client		3 683 613	55 397	3.01%	2 659 621	39 409	2.96%
Corporate, Investment Banking and Other		9 210 005	242 778	5.27%	9 332 737	248 120	5.32%
Other debt securities and other loans and advances		717 695	11 406	3.18%	958 772	17 400	3.63%
Other [#]	3	239 318	26 294	n/a	306 365	36 286	n/a
Total interest-earning assets		21 176 611	344 652	3.26%	21 015 233	356 156	3.39%

For the six months to 30 September £'000		2021			2020		
		Average balance sheet value	Interest expense	Average yield	Average balance sheet value	Interest expense	Average yield
Deposits by banks and other debt-related securities	4	2 597 549	9 238	0.71%	2 885 933	17 036	1.18%
Customer accounts (deposits)		16 294 926	44 351	0.54%	16 131 367	76 881	0.95%
Subordinated liabilities		767 890	24 301	6.33%	790 805	24 125	6.10%
Other [#]	5	372 770	31 239	n/a	459 493	46 274	n/a
Total interest-bearing liabilities		20 033 135	109 129	1.09%	20 267 598	164 316	1.62%
Net interest income			235 523			191 840	
Annualised net interest margin			2.22%			1.83%	

Notes:

- 1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.
 - 2 Comprises (as per the balance sheet) loans and advances to customers.
 - 3 Comprises (as per the balance sheet) lease receivables (housed in other assets on the balance sheet) as well as interest income from derivative financial instruments and off-balance sheet assets where there is no associated balance sheet value.
 - 4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
 - 5 Comprises (as per the balance sheet) liabilities arising from lease liabilities (housed in other liabilities on the balance sheet) as well as interest expense from derivative financial instruments where there is no associated balance sheet value.
- # Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES
CONTINUED

Net fee and commission income

For the six months to 30 September £'000	2021	2020
Wealth & Investment businesses net fee and commission income	173 045	153 004
Fund management fees/fees for assets under management	152 287	129 086
Private client transactional fees	21 103	24 303
Fee and commission expense	(345)	(385)
Specialist Banking net fee and commission income	57 272	66 840
Specialist Banking fee and commission income	64 172	72 933
Specialist Banking fee and commission expense	(6 900)	(6 093)
Net fee and commission income	230 317	219 844
Annuity fees (net of fees payable)	159 689	137 443
Deal fees	70 628	82 401

Investment income

For the six months to 30 September £'000	Listed equities	Unlisted equities	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2021							
Realised	(489)	6 150	5 661	565	(4 725)	(4 697)	(3 196)
Unrealised*	(233)	13 339	13 106	51	4 843	(13 460)	4 540
Dividend income	32	2 517	2 549	—	—	213	2 762
Funding and other net related income	—	—	—	—	856	—	856
	(690)	22 006	21 316	616	974	(17 944)	4 962
2020							
Realised	2 761	(13 337)	(10 576)	5 107	(110)	2 294	(3 285)
Unrealised*	13 049	28 145	41 194	141	(3 522)	(10 460)	27 353
Dividend income	7	1 011	1 018	—	—	—	1 018
Funding and other net related income	—	—	—	—	1 160	—	1 160
	15 817	15 819	31 636	5 248	(2 472)	(8 166)	26 246

* In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.

ADDITIONAL IAS 34 DISCLOSURES

Analysis of financial assets and liabilities by category of financial instruments

At 30 September 2021 £'000	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
Assets				
Cash and balances at central banks	—	3 332 458	—	3 332 458
Loans and advances to banks	—	1 525 367	—	1 525 367
Reverse repurchase agreements and cash collateral on securities borrowed	559 554	927 023	—	1 486 577
Sovereign debt securities	1 082 219	4 298	—	1 086 517
Bank debt securities	50 699	—	—	50 699
Other debt securities	99 778	403 575	—	503 353
Derivative financial instruments	634 892	—	—	634 892
Securities arising from trading activities	457 478	—	—	457 478
Investment portfolio	358 737	—	—	358 737
Loans and advances to customers	1 312 069	12 369 638	—	13 681 707
Other loans and advances	—	138 934	—	138 934
Other securitised assets	101 851	—	—	101 851
Interests in associated undertakings and joint venture holdings	—	—	10 925	10 925
Deferred taxation assets	—	—	89 240	89 240
Current taxation assets	—	—	16 079	16 079
Other assets	10 956	748 007	365 242	1 124 205
Property and equipment	—	—	170 369	170 369
Goodwill	—	—	244 072	244 072
Software	—	—	7 892	7 892
Other acquired intangible assets	—	—	50 599	50 599
	4 668 233	19 449 300	954 418	25 071 951
Liabilities				
Deposits by banks	—	1 420 178	—	1 420 178
Derivative financial instruments	750 953	—	—	750 953
Other trading liabilities	42 364	—	—	42 364
Repurchase agreements and cash collateral on securities lent	—	158 810	—	158 810
Customer accounts (deposits)	—	17 023 760	—	17 023 760
Debt securities in issue	89 476	945 498	—	1 034 974
Liabilities arising on securitisation of other assets	104 215	—	—	104 215
Current taxation liabilities	—	—	17 528	17 528
Deferred taxation liabilities	—	—	—	—
Other liabilities	—	801 071	508 564	1 309 635
	987 008	20 349 317	526 092	21 862 417
Subordinated liabilities	336 750	425 755	—	762 505
	1 323 758	20 775 072	526 092	22 624 922

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 September 2021 £'000	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	559 554	—	559 554	—
Sovereign debt securities	1 082 219	1 082 219	—	—
Bank debt securities	50 699	50 699	—	—
Other debt securities	99 778	—	10 709	89 069
Derivative financial instruments	634 892	7	590 086	44 799
Securities arising from trading activities	457 478	452 157	309	5 012
Investment portfolio	358 737	6 452	9 942	342 343
Loans and advances to customers	1 312 069	—	1 929	1 310 140
Other securitised assets	101 851	—	—	101 851
Other assets	10 956	10 956	—	—
	4 668 233	1 602 490	1 172 529	1 893 214
Liabilities				
Derivative financial instruments	750 953	—	704 042	46 911
Other trading liabilities	42 364	42 364	—	—
Debt securities in issue	89 476	—	89 476	—
Liabilities arising on securitisation of other assets	104 215	—	—	104 215
Subordinated liabilities	336 750	336 750	—	—
	1 323 758	379 114	793 518	151 126
Net assets at fair value	3 344 475	1 223 376	379 011	1 742 088

Transfers between level 1 and level 2

During the current year there were no transfers between level 1 and level 2.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value hierarchy (continued)

The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

£'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets ¹	Total
Assets					
Balance as at 1 April 2021	336 951	1 045 663	107 259	135 369	1 625 242
Total gains or (losses)	18 593	29 787	864	20 118	69 362
In the income statement	18 593	28 292	864	20 118	67 867
In the statement of comprehensive income	—	1 495	—	—	1 495
Purchases	20 690	1 102 958	—	18 962	1 142 610
Sales	(30 047)	(566 082)	—	(174)	(596 303)
Settlements	(6 218)	(315 261)	(6 272)	(38 867)	(366 618)
Foreign exchange adjustments	2 374	13 075	—	3 472	18 921
Balance as at 30 September 2021	342 343	1 310 140	101 851	138 880	1 893 214
Liabilities					
£'000			Liabilities arising on securitisation of other assets	Other balance sheet liabilities ²	Total
Balance as at 1 April 2021			108 281	28 034	136 315
Total (gains) or losses			627	18 547	19 174
In the income statement			627	18 547	19 174
Settlements			(4 693)	(270)	(4 963)
Foreign exchange adjustments			—	600	600
Balance as at 30 September 2021			104 215	46 911	151 126

1 Comprises level 3 other debt securities, derivative financial instruments and securities arising from trading.

2 Comprises level 3 deposits by banks and derivative financial instruments.

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

For the six months to 30 September 2021, there were no transfers into or from level 3.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value hierarchy (continued)

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the six months to 30 September 2021 £'000	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Net interest income	31 876	21 955	9 921
Investment income*	17 971	7 496	10 475
Trading loss arising from customer flow	(1 154)	—	(1 154)
	48 693	29 451	19 242
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	302	302	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	1 495	—	1 495
	1 797	302	1 495

* Included within the investment income statement balance are unrealised gains of £0.3 million presented within operational items in the income statement.

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 30 September 2021 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy:

	VALUATION BASIS/TECHNIQUE	MAIN ASSUMPTIONS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Discount rate and net assets
Loans and advances to customers	Average broker quotes	Broker quotes
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Debt securities in issue	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The below valuations have been considered taking the ongoing global pandemic of COVID-19 into consideration. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 30 September 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	89 069	Potential impact on income statement		3 390	(6 327)
		Credit spreads	0.7%-1.0%	86	(219)
		Cash flow adjustments	CPR 6.1%	3	(63)
		Other	^	3 301	(6 045)
Derivative financial instruments	44 799	Potential impact on income statement		3 839	(4 309)
		Volatilities	5.3%-12.6%	4	(8)
		Cash flow adjustments	CPR 6.1%	7	(7)
		Underlying asset value	^^	3 363	(3 363)
		Other	^	465	(931)
Securities arising from trading activities	5 012	Potential impact on income statement			
		Cash flow adjustments	CPR 9.8%	647	(879)
Investment portfolio	342 343	Potential impact on income statement		36 663	(69 031)
		Price earnings multiple	5.5x-15.5x	14 125	(26 689)
		Discount rate	17.5%-18.5%	3 919	(5 139)
		Underlying asset value	^^	1 681	(3 356)
		Other	^	16 938	(33 847)
Loans and advances to customers	1 310 140	Potential impact on income statement		26 294	(41 793)
		Credit spreads	0.2%-34.3%	8 390	(16 486)
		Price earnings multiple	3.5x-4.1x	8 158	(6 011)
		Underlying asset value	^^	4 273	(8 350)
		Other	^	5 473	(10 946)
		Potential impact on other comprehensive income			
		Credit spreads	0.3%-3.4%	5 740	(12 345)
Other securitised assets	101 851	Potential impact on income statement			
		Cash flow adjustments	CPR 6.1%	1 344	(1 247)
Total level 3 assets	1 893 214			77 917	(135 931)
Liabilities					
Derivative financial instruments	46 911	Potential impact on income statement		(3 400)	3 436
		Volatilities	5.3%-20.5%	(37)	73
		Underlying asset value	^^	(3 363)	3 363
Liabilities arising on securitisation of other assets*	104 215	Potential impact on income statement			
		Cash flow adjustments	CPR 6.1%	(131)	225
Total level 3 liabilities	151 126			(3 531)	3 661
Net level 3 assets	1 742 088				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.

