

Possibilities and opportunities

Investec Bank plc
(a subsidiary of Investec plc)

Unaudited condensed consolidated financial information
for the six months ended 30 September 2022

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 47.

→ All other definitions can be found on page 48.

Key financial statistics	30 Sept 2022	30 Sept 2021	% change	31 March 2022
Total operating income before expected credit loss impairment charges (£'000)	618 626	504 299	22.7%	1 073 332
Operating costs (£'000)	415 805	370 843	12.1%	760 286
Adjusted operating profit (£'000)	174 931	128 473	36.2%	287 683
Earnings attributable to ordinary shareholder (£'000)	127 577	105 365	21.1%	232 881
Cost to income ratio (%)	67.2%	73.5%		70.8%
Total capital resources (including subordinated liabilities) (£'000)	3 371 598	3 209 534	5.0%	3 305 924
Total equity (£'000)	2 663 017	2 447 029	8.8%	2 547 185
Total assets (£'000)	28 995 794	25 071 951	15.7%	27 588 676
Net core loans (£'000)	15 348 588	13 678 812	12.2%	14 423 199
Customer accounts (deposits) (£'000)	19 019 095	17 023 760	11.7%	18 616 233
Loans and advances to customers as a % of customer deposits	80.7%	80.4%		77.5%
Cash and near cash balances (£'mn)	8 463	7 315	15.7%	8 871
Funds under management (£'mn)	40 473	44 704	(9.5%)	44 419
Total gearing ratio (i.e. total assets to equity)	10.9x	10.2x		10.8x
Total capital ratio	17.4%	16.0%		18.2%
Tier 1 ratio	13.1%	13.3%		13.6%
Common Equity Tier 1 ratio	11.6%	11.7%		12.0%
Leverage ratio	8.4%	7.9%		9.3%
Leverage ratio (fully loaded)	8.2%	7.7%		9.1%
Stage 3 exposure as a % of gross core loans subject to ECL	2.0%	2.1%		2.1%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	1.6%	1.6%		1.6%
Credit loss ratio	0.32%*	0.10%*		0.17%

* Annualised.

CONDENSED CONSOLIDATED INCOME STATEMENT

£'000	Six months to 30 Sept 2022	Six months to 30 Sept 2021	Year to 31 March 2022
Interest income	530 480	344 652	719 538
Interest expense	(193 497)	(109 129)	(223 230)
Net interest income	336 983	235 523	496 308
Fee and commission income	234 628	237 562	508 929
Fee and commission expense	(8 014)	(7 245)	(14 697)
Investment income	11 885	4 962	10 579
Share of post-taxation profit of associates and joint venture holdings	873	334	1 988
Trading income/(loss) arising from			
– customer flow	37 529	32 715	60 372
– balance sheet management and other trading activities	143	(4 051)	(1 305)
Other operating income	4 599	4 499	11 158
Total operating income before expected credit loss impairment charges	618 626	504 299	1 073 332
Expected credit loss impairment charges	(27 890)	(4 983)	(25 363)
Operating income	590 736	499 316	1 047 969
Operating costs	(415 805)	(370 843)	(760 286)
Operating profit before goodwill, acquired intangibles and strategic actions	174 931	128 473	287 683
Impairment of goodwill	(805)	—	—
Amortisation of acquired intangibles	(6 662)	(6 482)	(12 936)
Closure and rundown of the Hong Kong direct investments business	(280)	(597)	(1 203)
Operating profit	167 184	121 394	273 544
Profit before taxation	167 184	121 394	273 544
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(40 710)	(16 287)	(42 174)
Taxation on goodwill, acquired intangibles and strategic actions	1 103	258	1 511
Profit after taxation	127 577	105 365	232 881
Loss attributable to non-controlling interests	—	—	—
Earnings attributable to shareholder	127 577	105 365	232 881

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Six months to 30 Sept 2022	Six months to 30 Sept 2021	Year to 31 March 2022
Profit after taxation	127 577	105 365	232 881
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Fair value movements on cash flow hedges taken directly to other comprehensive income	47 412	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement*	(277)	(229)	(307)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	(7 256)	(431)	(2 276)
Foreign currency adjustments on translating foreign operations	13 633	1 975	5 401
Effect of rate change on deferred tax relating to adjustment for IFRS 9	—	1 049	617
Items that will not be reclassified to the income statement:			
Gains attributable to own credit risk*	—	4 753	11 059
Movement in post-retirement benefit liabilities	—	—	40
Total comprehensive income	181 089	112 482	247 415
Total comprehensive loss attributable to non-controlling interests	—	—	—
Total comprehensive income attributable to ordinary shareholder	172 651	104 044	230 540
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities	8 438	8 438	16 875
Total comprehensive income	181 089	112 482	247 415

* Net of £2.3 million tax credit (30 September 2021: £4.1 million tax charge; 31 March 2022: £4.2 million tax credit), except for the impact of rate changes on deferred tax as shown separately above.

CONSOLIDATED BALANCE SHEET

£'000	At 30 Sept 2022	At 31 March 2022	At 30 Sept 2021
Assets			
Cash and balances at central banks	4 490 840	5 379 994	3 332 458
Loans and advances to banks	1 502 767	1 467 039	1 525 367
Reverse repurchase agreements and cash collateral on securities borrowed	2 041 317	1 447 473	1 486 577
Sovereign debt securities	1 376 257	1 165 777	1 086 517
Bank debt securities	109 789	61 714	50 699
Other debt securities	590 175	437 649	503 353
Derivative financial instruments	1 192 786	717 457	634 892
Securities arising from trading activities	135 849	163 165	457 478
Investment portfolio	361 583	333 221	358 737
Loans and advances to customers	15 352 394	14 426 475	13 681 707
Other loans and advances	211 744	147 025	138 934
Other securitised assets	86 320	93 087	101 851
Interests in associated undertakings and joint venture holdings	11 939	11 444	10 925
Deferred taxation assets	104 807	109 542	89 240
Current taxation assets	15 166	15 727	16 079
Other assets	992 915	1 161 549	1 124 205
Property and equipment	127 004	155 055	170 369
Goodwill	243 267	244 072	244 072
Software	9 934	7 066	7 892
Other acquired intangible assets	38 941	44 145	50 599
	28 995 794	27 588 676	25 071 951
Liabilities			
Deposits by banks	2 425 565	2 026 573	1 420 178
Derivative financial instruments	1 385 425	863 295	750 953
Other trading liabilities	42 260	42 944	42 364
Repurchase agreements and cash collateral on securities lent	149 515	154 828	158 810
Customer accounts (deposits)	19 019 095	18 616 233	17 023 760
Debt securities in issue	1 066 306	1 120 841	1 034 974
Liabilities arising on securitisation of other assets	90 025	95 885	104 215
Current taxation liabilities	2 123	2 082	17 528
Other liabilities	1 443 882	1 360 071	1 309 635
	25 624 196	24 282 752	21 862 417
Subordinated liabilities	708 581	758 739	762 505
	26 332 777	25 041 491	22 624 922
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	55 179	1 667	(5 710)
Retained income	723 740	661 420	569 084
Shareholder's equity excluding non-controlling interests	2 412 184	2 296 352	2 196 639
Additional Tier 1 securities in issue	250 000	250 000	250 000
Non-controlling interests in partially held subsidiaries	833	833	390
Total equity	2 663 017	2 547 185	2 447 029
Total liabilities and equity	28 995 794	27 588 676	25 071 951