^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.

^^ Underlying asset values are calculated by reference to a tangible asset, for example, property, aircraft or shares.

ADDITIONAL IAS 34 DISCLOSURES CONTINUED

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument. It is an unobservable input into a discounted cash flow valuation.

Discount rates

Discount rates are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement. Cash flows are input into a discounted cash flow valuation.

Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value. The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value of financial instruments at amortised cost

The following table sets out the fair value of financial instruments held at amortised cost when the carrying value is not a reasonable approximation of fair value:

At 30 September 2021				
£'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate to carrying amounts
Assets				
Cash and balances at central banks	3 332 458	3 332 458	—	—
Loans and advances to banks	1 525 367	1 519 730	5 637	5 349
Reverse repurchase agreements and cash collateral on securities borrowed	927 023	853 962	73 061	74 216
Sovereign debt securities	4 298	4 298	—	—
Other debt securities	403 575	53	403 522	404 811
Loans and advances to customers	12 369 638	558 512	11 811 126	11 784 234
Other loans and advances	138 934	91 891	47 043	46 845
Other assets	748 007	747 839	168	165
	19 449 300	7 108 743	12 340 557	12 315 620
Liabilities				
Deposits by banks	1 420 178	107 414	1 312 764	1 324 946
Repurchase agreements and cash collateral on securities lent	158 810	158 810	—	—
Customer accounts (deposits)	17 023 760	10 708 122	6 315 638	6 351 514
Debt securities in issue	945 498	1 183	944 315	955 989
Other liabilities	801 071	797 225	3 846	2 999
Subordinated liabilities	425 755	—	425 755	443 226
	20 775 072	11 772 754	9 002 318	9 078 674

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Expected credit loss impairment charges or (release)

For the six months to 30 September		
£'000	2021	2020
Expected credit losses have arisen on the following items:		
Loans and advances to customers	6 018	34 350
Other loans and advances	(117)	(13)
Other balance sheet assets	136	576
Off-balance sheet commitments and guarantees	(1 054)	4 767
	4 983	39 680

Operating costs

For the six months to 30 September		
£'000	2021	2020
Staff costs	265 951	257 038
Premises expenses	22 345	19 594
Premises expenses (excluding depreciation and impairments)	9 173	7 475
Premises depreciation and impairments	13 172	12 119
Equipment expenses (excluding depreciation)	25 060	22 864
Business expenses	48 827	38 302
Marketing expenses	4 441	3 875
Depreciation, amortisation and impairment of equipment, software and intangibles	4 219	5 222
	370 843	346 895

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

£'000	30 Sept 2021	31 March 2021
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 486 585	2 065 249
Expected credit loss	(8)	(17)
Net reverse repurchase agreements and cash collateral on securities borrowed	1 486 577	2 065 232
Reverse repurchase agreements	1 439 901	2 039 402
Cash collateral on securities borrowed	46 676	25 830
	1 486 577	2 065 232
Liabilities		
Repurchase agreements	119 585	119 932
Cash collateral on securities lent	39 225	37 425
	158 810	157 357

Extract of other debt securities

£'000	30 Sept 2021	31 March 2021
Gross other debt securities	504 865	710 203
Expected credit loss	(1 512)	(1 358)
Net other debt securities	503 353	708 845
Bonds	109 404	190 679
Commercial paper	9 673	9 884
Asset-backed securities	384 276	508 282
	503 353	708 845

Extract of securities arising from trading activities

£'000	30 Sept 2021	31 March 2021
Asset-backed securities	5 012	5 160
Bonds	18 560	22 631
Government securities	5 280	4 101
Listed equities	428 626	249 753
	457 478	281 645

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Extract of loans and advances to customers and other loans and advances

£'000	30 Sept 2021	31 March 2021
Gross loans and advances to customers at amortised cost	12 506 130	11 434 817
Gross loans and advances to customers at FVOCI [^]	627 616	534 059
Gross loans and advances to customers subject to expected credit losses	13 133 746	11 968 876
Expected credit losses on loans and advances to customers at amortised cost and FVOCI [^]	(136 492)	(164 167)
Net loans and advances to customers at amortised cost and FVOCI[^]	12 997 254	11 804 709
Loans and advances to customers at fair value through profit and loss	684 453	511 604
Net loans and advances to customers	13 681 707	12 316 313
Gross other loans and advances	138 981	162 565
Expected credit losses on other loans and advances	(47)	(109)
Net other loans and advances	138 934	162 456

[^] Expected credit losses above do not include £3 million (31 March 2021: £5 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within fair value reserve.

Other securitised assets

£'000	30 Sept 2021	31 March 2021
Loans and advances to customers	96 406	101 485
Other debt securities	5 445	5 774
	101 851	107 259

Other assets

£'000	30 Sept 2021	31 March 2021
Settlement debtors	684 446	864 976
Trading properties	19 628	24 758
Prepayments and accruals	100 959	94 212
Trading initial margin	10 956	6 857
Finance lease receivables	235 952	252 797
Other	72 264	152 315
	1 124 205	1 395 915

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Debt securities in issue

£'000	30 Sept 2021	31 March 2021
Repayable in:		
Less than three months	11 919	45 890
Three months to one year	54 571	25 851
One to five years	940 098	1 080 848
Greater than five years	28 387	40 789
	1 034 975	1 193 378
Analysis by customer type:		
Retail	26 979	114 228
Wholesale	1 007 996	1 079 150
	1 034 975	1 193 378

Other liabilities

£'000	30 Sept 2021	31 March 2021
Settlement liabilities	622 051	387 733
Other creditors and accruals	217 498	274 354
Lease liabilities	364 948	387 165
Other non-interest bearing liabilities	97 330	125 789
Expected credit losses on off-balance sheet commitments and guarantees	7 808	8 821
	1 309 635	1 183 862

Extract of deferred taxation

£'000	30 Sept 2021	31 March 2021
Losses carried forward	10 900	12 286

Since the balance sheet date, the UK Government announced on 27 October 2021 its intention to decrease the banking surcharge rate from 8% to 3% and increase the surcharge allowance from £25 million to £100 million from 1 April 2023.

As the revised surcharge rate was not substantively enacted at the balance sheet date, deferred tax has been calculated based on the prevailing surcharge rate of 8%. Following the change in rate, deferred tax balances that may reverse after April 2023 would be at the combined corporation tax rate of 28% (being the main rate of 25% plus surcharge of 3%) instead of the prevailing rate of 33% (being the main rate from April 2023 of 25% plus surcharge of 8%). The estimated financial impact is expected to be £4.5 million.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Extract of subordinated liabilities

£'000	30 Sept 2021	31 March 2021
Issued by Investec Bank plc		
Remaining maturities:		
In one year or less, or on demand	336 750	334 804
In more than one year, but not more than two years	—	—
In more than two years, but not more than five years	—	—
In more than five years	425 755	436 677
	762 505	771 481

Medium-term notes

Subordinated fixed rate medium-term notes (denominated in Pound Sterling) – accounted for as designated at fair value

On 17 February 2011, Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due in 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes are redeemable at par on 17 February 2022.

On 29 June 2011, Investec Bank plc issued £75 000 000 of 9.625% subordinated notes due in 2022 at a premium (2022 notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 notes issued on 17 February 2011).

On 17 July 2018, Investec Bank plc completed a tender offer to purchase £267 038 000 aggregate nominal amount of the notes at a cash purchase price of 121.513 pence plus an accrued interest payment. The total value of the debt redeemed was £335 541 000.

Subordinated fixed rate reset callable medium-term notes (denominated in Pound Sterling) – accounted for as amortised cost

On 24 July 2018, Investec Bank plc issued £420 000 000 of 4.25% subordinated notes due 2028 at a discount (2028 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 24 July 2028. The issuer has a one-time redemption option on the early redemption date of 24 July 2023 subject to conditions.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Offsetting

At 30 September 2021 £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Assets						
Cash and balances at central banks	3 332 458	—	3 332 458	—	—	3 332 458
Loans and advances to banks	1 525 367	—	1 525 367	—	(131 278)	1 394 089
Reverse repurchase agreements and cash collateral on securities borrowed	1 486 577	—	1 486 577	(146 026)	(8 454)	1 332 097
Sovereign debt securities	1 086 517	—	1 086 517	(16 076)	—	1 070 441
Bank debt securities	50 699	—	50 699	—	—	50 699
Other debt securities	503 353	—	503 353	—	—	503 353
Derivative financial instruments	634 892	—	634 892	(290 670)	(133 626)	210 596
Securities arising from trading activities	457 478	—	457 478	(62 755)	—	394 723
Investment portfolio	358 737	—	358 737	—	—	358 737
Loans and advances to customers	13 681 707	—	13 681 707	—	—	13 681 707
Other loans and advances	138 934	—	138 934	—	(7 260)	131 674
Other securitised assets	101 851	—	101 851	—	—	101 851
Other assets	1 124 205	—	1 124 205	—	—	1 124 205
	24 482 775	—	24 482 775	(515 527)	(280 618)	23 686 630
Liabilities						
Deposits by banks	1 420 178	—	1 420 178	—	(145 298)	1 274 880
Derivative financial instruments	750 953	—	750 953	(352 783)	(72 127)	326 043
Other trading liabilities	42 364	—	42 364	(34 381)	—	7 983
Repurchase agreements and cash collateral on securities lent	158 810	—	158 810	(39 225)	(4 199)	115 386
Customer accounts (deposits)	17 023 760	—	17 023 760	—	(58 656)	16 965 104
Debt securities in issue	1 034 974	—	1 034 974	(89 138)	(338)	945 498
Liabilities arising on securitisation of other assets	104 215	—	104 215	—	—	104 215
Other liabilities	1 309 635	—	1 309 635	—	—	1 309 635
Subordinated liabilities	762 505	—	762 505	—	—	762 505
	22 607 394	—	22 607 394	(515 527)	(280 618)	21 811 249

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Offsetting (continued)