CONDENSED CASH FLOW STATEMENT

£'000	Six months to 30 Sept 2022	Year to 31 March 2022	Six months to 30 Sept 2021
Cash inflows from operations	187 414	296 868	140 568
Increase in operating assets	(2 277 266)	(823 132)	(307 216)
Increase in operating liabilities	1 310 873	3 076 202	669 916
Net cash (outflow)/inflow from operating activities	(778 979)	2 549 938	503 268
Net cash inflow from investing activities	14 326	1 127	1 434
Net cash outflow from financing activities	(90 151)	(77 054)	(54 263)
Effects of exchange rate changes on cash and cash equivalents	1 554	(607)	(1 224)
Net (decrease)/increase in cash and cash equivalents	(853 250)	2 473 404	449 215
Cash and cash equivalents at the beginning of the year	6 841 039	4 367 635	4 367 635
Cash and cash equivalents at the end of the year	5 987 789	6 841 039	4 816 850

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 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
Movement in reserves 1 October 2021 – 31 March 2022			
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	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
At 31 March 2022	1 280 550	199 538	153 177
Movement in reserves 1 April 2022 – 30 September 2022			
Profit after taxation	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
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 2022	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	Cash flow hedge reserve	Foreign currency reserves	Own credit reserve						
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	
—	—	—	—	127 516	127 516	—	—	127 516	
8	—	—	(440)	—	(432)	—	—	(432)	
(78)	—	—	—	—	(78)	—	—	(78)	
(1 845)	—	—	—	—	(1 845)	—	—	(1 845)	
—	—	3 426	—	—	3 426	—	—	3 426	
—	—	—	6 306	—	6 306	—	—	6 306	
—	—	—	—	40	40	—	—	40	
(1 915)	—	3 426	5 866	127 556	134 933	—	—	134 933	
—	—	—	—	3 903	3 903	—	—	3 903	
—	—	—	—	1 814	1 814	—	—	1 814	
—	—	—	—	(32 500)	(32 500)	—	—	(32 500)	
—	—	—	—	(8 437)	(8 437)	8 437	—	—	
—	—	—	—	—	—	(8 437)	—	(8 437)	
—	—	—	—	—	—	—	443	443	
413	—	1 254	—	661 420	2 296 352	250 000	833	2 547 185	
—	—	—	—	127 577	127 577	—	—	127 577	
(277)	—	—	—	—	(277)	—	—	(277)	
—	47 412	—	—	—	47 412	—	—	47 412	
(7 256)	—	—	—	—	(7 256)	—	—	(7 256)	
—	—	13 633	—	—	13 633	—	—	13 633	
(7 533)	47 412	13 633	—	127 577	181 089	—	—	181 089	
—	—	—	—	(2 149)	(2 149)	—	—	(2 149)	
—	—	—	—	5 330	5 330	—	—	5 330	
—	—	—	—	(60 000)	(60 000)	—	—	(60 000)	
—	—	—	—	(8 438)	(8 438)	8 438	—	—	
—	—	—	—	—	—	(8 438)	—	(8 438)	
(7 120)	47 412	14 887	—	723 740	2 412 184	250 000	833	2 663 017	

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

For the six months to 30 September 2022 £'000	Specialist Banking			Total Group
	Private Client			
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	
Net interest income	9 714	54 618	272 651	336 983
Fee and commission income	165 497	1 310	67 821	234 628
Fee and commission expense	(346)	(141)	(7 527)	(8 014)
Investment income	4	110	11 771	11 885
Share of post-taxation profit of associates and joint venture holdings	—	—	873	873
Trading income/(loss) arising from				
– customer flow	515	2 292	34 722	37 529
– balance sheet management and other trading activities	(27)	13	157	143
Other operating income	—	—	4 599	4 599
Total operating income before expected credit loss impairment charges	175 357	58 202	385 067	618 626
Expected credit loss impairment charges	(2)	(2 353)	(25 535)	(27 890)
Operating income	175 355	55 849	359 532	590 736
Operating costs	(135 807)	(26 479)	(253 519)	(415 805)
Operating profit before goodwill, acquired intangibles and strategic actions	39 548	29 370	106 013	174 931
Loss attributable to other non-controlling interests	—	—	—	—
Adjusted operating profit after non-controlling interests	39 548	29 370	106 013	174 931
Selected returns and key statistics				
Cost to income ratio	77.4%	45.5%	65.8%	67.2%
Total assets (£'mn)	1 062	5 146	22 788	28 996