At 31 March 2021 £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Assets						
Cash and balances at central banks	3 043 034	—	3 043 034	—	—	3 043 034
Loans and advances to banks	1 383 602	—	1 383 602	—	(124 649)	1 258 953
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	—	2 065 232	(121 967)	(43 280)	1 899 985
Sovereign debt securities	1 108 253	—	1 108 253	(232 592)	—	875 661
Bank debt securities	48 044	—	48 044	—	—	48 044
Other debt securities	708 845	—	708 845	—	—	708 845
Derivative financial instruments	773 334	—	773 334	(299 446)	(144 900)	328 988
Securities arising from trading activities	281 645	—	281 645	(59 977)	—	221 668
Investment portfolio	350 941	—	350 941	—	—	350 941
Loans and advances to customers	12 316 313	—	12 316 313	—	—	12 316 313
Other loans and advances	162 456	—	162 456	—	(4 628)	157 828
Other securitised assets	107 259	—	107 259	—	—	107 259
Other assets	1 395 915	—	1 395 915	—	—	1 395 915
	23 744 873	—	23 744 873	(713 982)	(317 457)	22 713 434
Liabilities						
Deposits by banks	1 352 279	—	1 352 279	—	(219 441)	1 132 838
Derivative financial instruments	916 352	—	916 352	(532 037)	(63 783)	320 532
Other trading liabilities	49 055	—	49 055	(25 830)	—	23 225
Repurchase agreements and cash collateral on securities lent	157 357	—	157 357	(37 425)	(4 551)	115 381
Customer accounts (deposits)	16 240 634	—	16 240 634	—	(29 335)	16 211 299
Debt securities in issue	1 193 378	—	1 193 378	(118 690)	(347)	1 074 341
Liabilities arising on securitisation of other assets	108 281	—	108 281	—	—	108 281
Other liabilities	1 183 862	—	1 183 862	—	—	1 183 862
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	21 972 679	—	21 972 679	(713 982)	(317 457)	20 941 240

RESTATEMENTS

Balance sheet restatements**Current taxation assets and other assets**

As at 31 March 2021, current taxation assets, which were previously reported within other assets, were reported as a separate line item in accordance with IAS 1 Presentation of Financial Statements. As at 30 September 2020, current taxation assets of £34.3 million have been re-presented to reflect the same basis.

Gilts and Total Return Swaps reclassification

As at 31 March 2021, amounts previously reported within sovereign debt securities, derivative financial instruments and securities arising from trading activities were corrected to present them as reverse repurchase agreements and cash collateral on securities borrowed. This change in accounting treatment was made where sovereign debt securities have been purchased at the same time as total return swaps with the same counterparty, such that the combined position has the economic substance similar to secured lending. The 30 September 2020 balance sheet has been restated to give a consistent presentation. This change has no impact on the income statement. The impact of this change in the prior year is below:

£'000	At 30 Sept 2020 as previously reported	Reclassification	At 30 Sept 2020 restated
Assets			
Reverse repurchase agreements and cash collateral on securities borrowed	2 183 917	840 138	3 024 055
Sovereign debt securities	1 537 996	(634 244)	903 752
Derivative financial instruments	900 732	(523)	900 209
Securities arising from trading activities	665 035	(270 591)	394 444
Total assets	24 223 341	(65 220)	24 158 121
Liabilities			
Derivative financial instruments	949 105	(65 220)	883 885
Total liabilities	21 862 565	(65 220)	21 797 345

Cash flow statement restatements

As at 31 March 2021, amounts previously reported within loans and advances to banks were correctly presented as cash and cash equivalents. This change was made to include items previously reported as loans and advances to banks identified as short term in nature, with a maturity date of less than three months, which therefore met the definition of cash and cash equivalents. The change at 30 September 2020 was £0.6 billion, from £1.0 billion to £1.6 billion in on demand loans and advances to banks.

CREDIT AND COUNTERPARTY RISK

The following risk management and capital section will provide details on the quantitative disclosure required on a semi-annual basis. For additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2021.

An analysis of gross core loans, asset quality and ECL

The tables that follow provide information with respect to the asset quality of our gross core loans on a statutory basis.

Net core loans increased £1.4 billion since 31 March 2021 to £13.7 billion. Loan growth has predominantly been driven by high net worth mortgages as well as a number of areas across corporate and other lending.

The overall loan portfolio continues to perform despite the macro-environment. Stage 3 exposures have reduced from 2.8% of gross core loans subject to ECL at 31 March 2021 to 2.1% at 30 September 2021 driven by a number of exits, offset by limited new defaults. Of these Stage 3 exposures 1.6% relate to Ongoing (1.9% at 31 March 2021).

Stage 2 exposures decreased from 10.3% at 31 March 2021 to 6.4% at 30 September 2021, predominantly due to the transfer of loans back to Stage 1 resulting from the updated forward-looking macro-economic scenarios. This ratio still remains above pre-COVID-19 levels (5.3% at 30 September 2019) reflecting the ongoing uncertainty in the macro-economic environment.

The annualised credit loss ratio at 30 September 2021 is low at 0.10% given the limited number of specific impairments required in the period (0.56% at 31 March 2021).

£'million	30 Sept 2021	31 March 2021
Gross core loans	13 818	12 480
Gross core loans at FVPL	684	512
Gross core loans subject to ECL*	13 134	11 968
Stage 1	12 019	10 398
Stage 2	840	1 238
of which past due greater than 30 days	30	90
Stage 3	275	332
of which Ongoing (excluding Legacy) Stage 3*	215	231
ECL	(139)	(169)
Stage 1	(33)	(27)
Stage 2	(33)	(41)
Stage 3	(73)	(101)
of which ongoing (excluding Legacy) Stage 3*	(41)	(62)
Coverage ratio		
Stage 1	0.27%	0.26%
Stage 2	3.9%	3.3%
Stage 3	26.5%	30.4%
of which Ongoing (excluding Legacy) Stage 3*	19.1%	26.8%
Annualised credit loss ratio	0.10%	0.56%
ECL impairment charges on core loans	(6)	(65)
Average gross core loans subject to ECL	12 551	11 662
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	202	231
of which Ongoing (excluding Legacy) Stage 3*	174	169
Aggregate collateral and other credit enhancements on Stage 3	208	235
Stage 3 as a % of gross core loans subject to ECL	2.1%	2.8%
of which Ongoing (excluding Legacy) Stage 3*	1.6%	1.9%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.6%	2.0%
of which Ongoing (excluding Legacy) Stage 3*	1.3%	1.4%

* Refer to definitions on page 50. Our exposure (net of ECL) to the Legacy portfolio has reduced from £84 million at 31 March 2021 to £49 million at 30 September 2021. These assets are largely reported under Stage 3 and make up 21.8% of Stage 3 gross core loans. These assets have been significantly provided for and Stage 3 coverage for these Legacy assets remains high at 53.3%.

CREDIT AND COUNTERPARTY RISK
CONTINUED

An analysis of core loans by risk category – Lending collateralised by property

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 30 September 2021										
Commercial real estate	1 217	(4)	148	(7)	109	(21)	1 474	(32)	19	1 493
Commercial real estate – investment	966	(3)	113	(5)	103	(18)	1 182	(26)	15	1 197
Commercial real estate – development	245	(1)	29	(1)	—	—	274	(2)	4	278
Commercial vacant land and planning	6	—	6	(1)	6	(3)	18	(4)	—	18
Residential real estate	623	(1)	32	—	52	(26)	707	(27)	10	717
Residential real estate – investment	289	—	—	—	4	(1)	293	(1)	8	301
Residential real estate – development	326	(1)	32	—	16	(6)	374	(7)	—	374
Residential vacant land and planning	8	—	—	—	32	(19)	40	(19)	2	42
Total lending collateralised by property	1 840	(5)	180	(7)	161	(47)	2 181	(59)	29	2 210
Coverage ratio		0.27%		3.9%		29.2%		2.7%		
At 31 March 2021										
Commercial real estate	1 126	—	134	(4)	137	(25)	1 397	(29)	19	1 416
Commercial real estate – investment	910	—	118	(3)	130	(21)	1 158	(24)	15	1 173
Commercial real estate – development	211	—	10	—	1	(1)	222	(1)	4	226
Commercial vacant land and planning	5	—	6	(1)	6	(3)	17	(4)	—	17
Residential real estate	614	—	12	—	73	(29)	699	(29)	11	710
Residential real estate – investment	315	—	3	—	19	(6)	337	(6)	9	346
Residential real estate – development	287	—	9	—	23	(5)	319	(5)	—	319
Residential vacant land and planning	12	—	—	—	31	(18)	43	(18)	2	45
Total lending collateralised by property	1 740	—	146	(4)	210	(54)	2 096	(58)	30	2 126
Coverage ratio		0.00%		2.7%		25.7%		2.8%		

An analysis of core loans by risk category – High net worth and other private client lending

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 30 September 2021										
Mortgages	3 620	(1)	76	—	33	(3)	3 729	(4)	—	3 729
High net worth and specialised lending	899	(3)	22	(1)	1	—	922	(4)	4	926
Total high net worth and other private client lending	4 519	(4)	98	(1)	34	(3)	4 651	(8)	4	4 655
Coverage ratio		0.09%		1.0%		8.8%		0.2%		
At 31 March 2021										
Mortgages	3 103	(1)	74	—	16	(2)	3 193	(3)	—	3 193
High net worth and specialised lending	832	(1)	31	(1)	2	(1)	865	(3)	7	872
Total high net worth and other private client lending	3 935	(2)	105	(1)	18	(3)	4 058	(6)	7	4 065
Coverage ratio		0.05%		1.0%		16.7%		0.1%		

CREDIT AND COUNTERPARTY RISK

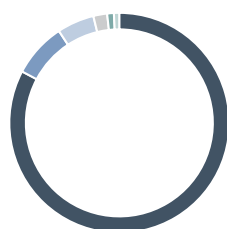
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An analysis of core loans by risk category – Corporate and other lending