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

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

		2022			2021		
For the six months to 30 September £'000	Notes	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	9 435 492	60 333	1.28%	7 325 980	8 777	0.24%
Loans and advances	2	14 891 045	391 924	5.26%	12 893 618	298 175	4.63%
Private client		4 917 603	90 911	3.70%	3 683 613	55 397	3.01%
Corporate, Investment Banking and Other		9 973 442	301 013	6.04%	9 210 005	242 778	5.27%
Other debt securities and other loans and advances		696 347	14 468	4.16%	717 695	11 406	3.18%
Other [#]	3	232 632	63 755	n/a	239 318	26 294	n/a
Total interest-earning assets		25 255 516	530 480	4.20%	21 176 611	344 652	3.26%

		2022			2021		
For the six months to 30 September £'000	Notes	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	3 383 618	14 263	0.84%	2 597 549	9 238	0.71%
Customer accounts (deposits)		18 965 721	111 222	1.17%	16 294 926	44 351	0.54%
Subordinated liabilities		744 636	14 002	3.76%	767 890	24 301	6.33%
Other [#]	5	355 866	54 010	n/a	372 770	31 239	n/a
Total interest-bearing liabilities		23 449 841	193 497	1.65%	20 033 135	109 129	1.09%
Net interest income			336 983			235 523	
Annualised net interest margin			2.67%			2.22%	

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	2022	2021
Wealth & Investment businesses net fee and commission income	165 151	173 045
Fund management fees/fees for assets under management	146 531	152 287
Private client transactional fees	18 966	21 103
Fee and commission expense	(346)	(345)
Specialist Banking net fee and commission income	61 463	57 272
Specialist Banking fee and commission income	69 131	64 172
Specialist Banking fee and commission expense	(7 668)	(6 900)
Net fee and commission income	226 614	230 317
Annuity fees (net of fees payable)	154 289	159 689
Deal fees	72 325	70 628

Investment income

For the six months to 30 September £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2022								
Realised	(1 042)	6 850	925	6 733	(113)	36	3 827	10 483
Unrealised*	859	(2 952)	(717)	(2 810)	(2 944)	—	2 579	(3 175)
Dividend income	—	3 677	—	3 677	—	—	233	3 910
Funding and other net related income	—	—	—	—	—	667	—	667
	(183)	7 575	208	7 600	(3 057)	703	6 639	11 885
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

* 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 2022 £'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	—	4 490 840	—	4 490 840
Loans and advances to banks	—	1 502 767	—	1 502 767
Reverse repurchase agreements and cash collateral on securities borrowed	715 228	1 326 089	—	2 041 317
Sovereign debt securities	1 358 691	17 566	—	1 376 257
Bank debt securities	109 789	—	—	109 789
Other debt securities	106 638	483 537	—	590 175
Derivative financial instruments	1 192 786	—	—	1 192 786
Securities arising from trading activities	135 849	—	—	135 849
Investment portfolio	361 583	—	—	361 583
Loans and advances to customers	1 322 094	14 030 300	—	15 352 394
Other loans and advances	—	211 744	—	211 744
Other securitised assets	86 320	—	—	86 320
Interests in associated undertakings and joint venture holdings	—	—	11 939	11 939
Deferred taxation assets	—	—	104 807	104 807
Current taxation assets	—	—	15 166	15 166
Other assets	38 378	599 269	355 268	992 915
Property and equipment	—	—	127 004	127 004
Goodwill	—	—	243 267	243 267
Software	—	—	9 934	9 934
Other acquired intangible assets	—	—	38 941	38 941
	5 427 356	22 662 112	906 326	28 995 794
Liabilities				
Deposits by banks	—	2 425 565	—	2 425 565
Derivative financial instruments	1 385 425	—	—	1 385 425
Other trading liabilities	42 260	—	—	42 260
Repurchase agreements and cash collateral on securities lent	—	149 515	—	149 515
Customer accounts (deposits)	—	19 019 095	—	19 019 095
Debt securities in issue	22 302	1 044 004	—	1 066 306
Liabilities arising on securitisation of other assets	90 025	—	—	90 025
Current taxation liabilities	—	—	2 123	2 123
Other liabilities	—	897 124	546 758	1 443 882
	1 540 012	23 535 303	548 881	25 624 196
Subordinated liabilities	—	708 581	—	708 581
	1 540 012	24 243 884	548 881	26 332 777