£'million	Gross core loans at amortised cost and FVOCI							Gross core loans at FVPL	Gross core loans	
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure			ECL
At 30 September 2021										
Corporate and acquisition finance	1 331	(8)	226	(12)	6	(5)	1 563	(25)	114	1 677
Asset-based lending	304	(1)	36	—	—	—	340	(1)	12	352
Fund finance	1 303	(1)	18	—	—	—	1 321	(1)	102	1 423
Other corporate and financial institutions and governments	496	(3)	77	(3)	4	(2)	577	(8)	130	707
Asset finance	1 796	(9)	166	(9)	26	(14)	1 988	(32)	125	2 113
Small ticket asset finance	1 192	(8)	112	(7)	21	(12)	1 325	(27)	—	1 325
Motor finance	604	(1)	54	(2)	5	(2)	663	(5)	—	663
Large ticket asset finance	—	—	—	—	—	—	—	—	125	125
Power and infrastructure finance	431	(2)	39	(1)	44	(2)	514	(5)	168	682
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	5 661	(24)	562	(25)	80	(23)	6 303	(72)	651	6 954
Coverage ratio	0.42%		4.4%		28.8%		1.1%			
At 31 March 2021										
Corporate and acquisition finance	1 000	(7)	336	(17)	12	(4)	1 348	(28)	87	1 435
Asset-based lending	189	(2)	115	(2)	—	—	304	(4)	14	318
Fund finance	1 176	(2)	57	—	—	—	1 233	(2)	48	1 281
Other corporate and financial institutions and governments	452	(2)	113	(2)	9	(3)	574	(7)	144	718
Asset finance	1 527	(10)	284	(11)	58	(36)	1 869	(57)	135	2 004
Small ticket asset finance	1 060	(9)	202	(10)	29	(16)	1 291	(35)	—	1 291
Motor finance	467	(1)	82	(1)	6	(2)	555	(4)	—	555
Large ticket asset finance	—	—	—	—	23	(18)	23	(18)	135	158
Power and infrastructure finance	351	(2)	82	(4)	25	(1)	458	(7)	47	505
Resource finance	28	—	—	—	—	—	28	—	—	28
Total corporate and other lending	4 723	(25)	987	(36)	104	(44)	5 814	(105)	475	6 289
Coverage ratio	0.53%		3.6%		42.3%		1.8%			

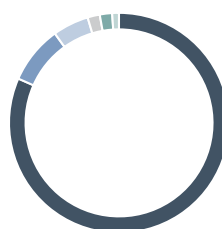
An analysis of gross core loans by country of exposure

30 September 2021
£13 818 million



United Kingdom	82.7%
Europe (excluding UK)	8.0%
North America	5.5%
Asia	2.0%
Australia	1.0%
Other	0.8%

31 March 2021
£12 480 million



United Kingdom	81.6%
Europe (excluding UK)	8.5%
North America	5.3%
Asia	1.8%
Australia	1.8%
Other	1.0%

CREDIT AND COUNTERPARTY RISK
CONTINUED

An analysis of staging and ECL movements for core loans subject to ECL

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2021 to 30 September 2021. The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The increase in transfers into Stage 1 was almost all driven by the improved economic outlook and corresponding PD improvement in the loan book. There was no uptick in transfers into Stage 3 as a proportion of the opening book reflecting limited new defaults experienced to date, supported in part by government measures in place.

The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold.

The ECL impact of changes to risk parameters and models during the period largely relates to the improved macro-economic scenarios as a result of the COVID-19 pandemic as well as the reporting of certain overlays. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2021.

£'million	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
At 31 March 2021	10 398	(27)	1 238	(41)	332	(101)	11 968	(169)
Transfer from Stage 1	(297)	1	281	(1)	16	—	—	—
Transfer from Stage 2	503	(8)	(564)	9	61	(1)	—	—
Transfer from Stage 3	2	—	1	—	(3)	—	—	—
ECL remeasurement arising from transfer of stage	—	3	—	(2)	—	(2)	—	(1)
New lending net of repayments (includes assets written off)	1 387	1	(118)	2	(131)	31	1 138	34
Changes to risk parameters and models	—	(3)	—	—	—	—	—	(3)
Foreign exchange and other	26	—	2	—	—	—	28	—
At 30 September 2021	12 019	(33)	840	(33)	275	(73)	13 134	(139)

£'million	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
At 31 March 2020	10 399	(37)	576	(31)	379	(107)	11 354	(175)
Transfer from Stage 1	(933)	4	918	(4)	15	—	—	—
Transfer from Stage 2	94	(1)	(150)	2	56	(1)	—	—
Transfer from Stage 3	4	—	8	—	(12)	—	—	—
ECL remeasurement arising from transfer of stage	—	1	—	(10)	—	(8)	—	(17)
New lending net of repayments (includes assets written off)	306	1	(25)	(1)	(93)	24	188	24
Changes to risk parameters and models	—	(1)	—	—	—	—	—	(1)
Foreign exchange and other	28	—	5	—	—	—	33	—
At 30 September 2020	9 898	(33)	1 332	(44)	345	(92)	11 575	(169)

CREDIT AND COUNTERPARTY RISK

CONTINUED

COVID-19 government schemes

We have offered additional support to our clients, including UK SME businesses. We became accredited to lend under the various schemes introduced by the UK Government, including the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLs). As at 30 September 2021 we have exposure to loans totalling £185 million under these schemes. The BBLs, CBILS and CLBILS schemes closed for new applications on 31 March 2021 and were replaced by the Recovery Loan Scheme (RLS) which came into use on 6 April 2021 until 31 December 2021. We have exposure to £8 million of loans under the RLS.

COVID-19 relief measures

We have sought to help our clients wherever possible, including small and medium-sized enterprises (SMEs), our banking clients, corporates and others, providing payment holidays and other forms of COVID-19 relief measures including covenant waivers, interest-only and capital deferrals to assist clients in difficulty due to COVID-19 induced lockdowns and the significant slowdown in economic activity. We have structured different types of support to suit diverse client needs. We remain in close contact with each of these clients, and are constantly monitoring the situation. COVID-19 relief measures currently in place have reduced substantially from a peak of 13.7% of gross core loans at end June 2020 to 1.0% at 30 September 2021. Exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages.

COVID-19 vulnerable sectors

£'million	30 September 2021					Total gross core loans	31 March 2021					Total gross core loans
	Stage 1	Stage 2	Stage 3	FVPL	Stage 1		Stage 2	Stage 3	FVPL			
Aviation	85	41	1	242	369	30	95	6	262	393		
Transport (excluding aviation)	87	25	8	—	120	29	99	31	—	159		
Retail, hotel and leisure properties [^]	127	14	59	8	208	109	14	66	11	200		
Leisure, entertainment and tourism	22	26	—	—	48	22	27	—	—	49		
Retailers	75	7	6	—	88	54	7	8	—	69		
Vulnerable sectors within small ticket asset finance	307	25	8	—	340	265	50	11	—	326		
Total	703	138	82	250	1 173	509	292	122	273	1 196		
Coverage ratio	0.71%	5.8%	24.4%	—	2.8%	0.59%	3.1%	33.6%	—	4.4%		

[^] Retail properties which have no underlying tenants that are either food retailers or other essential goods and services.

CREDIT AND COUNTERPARTY RISK
CONTINUED

The tables that follow provide further analysis of the bank's gross credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £24.9 billion at 30 September 2021. Cash and near cash balances amounted to £7.3 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 98% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	30 Sept 2021	31 March 2021
Cash and balances at central banks	3 332	3 043
Loans and advances to banks	1 525	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	1 487	2 065
Sovereign debt securities	1 087	1 108
Bank debt securities	51	48
Other debt securities	505	682
Derivative financial instruments	603	730
Securities arising from trading activities	29	28
Loans and advances to customers	13 818	12 480
Other loans and advances	139	131
Other securitised assets	7	6
Other assets	68	451
Total on-balance sheet exposures	22 651	22 156
Guarantees	49	46
Committed facilities related to loans and advances to customers	1 959	1 805
Contingent liabilities, letters of credit and other	272	252
Total off-balance sheet exposures	2 280	2 103
Total gross credit and counterparty exposures	24 931	24 259

CREDIT AND COUNTERPARTY RISK CONTINUED

A further analysis of gross credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

At 30 September 2021 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL [#]	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	3 332	—	3 332	—	—	3 332
Loans and advances to banks	1 525	—	1 525	—	—	1 525
Reverse repurchase agreements and cash collateral on securities borrowed	1 487	560	927	—	—	1 487
Sovereign debt securities	1 087	36	1 051	—	—	1 087
Bank debt securities	51	—	51	—	—	51
Other debt securities	505	100	405	(2)	—	503
Derivative financial instruments	603	603	—	—	32	635
Securities arising from trading activities	29	29	—	—	428	457
Investment portfolio	—	—	—	—	359*	359
Loans and advances to customers	13 818	684	13 134	(139)	—	13 679
Other loans and advances	139	—	139	—	—	139
Other securitised assets	7	7	—	—	95 [^]	102
Interest in associated undertakings and joint venture holdings	—	—	—	—	11	11
Deferred taxation assets	—	—	—	—	89	89
Current taxation assets	—	—	—	—	16	16
Other assets	68	—	68	—	1 056**	1 124
Property and equipment	—	—	—	—	170	170
Goodwill	—	—	—	—	244	244
Software	—	—	—	—	8	8
Other acquired intangible assets	—	—	—	—	51	51
Total on-balance sheet exposures	22 651	2 019	20 632	(141)	2 559	25 069
Guarantees	49	—	49	—	—	49
Committed facilities related to loans and advances to customers	1 959	47	1 912	(7)	—	1 952
Contingent liabilities, letters of credit and other	272	—	272	(1)	211	482
Total off-balance sheet exposures	2 280	47	2 233	(8)	211	2 483
Total exposures	24 931	2 066	22 865	(149)	2 770	27 552

ECLs include £2.9 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.

* Relates to exposures that are classified as investment risk in the banking book.

[^] While the bank manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the bank. The net credit exposure that the bank has in the vehicles is reflected in the 'total credit and counterparty exposure'.

** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

CREDIT AND COUNTERPARTY RISK
CONTINUED

A further analysis of gross credit and counterparty exposures (continued)

At 31 March 2021 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL [#]	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	3 043	—	3 043	—	—	3 043
Loans and advances to banks	1 384	—	1 384	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	675	1 390	—	—	2 065
Sovereign debt securities	1 108	37	1 071	—	—	1 108
Bank debt securities	48	—	48	—	—	48
Other debt securities	682	206	476	(1)	28	709
Derivative financial instruments	730	730	—	—	43	773
Securities arising from trading activities	28	28	—	—	254	282
Investment portfolio	—	—	—	—	351*	351
Loans and advances to customers	12 480	512	11 968	(169)	—	12 311
Other loans and advances	131	—	131	—	31	162
Other securitised assets	6	6	—	—	101 [^]	107
Interest in associated undertakings and joint venture holdings	—	—	—	—	4	4
Deferred taxation assets	—	—	—	—	110	110
Current taxation assets	—	—	—	—	43	43
Other assets	451	—	451	—	945**	1 396
Property and equipment	—	—	—	—	186	186
Goodwill	—	—	—	—	244	244
Software	—	—	—	—	8	8
Other acquired intangible assets	—	—	—	—	57	57
Total on-balance sheet exposures	22 156	2 194	19 962	(170)	2 405	24 391
Guarantees	46	—	46	—	—	46
Committed facilities related to loans and advances to customers	1 805	83	1 722	(9)	—	1 796
Contingent liabilities, letters of credit and other	252	—	252	—	213	465
Total off-balance sheet exposures	2 103	83	2 020	(9)	213	2 307
Total exposures	24 259	2 277	21 982	(179)	2 618	26 698

ECLs include £5.2 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.

* Relates to exposures that are classified as investment risk in the banking book.

[^] While the bank manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the bank. The net credit exposure that the bank has in the vehicles is reflected in the 'total credit and counterparty exposure'.

** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Detailed analysis of gross credit and counterparty exposures by industry

£'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
At 30 September 2021							
Cash and balances at central banks	—	—	—	—	3 332	—	—
Loans and advances to banks	—	—	—	—	—	—	1 525
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	394	—	1 093
Sovereign debt securities	—	—	—	—	1 002	—	85
Bank debt securities	—	—	—	—	—	—	51
Other debt securities	—	—	—	—	6	36	241
Derivative financial instruments	1	2	—	88	1	2	375
Securities arising from trading activities	—	—	—	—	5	2	17
Loans and advances to customers	4 655	2 210	14	792	255	1 143	1 620
Other loans and advances	—	—	—	—	—	—	127
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	59
Total on-balance sheet exposures	4 656	2 212	14	880	4 995	1 183	5 193
Guarantees	7	—	—	10	—	1	23
Committed facilities related to loans and advances to customers	120	376	—	314	40	186	575
Contingent liabilities, letters of credit and other	18	—	—	135	—	15	103
Total off-balance sheet exposures	145	376	—	459	40	202	701
Total gross credit and counterparty exposures	4 801	2 588	14	1 339	5 035	1 385	5 894
At 31 March 2021							
Cash and balances at central banks	—	—	—	—	3 043	—	—
Loans and advances to banks	—	—	—	—	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	634	—	1 431
Sovereign debt securities	—	—	—	—	1 062	—	46
Bank debt securities	—	—	—	—	—	—	48
Other debt securities	—	—	—	22	6	17	322
Derivative financial instruments	—	5	2	88	6	22	458
Securities arising from trading activities	—	—	—	—	15	2	9
Loans and advances to customers	4 065	2 126	14	648	272	1 048	1 306
Other loans and advances	—	—	—	—	—	—	113
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	9	—	—	441
Total on-balance sheet exposures	4 065	2 131	16	767	5 038	1 089	5 558
Guarantees	8	—	—	10	—	—	19
Committed facilities related to loans and advances to customers	147	351	—	290	37	160	474
Contingent liabilities, letters of credit and other	18	—	—	124	—	—	103
Total off-balance sheet exposures	173	351	—	424	37	160	596
Total gross credit and counterparty exposures	4 238	2 482	16	1 191	5 075	1 249	6 154

CREDIT AND COUNTERPARTY RISK
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	Total
—	—	—	—	—	—	—	—	—	—	3 332
—	—	—	—	—	—	—	—	—	—	1 525
—	—	—	—	—	—	—	—	—	—	1 487
—	—	—	—	—	—	—	—	—	—	1 087
—	—	—	—	—	—	—	—	—	—	51
—	—	—	153	—	—	—	61	—	8	505
11	11	1	—	4	64	—	42	—	1	603
—	—	—	5	—	—	—	—	—	—	29
241	808	103	—	149	115	93	711	663	246	13 818
—	—	—	12	—	—	—	—	—	—	139
—	—	—	7	—	—	—	—	—	—	7
2	—	—	—	—	—	—	7	—	—	68
254	819	104	177	153	179	93	821	663	255	22 651
1	—	—	—	1	—	—	6	—	—	49
13	129	7	—	41	67	2	22	—	67	1 959
—	1	—	—	—	—	—	—	—	—	272
14	130	7	—	42	67	2	28	—	67	2 280
268	949	111	177	195	246	95	849	663	322	24 931
—	—	—	—	—	—	—	—	—	—	3 043
—	—	—	—	—	—	—	—	—	—	1 384
—	—	—	—	—	—	—	—	—	—	2 065
—	—	—	—	—	—	—	—	—	—	1 108
—	—	—	—	—	—	—	—	—	—	48
—	—	—	238	—	—	—	69	—	8	682
34	26	2	—	6	23	—	56	—	2	730
—	—	—	2	—	—	—	—	—	—	28
220	761	94	—	95	156	98	754	555	268	12 480
—	—	—	18	—	—	—	—	—	—	131
—	—	—	6	—	—	—	—	—	—	6
—	1	—	—	—	—	—	—	—	—	451
254	788	96	264	101	179	98	879	555	278	22 156
2	—	—	—	1	—	—	6	—	—	46
14	114	—	—	4	75	—	21	—	118	1 805
—	1	—	—	—	6	—	—	—	—	252
16	115	—	—	5	81	—	27	—	118	2 103
270	903	96	264	106	260	98	906	555	396	24 259

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by residual contractual maturity

At 30 September 2021	Up	Three	Six	One	Five to 10	> 10 years	
£'million	to three	to six	months to	to five	years		Total
	months	months	one year	years			
Cash and balances at central banks	3 332	—	—	—	—	—	3 332
Loans and advances to banks	1 484	—	35	6	—	—	1 525
Reverse repurchase agreements and cash collateral on securities borrowed	862	3	43	62	33	484	1 487
Sovereign debt securities	528	141	103	216	65	34	1 087
Bank debt securities	—	—	11	11	29	—	51
Other debt securities	2	2	—	50	188	263	505
Derivative financial instruments	77	79	126	221	74	26	603
Securities arising from trading activities	—	2	3	5	11	8	29
Loans and advances to customers	1 165	883	1 590	7 213	1 797	1 170	13 818
Other loans and advances	7	—	—	9	75	48	139
Other securitised assets	—	—	—	—	—	7	7
Other assets	67	—	1	—	—	—	68
Total on-balance sheet exposures	7 524	1 110	1 912	7 793	2 272	2 040	22 651
Guarantees	3	1	1	42	2	—	49
Committed facilities related to loans and advances to customers	53	50	199	1 189	449	19	1 959
Contingent liabilities, letters of credit and other	10	27	67	113	55	—	272
Total off-balance sheet exposures	66	78	267	1 344	506	19	2 280
Total gross credit and counterparty exposures	7 590	1 188	2 179	9 137	2 778	2 059	24 931

ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURE

Key judgements at 30 September 2021

COVID-19 has had a substantial impact on the macro-economic scenarios required under IFRS 9. Since the implementation of IFRS 9, we have seen changes to underlying macro-economic factors, scenarios and weightings. However, in the period since 31 March 2020, the actual movements experienced under the base case have been of a scale and speed which has not previously been experienced in the bank's models given the nature of the stress caused by the COVID-19 pandemic. In the period since 30 September 2020, we have seen a substantial 'bounce back' in economic conditions that has also resulted in extreme actual movements well beyond that previously experienced in the bank's models. As a result, these extreme and unprecedented economic conditions have identified limitations in aspects of our model design and calibration. Unresolved, this aspect of the models would have resulted in a substantial over-prediction of default rates in the period to 30 September 2020 and a significant under-prediction of default rates in the period since to 30 September 2021.

Ahead of 31 March 2021, the model methodology itself was therefore reviewed and the same broad approach continues to be used at 30 September 2021, including certain judgements where necessary. Reliance was still placed on the bank's internal models where relevant, but, where necessary, adjustments were made to reflect the ongoing uncertainty in the economic environment whilst still relying on the bank's internal models where relevant. To address the model's limitations, mitigation measures have been utilised to floor the 'point in time' probability of default at the 'through the cycle' long run probability of default. Additional mitigation measures have also been utilised on certain macro-economic variables most impacted by the current macro-economic scenarios to date based on the historical data used in the models' design to provide additional accuracy to the modelled ECL. These measures suppress the 'bounce-back' experienced in the macro-economic scenarios and allows the models to output ECL impairments in a reliable and unbiased way whilst still observing the economic trends being experienced and reflecting the fundamental credit strength of the underlying exposures.

The assessment of the impact from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. To ensure that the overall level of ECL was reasonable and that the judgements applied had been suitably tested, management reviewed the overall output of ECLs and considered a number of alternative assumptions.

At 31 March 2021, based on the outcome of this review, an ECL overlay amounting to £16 million was considered appropriate to account for latent risk in the performing portfolio as well as to capture the significant level of judgement required in the application of the macro-economic scenarios. At 30 September 2021, the updated macro-economic scenarios result in a material release of ECL on the performing book as a result of the improved actual macro-economic factors and despite an increased weighting to the downside of the economists' updated scenarios (which includes a new inflationary scenario). As such, the existing ECL overlay has been maintained at £16 million and a new management overlay of £5 million has been introduced to capture the ongoing uncertainty in the UK operating environment and to offset modelled releases that aren't deemed fully reflective of the uncharted territory currently being navigated. The £21 million ECL overlay has been applied across Stage 1 (£5 million) and Stage 2 (£16 million) gross core loans (31 March 2021: £16 million ECL overlay was applied to Stage 2). The combined effect of the updated macro-economic scenarios, overlays and certain in-model adjustments, result in a net release in the period across Stage 1 and 2 of £3.2 million. Taken together with specific impairments in the period and run-rate ECL charges on the performing books results in the bank reporting a £4.9 million ECL impairment charge.

ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURE CONTINUED

Forward-looking macro-economic scenarios

The measurement of ECL also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking estimate. These scenarios are updated at least twice a year, or more frequently if there is a macro-economic shock or significant shift in expectations. The weighting of these scenarios for IFRS 9 as well as the scenarios themselves are discussed and approved at the relevant BRCCs as well as the relevant capital committees, which form part of the principal governance framework for macro-economic scenarios.

A number of forecast economic scenarios are considered for capital planning, stress testing (including Investec-specific stress scenarios) and IFRS 9.

For Investec Bank plc, four macro-economic scenarios are used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.

As at 30 September 2021 the base case was updated to represent the latest economic outlook that envisaged the continued recovery from the COVID-19 pandemic. In light of the latest global developments, an adjustment was made to the composition of the downside scenarios. An Inflation scenario was introduced to capture the emergence of risks related to rising prices which anticipates UK CPI inflation peaking at 4.2% in the second quarter of 2022 and remaining around those levels throughout the calendar year. This scenario replaced the Fiscal crisis scenario which was used at 31 March 2021, whilst the L-shape scenario remains in place, albeit updated for the latest economic data.

In addition to a reassessment of the macro-economic scenarios, a review of the scenario weightings also took place to take into account the latest economic developments and the changes to the scenarios. On this basis, the scenario weightings stood at 10% upside, 50% base case, 20% L-shape and 20% Inflation. On balance, the skew of risks remained to the downside.

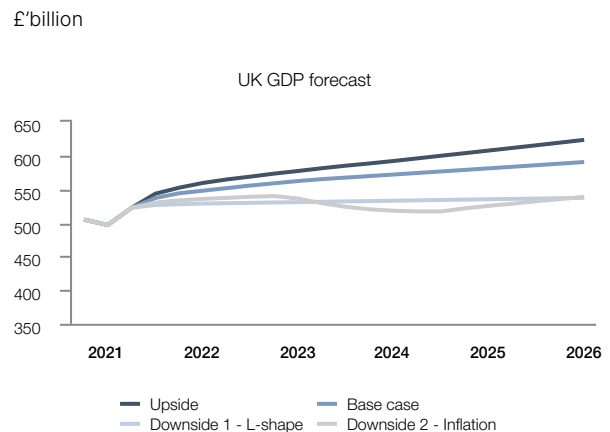
Risks to the economic outlook from COVID-19 remain, but the effective roll out of vaccines across the world should indicate that the worst of the pandemic has passed. As such, the base case assumes a continued rebound in economic activity with the pre-pandemic peak in GDP being surpassed in the first quarter of 2022. Fiscal and monetary policy remain supportive, but are expected to be gradually withdrawn. For example, the end of the furlough scheme is expected to contribute to a rise in unemployment, albeit on a temporary basis. Meanwhile, it is expected that the BoE will begin to tighten interest rate policy in 2022. Broadly, the economy is expected to see GDP growth in excess of trend in the near term, with 2021 and 2022 calendar years at 7.2% and 5.4%, respectively before moderating across the latter part of the scenario horizon.

The downside 1 – L-shape scenario assumes more permanent economic scarring from the pandemic as well as other factors which results in a protracted period of economic stagnation, low inflation and a further easing in monetary policy. In the UK this is embodied in an assumption of GDP growth averaging 0.1% a quarter. Further, the BoE is expected to introduce a negative interest rate policy, with the bank rate expected to be lowered to -0.40%.

The downside 2 – Inflation scenario focuses on the risk that the current inflation spike rises further and proves to be more protracted. The consequences are second round effects via the labour market resulting in an extended period with inflation above 4% in the UK and US. In response, central banks are assumed to respond via interest rate increases, with both the Federal Reserve and the BoE increasing policy rates to 5%. The shift in monetary policy contributes to a market repricing and tightening financial conditions; ultimately an economic downturn ensues across 2023. Policy is however loosened in response, leading to a recovery in economic activity across the latter part of the scenario horizon.

In the upside case, a quicker recovery is experienced, triggered by a successful vaccine roll out campaign and an end to social restrictions. Ultimately, there is a stronger rebound in productivity, which helps to support a faster pace of GDP growth, which over the medium term averages over 2.5% per annum. This stronger than expected rebound is seen globally, which leads to an earlier tightening in monetary policy.

The graph below shows the forecasted UK GDP under each macro-economic scenario applied at 30 September 2021.



ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURE
CONTINUED

The table that follows shows the key factors that form part of the macro-economic scenarios and their relative applied weightings.

	At 30 September 2021 average 2021 – 2026				At 31 March 2021 average 2021 – 2026			
	Upside	Base case	Downside 1 L-shape	Downside 2 Inflation	Upside	Base case	Downside 1 L-shape	Downside 2 Fiscal crisis
Macro-economic scenarios	%	%	%	%	%	%	%	%
UK								
GDP growth	5.2	4.1	2.2	2.2	5.4	4.2	1.3	0.9
Unemployment rate	3.7	4.4	6.7	6.7	4.3	4.7	6.9	7.8
House price growth	6.7	4.2	2.3	(3.9)	3.7	1.6	0.7	(0.9)
Bank of England – bank rate (end year)	1.3	0.8	(0.4)	1.8	1.0	0.6	(0.4)	(0.7)
Euro area								
GDP growth	4.2	3.2	1.1	1.1	4.4	3.1	1.0	0.9
US								
GDP growth	5.0	3.7	2.4	1.9	6.5	3.4	1.4	1.2
Scenario weightings	10	50	20	20	10	55	30	5

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 30 September 2021.

Base case %	Financial years				
	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
UK					
GDP growth	11.7	3.6	2.0	1.6	1.6
Unemployment rate	5.1	4.5	4.2	4.2	4.2
House price growth	10.1	3.5	2.4	2.4	2.4
Bank of England – bank rate (end year)	0.1	0.3	0.8	1.3	1.8
Euro area					
GDP growth	6.8	3.8	2.2	1.8	1.6
US					
GDP growth	9.1	3.6	2.0	1.8	1.8

INVESTMENT RISK

Investment risk in the banking book

Investment risk in the banking book comprises 1.5% of total assets at 30 September 2021.

Summary of investments held and stress testing analyses

An analysis of income and revaluations of these investments can be found in the investment income note on page 10. The balance sheet value of investments is indicated in the table below.

£'million Category	On-balance sheet value of investments 30 Sept 2021	Valuation change stress test 30 Sept 2021*	On-balance sheet value of investments 31 March 2021	Valuation change stress test 31 March 2021*
Unlisted investments	352	53	341	51
Listed equities	7	2	10	3
Total investment portfolio	359	55	351	54
Trading properties	20	4	25	5
Warrants and profit shares	5	2	5	2
Total	384	61	381	61

* In order to assess our earnings sensitivity to a movement in the valuation of these investments, the stress testing parameters detailed below are applied:

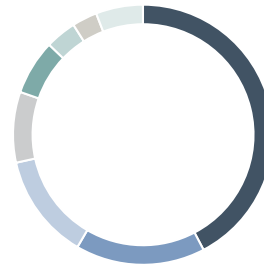
Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Warrants and profit shares	35%

Stress testing summary

Based on the information at 30 September 2021, as reflected above, we could have a £61 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the bank to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is low, although the probability of listed equities being negatively impacted at the same time is high.

An analysis of the investment portfolio, warrants and profit shares

30 September 2021
£364 million



Finance and insurance	42.3%
Manufacturing and commerce	16.1%
Real estate	13.1%
Retailers and wholesalers	8.8%
Transport	6.8%
Communication	3.9%
Business services	3.1%
Other	5.9%

SECURITISATION

Securitisation/structured credit activities exposures**Overview**

The group's definition of securitisation/structured credit activities is wider than the definition as applied for regulatory capital purposes. This regulatory capital definition largely focuses on positions we hold in an investor capacity and also includes securitisation positions we have retained in transactions in which the group has achieved significant risk transfer. We believe, however, that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a full picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

The new securitisation framework is followed when calculating capital requirements for securitisation positions. Given risk-weightings under this new framework are no longer reliant on ratings, a breakdown by risk-weighting has also been provided in the analysis below.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.

Nature of exposure/activity	30 Sept 2021 £'million	31 March 2021 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	486	575	Other debt securities and other loans and advances
<40% RWA	440	554	
>40% RWA	46	21	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US corporate loans	223	47	10	—	—	—	280	35	315
UK RMBS	111	53	2	—	—	—	166	5	171
Total at 30 September 2021	334	100	12	—	—	—	446	40	486
<40% RWA	330	68	7	—	—	—	405	35	440
>40% RWA	4	32	5	—	—	—	41	5	46
Total at 31 March 2021	376	173	7	1	—	—	557	18	575

MARKET RISK

Market risk in the trading book**Traded market risk**

The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow. Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets.

Value at Risk

VaR numbers using a one-day holding period are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. Expected shortfalls are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution.

The table below contains the 95% one-day VaR figures for the trading businesses.

95% one-day VaR £'000	30 September 2021				31 March 2021			
	Period end	Average	High	Low	Year end	Average	High	Low
Equities	570	469	631	335	435	828	2 021	302
Foreign exchange	9	12	53	1	10	11	47	1
Interest rates	27	29	53	18	42	52	94	17
Credit	1	24	89	1	62	213	455	42
Consolidated*	542	465	655	341	456	896	2 155	289

* The consolidated VaR for each entity is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes (diversification).

Expected shortfall

The ES measure overcomes some of VaR's shortcomings. ES seeks to quantify losses encountered in the tail beyond the VaR level. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded. The table below contains the 95% one-day ES figures.

95% one-day ES £'000	30 Sept 2021 Period end	31 March 2021 Year end
Equities	1 223	901
Foreign exchange	12	20
Interest rates	61	66
Credit	2	102
Consolidated[^]	1 179	941

[^] The consolidated ES for each entity is lower than the sum of the individual ESs. This arises from the correlation offset between various asset classes.

Stressed VaR

Stressed VaR (sVaR) is calculated using the VaR model but based on a one-year period through which the relevant market factors experienced stress. The information in the table below contains the 99% one-day sVaR.

£'000	30 Sept 2021 Period end	31 March 2021 Year end
99% one-day sVaR	1 443	722

Stress testing

The table below indicates the potential losses that could arise in the trading book portfolio per EVT at the 99% confidence level. EVT is a methodology widely used to estimate tail-event losses beyond the 95% one-day VaR. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the VaR distribution.

99% EVT £'000	30 Sept 2021 Period end	31 March 2021 Year end
Equities	6 698	5 315
Foreign exchange	27	79
Interest rates	317	134
Credit	4	366
Consolidated[#]	6 051	5 335

[#] The consolidated stress testing for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes.

MARKET RISK
CONTINUED

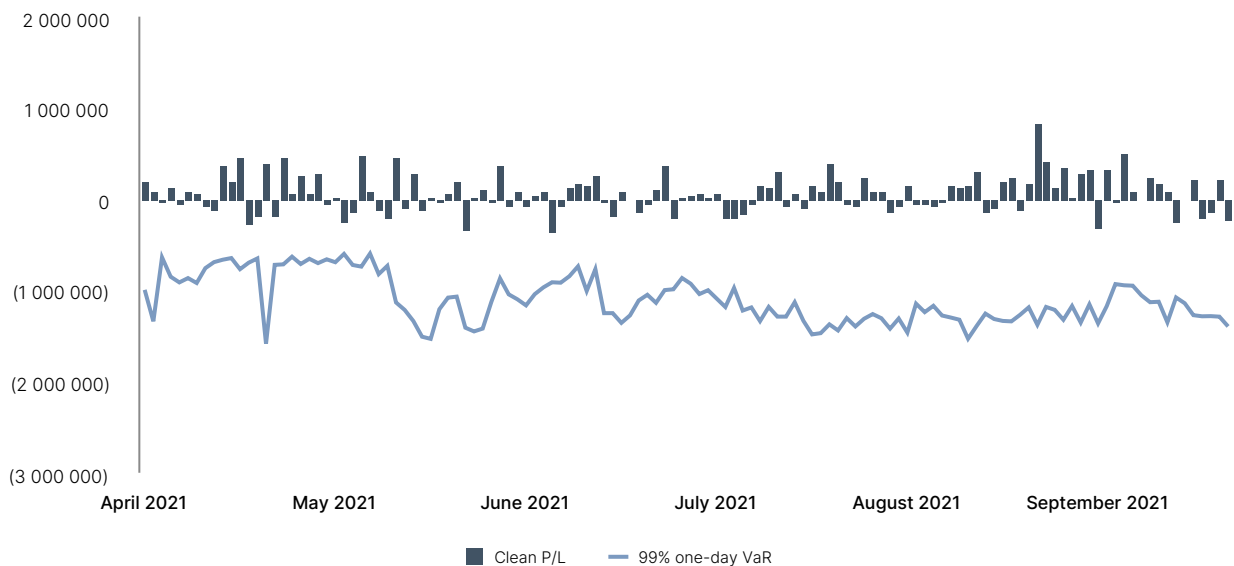
Backtesting

The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission, fees and hedge costs included in the new trade revenue. If a loss exceeds the one-day VaR, a backtesting exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested. This is conducted at an aggregate and desk level on a daily basis.

The graph that follows shows the result of backtesting the total daily 99% one-day VaR against the clean profit and loss data for our trading activities over the reporting period. Based on this graph, we can gauge the accuracy of the VaR figures, i.e. 99% of the time, losses are not expected to exceed the 99% one-day VaR.

Using clean profit and loss data for backtesting resulted in no exceptions over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. Two to three exceptions are expected over a year-long period. The absence of exceptions is attributable to more stable markets with the post-pandemic normalisation, de-risking in the structured products book and the March 2020 volatility still being in the historic period of the VaR model.

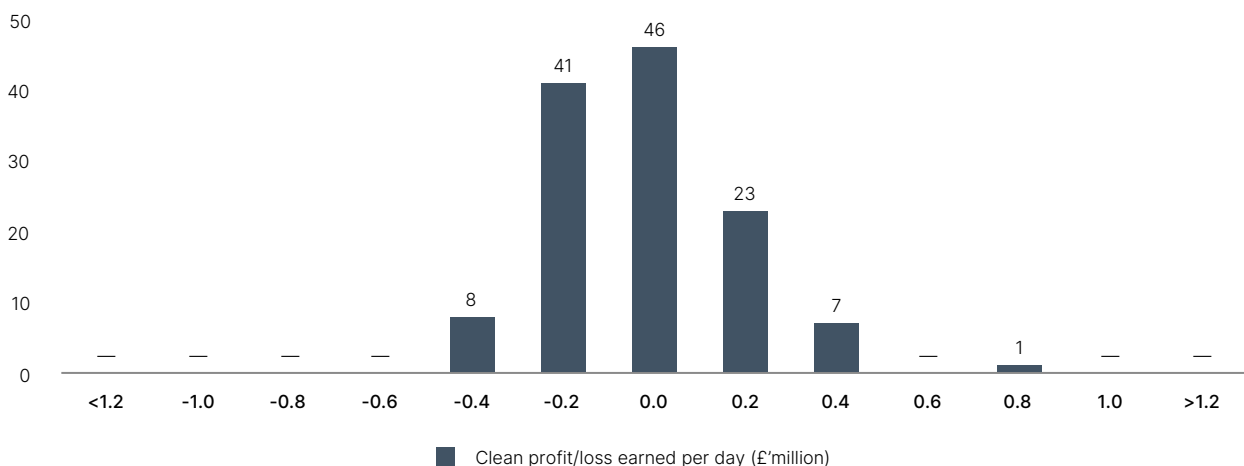
99% one-day VaR backtesting (£)



Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 77 days out of a total of 126 days in the trading business. The average daily clean profit and loss generated for the six months to 30 September 2021 was £73 387 (six months to 30 September 2020: -£85 084).

Clean profit and loss
Frequency: Days in the period



BALANCE SHEET RISK

Balance sheet risk management

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and non-trading interest rate risk.

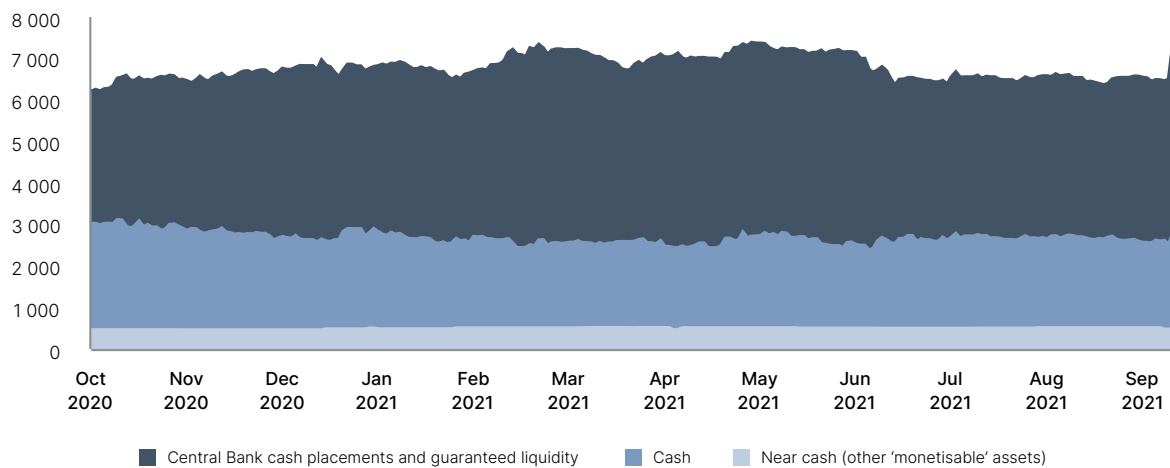
Liquidity risk

Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash flows, and is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

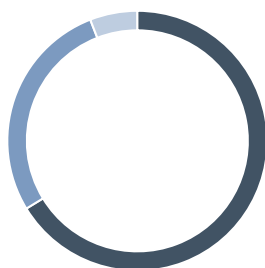
Liquidity risk is further broken down into:

- **Funding liquidity:** this relates to the risk that the group will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without adversely affecting its solvency, financial position or its reputation
- **Market liquidity:** this relates to the risk that the group may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

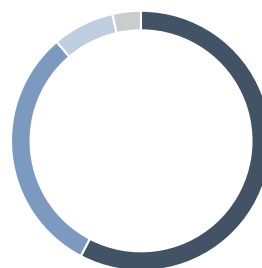
Cash and near cash trend
£'million



An analysis of cash and near cash at 30 September 2021
£7 315 million



Bank and non-bank depositor concentration by type at 30 September 2021
£18 444 million



■ Central Bank cash placements and guaranteed liquidity	66.3%	■ Individuals	57.7%
■ Cash	27.8%	■ Other financial institutions and corporates	31.1%
■ Near cash (other 'monetisable' assets)	5.9%	■ Banks	7.7%
		■ Small business	3.5%

BALANCE SHEET RISK

CONTINUED

Liquidity mismatch

The tables that follow show the bank's contractual and behavioural liquidity mismatch.

With respect to the contractual liquidity table that follows, we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

With respect to the behavioural liquidity gap, we adjust the contractual profile of certain assets and liabilities:

- Liquidity buffer: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the bank would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
 - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
 - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- Customer deposits: the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 30 September 2021

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	4 693	123	—	—	35	7	—	4 858
Investment/trading assets	624	732	388	248	258	711	1 628	4 589
Securitised assets	—	—	1	1	2	18	80	102
Advances	62	516	623	825	1 580	7 183	3 032	13 821
Other assets	10	727	56	17	97	338	457	1 702
Assets	5 389	2 098	1 068	1 091	1 972	8 257	5 197	25 072
Deposits – banks	(106)	(1)	(1)	(636)	(78)	(598)	—	(1 420)
Deposits – non-banks	(6 819)	(658)	(2 893)	(3 527)	(1 143)	(1 835)	(149)	(17 024)
Negotiable paper	(1)	(3)	(9)	(7)	(48)	(684)	(283)	(1 035)
Securitised liabilities	—	—	(3)	(2)	(4)	(36)	(59)	(104)
Investment/trading liabilities	(177)	(103)	(79)	(115)	(108)	(370)	—	(952)
Subordinated liabilities	—	—	—	(337)	—	—	(426)	(763)
Other liabilities	(9)	(723)	(40)	(52)	(107)	(315)	(81)	(1 327)
Liabilities	(7 112)	(1 488)	(3 025)	(4 676)	(1 488)	(3 838)	(998)	(22 625)
Total equity	—	—	—	—	—	—	(2 447)	(2 447)
Contractual liquidity gap	(1 723)	610	(1 957)	(3 585)	484	4 419	1 752	—
Cumulative liquidity gap	(1 723)	(1 113)	(3 070)	(6 655)	(6 171)	(1 752)	—	

Behavioural liquidity at 30 September 2021

As discussed above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	3 499	366	(1 678)	(2 978)	380	(1 242)	1 653	—
Cumulative	3 499	3 865	2 187	(791)	(411)	(1 653)	—	

Regulatory ratios

Following the UK's departure from the EU, the PRA have exercised temporary transitional powers (TTP), meaning that EU regulation in place prior to the end of the transition period largely remains valid in the UK until 31 March 2022. As such, the Investec plc and IBP (solo basis) LCRs are calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 30 September 2021, the LCR reported to the PRA was 280% for IBP (solo basis).

In the UK, the NSFR will be implemented by the PRA and expected to become a binding requirement for banks in January 2022. Banks will be required to maintain a minimum NSFR of 100%. In the meantime, our internally calculated NSFR is based on the version published in the EU Official Journal in June 2019, and our own interpretations where required. The NSFR at 30 September 2021 was 123% for IBP (solo basis).

Both the LCR and NSFR may change over time with updates to our methodologies and interpretations, and following any clarifications of guidelines.

BALANCE SHEET RISK

CONTINUED

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact of adverse movements in interest rates on both net interest earnings and economic value of equity.

Sources of interest rate risk in the banking book include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios
- **Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk:** arises from optional elements embedded in items where the bank or its customers can alter the level and timing of their cash flows
- **Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest earnings and the economic value of equity.

Interest rate sensitivity gap at 30 September 2021*

The table below shows our non-trading interest rate mismatch assuming no management intervention.

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	4 817	—	—	—	—	—	4 817
Investment/trading assets	2 471	126	63	100	87	359	3 206
Securitised assets	102	—	—	—	—	—	102
Advances	9 606	666	529	2 782	238	—	13 821
Other assets	—	—	—	—	—	1 460	1 460
Assets	16 996	792	592	2 882	325	1 819	23 406
Deposits – banks	(1 416)	—	—	—	—	—	(1 416)
Deposits – non-banks	(14 980)	(704)	(897)	(412)	—	—	(16 993)
Negotiable paper	(580)	—	—	(258)	—	—	(838)
Securitised liabilities	(104)	—	—	—	—	—	(104)
Investment/trading liabilities	(119)	—	—	—	—	—	(119)
Subordinated liabilities	(35)	(308)	—	(420)	—	—	(763)
Other liabilities	—	—	—	—	—	(828)	(828)
Liabilities	(17 234)	(1 012)	(897)	(1 090)	—	(828)	(21 061)
Total equity	—	—	—	—	—	(2 345)	(2 345)
Balance sheet	(238)	(220)	(305)	1 792	325	(1 354)	—
Off-balance sheet	1 976	81	(379)	(1 435)	(243)	—	—
Repricing gap	1 738	(139)	(684)	357	82	(1 354)	—
Cumulative repricing gap	1 738	1 599	915	1 272	1 354	—	—

Economic value sensitivity at 30 September 2021*

As outlined, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. This sensitivity effect would only have a negligible direct impact on our equity.

million	Sensitivity to the following interest rates (expressed in original currencies)						All (GBP)
	GBP	USD	EUR	AUD	ZAR	Other (GBP)	
200bps down	1.5	14.8	2.2	1.3	(0.7)	1.9	16.2
200bps up	(1.3)	(12.8)	(1.9)	(1.2)	0.6	(1.7)	(14.1)

* On 29 September 2021, a subordinated debt issuance by Investec plc was priced in the market. The issuance, and the consequent downstreaming to Investec Bank plc, only settled on 4 October 2021 and was therefore not reflected on the balance sheet at 30 September 2021. However, an interest rate swap on a notional principal amount of £350 million, receiving a fixed rate of 0.707% paying compounded SONIA and maturing in October 2026 was executed by Investec Bank plc on the day of pricing to hedge the risk. In order to reflect the substance of the risk, the contractual gap table above excludes the interest rate swap.

The bank previously disclosed its exposures to IBOR benchmarks as at 31 March 2021. In the bank's view the change in exposure since this date has not been significant.

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	30 September 2021*	31 March 2021*
Common Equity Tier 1 ratio**	11.7%	11.8%
Common Equity Tier 1 ratio (fully loaded)***	11.3%	11.3%
Tier 1 ratio**	13.3%	13.4%
Total capital ratio** /Pro-forma^	16.0%/ 18.1%	16.4%/ n/a
Leverage ratio^^	7.9%	8.0%
Leverage ratio (fully loaded)^^ ***	7.7%	7.7%
Leverage ratio (UK leverage ratio framework)^^ ^^^	9.0%	9.4%

Capital structure and capital adequacy

£'million	30 September 2021*	31 March 2021*
Shareholder's equity	2 134	2 081
Shareholder's equity excluding non-controlling interests	2 197	2 114
Foreseeable charges and dividends	(33)	(25)
Deconsolidation of special purpose entities	(30)	(8)
Non-controlling interests	—	—
Regulatory adjustments to the accounting basis	76	99
Additional value adjustments	(6)	(6)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	6	12
Adjustment under IFRS 9 transitional arrangements	76	93
Deductions	(313)	(312)
Goodwill and intangible assets net of deferred taxation	(297)	(298)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(11)	(12)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(5)	(2)
Common Equity Tier 1 capital	1 897	1 868
Additional Tier 1 instruments	250	250
Tier 1 capital	2 147	2 118
Tier 2 capital	442	473
Tier 2 instruments	442	473
Total regulatory capital	2 589	2 591
Risk-weighted assets**	16 189	15 789

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 21bps (31 March 2021: 16bps) higher, on this basis.

** The CET1, Tier 1, total capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the changes introduced by the 'quick fix' regulation adopted in June 2020).

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 and full adoption of all CRD IV rules. As a result of the adoption of IFRS 9, IBP elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 30 September 2021 of £2.6 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

^ Pro-forma 30 September 2021 total capital ratio includes the proceeds of IBP's internal £350 million tier 2 subordinated loan issuance, dated 4 October 2021.

^^ The leverage ratios are calculated on an end-quarter basis.

^^^ IBP is not subject to the UK leverage ratio framework; however, for comparative purposes this ratio has been disclosed. This framework excludes qualifying central bank balances from the calculation of the leverage exposure measure.

CAPITAL ADEQUACY
CONTINUED

Risk-weighted assets and capital requirements

£'millions	Risk-weighted assets**		Capital requirements**	
	30 September 2021*	31 March 2021	30 September 2021*	31 March 2021
	16 189	15 789	1 295	1 263
Credit risk	13 046	12 413	1 044	992
Equity risk	76	117	6	10
Counterparty credit risk	568	691	45	55
Credit valuation adjustment risk	38	59	3	5
Market risk	730	778	59	63
Operational risk	1 731	1 731	138	138

Leverage

£'millions	30 September 2021*	31 March 2021*
Total exposure measure	27 028	26 351
Tier 1 capital**	2 147	2 118
Leverage ratio^^	7.9%	8.0%
Leverage ratio (fully loaded)^^^	7.7%	7.7%
Leverage ratio (UK leverage ratio framework)^^^ ^^	9.0%	9.4%

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Interim Report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratio would be 21bps (31 March 2021 16bps) higher, on this basis.


** The CET1, Tier 1 and total capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 and full adoption of all CRD IV rules. As a result of the adoption of IFRS 9, IBP elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 30 September 2021 of £2.6 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

^^ The leverage ratios are calculated on an end-quarter basis.

^^^ IBP is not subject to the UK leverage ratio framework; however, for comparative purposes this ratio has been disclosed. This framework excludes qualifying central bank balances from the calculation of the leverage exposure measure.

ANNEXURE 1 – ALTERNATIVE PERFORMANCE MEASURES

 We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period-on-period performance. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.


Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro-forma financial information. The pro-forma financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows.

Adjusted operating profit

Refer to the calculation in the table below

£'000	30 Sept 2021	30 Sept 2020	31 March 2021
Operating profit before goodwill, acquired intangibles and strategic actions	128 473	46 186	107 440
Add: Loss attributable to non-controlling interests	—	530	861
Adjusted operating profit	128 473	46 716	108 301

Annuity income

 Net interest income (refer to page 9) plus net annuity fees and commissions (refer to page 10)

Core loans

The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans

£'million	30 Sept 2021	31 March 2021
Loans and advances to customers per the balance sheet	13 682	12 316
ECL held against FVOCI loans reported on the balance sheet within reserves	(3)	(5)
Net core loans	13 679	12 311
of which amortised cost and FVOCI ('subject to ECL')	12 995	11 799
of which FVPL	684	512
Add: ECL	139	169
Gross core loans	13 818	12 480
of which amortised cost and FVOCI ('subject to ECL')	13 134	11 968
of which FVPL	684	512

Cost to income ratio

Refer to calculation in the table below

£'000	30 Sept 2021	30 Sept 2020	31 March 2021
Operating costs (A)	370 843	346 895	757 758
Total operating income before expected credit loss impairment charges	504 299	432 761	936 332
Add: Loss attributable to non-controlling interests	—	530	861
Total (B)	504 299	433 291	937 193
Cost to income ratio (A/B)	73.5%	80.1%	80.9%

Coverage ratio

ECL as a percentage of gross core loans subject to ECL

Credit loss ratio

Annualised ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL

Gearing ratio


Total assets divided by total equity

Loans and advances to customers as a % of customer deposits

Loans and advances to customers as a percentage of customer accounts (deposits)

Net interest margin

Annualised interest income net of interest expense, divided by average interest-earning assets

 Refer to calculation on page 9

DEFINITIONS

Cash and near cash

Includes cash, near cash (other 'monetisable' assets) and Central Bank cash placements and guaranteed liquidity

ECL

Expected credit loss

Funds under management

Consists of funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit and loss

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and finance lease receivables



Refer to page 9 for calculation

Interest-bearing liabilities

Deposits by banks, customer accounts (deposits), repurchase agreements and cash collateral on securities lent, debt securities in issue, lease liabilities and subordinated liabilities



Refer to page 9 for calculation

Legacy business in the UK Specialist Bank ('Legacy')

Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Ongoing basis

Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions

Comprises the closure and rundown of the Hong Kong direct investments business and financial impact of group restructures

Subject to ECL

Includes financial assets held at amortised cost and FVOCI

— OUT OF THE ORDINARY