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 2022 £'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	715 228	—	715 228	—
Sovereign debt securities	1 358 691	1 358 691	—	—
Bank debt securities	109 789	109 789	—	—
Other debt securities	106 638	—	61	106 577
Derivative financial instruments	1 192 786	16	1 133 005	59 765
Securities arising from trading activities	135 849	131 288	119	4 442
Investment portfolio	361 583	1 461	922	359 200
Loans and advances to customers	1 322 094	—	86 316	1 235 778
Other securitised assets	86 320	—	—	86 320
Other assets	38 378	38 378	—	—
	5 427 356	1 639 623	1 935 651	1 852 082
Liabilities				
Derivative financial instruments	1 385 425	—	1 323 056	62 369
Other trading liabilities	42 260	42 260	—	—
Debt securities in issue	22 302	—	22 302	—
Liabilities arising on securitisation of other assets	90 025	—	—	90 025
	1 540 012	42 260	1 345 358	152 394
Net assets at fair value	3 887 344	1 597 363	590 293	1 699 688

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 2022	324 635	1 211 848	93 087	153 761	1 783 331
Total gains or (losses)	1 398	40 150	(428)	10 594	51 714
In the income statement	1 398	47 052	(428)	10 594	58 616
In the statement of comprehensive income	—	(6 902)	—	—	(6 902)
Purchases	10 456	706 508	—	84	717 048
Sales	(3 370)	(387 469)	—	(3 502)	(394 341)
Settlements	(4 399)	(450 371)	(6 339)	(10 387)	(471 496)
Transfers into level 3	6 377	—	—	—	6 377
Foreign exchange adjustments	24 103	115 112	—	20 234	159 449
Balance as at 30 September 2022	359 200	1 235 778	86 320	170 784	1 852 082

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

£'000	Liabilities arising on securitisation of other assets	Derivative financial instruments	Total
Liabilities			
Balance as at 1 April 2022	95 885	45 769	141 654
Total losses	47	8 422	8 469
In the income statement	47	8 422	8 469
Settlements	(5 906)	—	(5 906)
Transfers out of level 3	—	(8)	(8)
Foreign exchange adjustments	(1)	8 186	8 185
Balance as at 30 September 2022	90 025	62 369	152 394

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 2022, investment portfolio of £6.4 million was transferred from level 2 to level 3 and derivative financial instruments of £8 000 was transferred from level 3 to level 2. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value.

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 2022			
£'000	Total	Realised	Unrealised
Total gains included in the income statement for the year			
Net interest income	40 670	31 659	9 011
Investment income*	8 942	2 815	6 127
Trading income arising from customer flow	535	—	535
	50 147	34 474	15 673
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	433	433	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(6 902)	—	(6 902)
	(6 469)	433	(6 902)

* Included within the investment income statement balance are fair value gains of £0.2 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 2022 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

Fair value hierarchy (continued)

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

The fair values 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 table below shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 30 September 2022	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	106 577	Potential impact on income statement		3 376	(6 191)
		Credit spreads	1.05%-2.1%	149	(320)
		Cash flow adjustments	CPR 9.9%	506	(432)
		Other	^	2 721	(5 439)
Derivative financial instruments	59 765	Potential impact on income statement		4 811	(5 449)
		Volatilities	6%-18.9%	23	(45)
		Cash flow adjustments	CPR 9.9%	23	(23)
		Underlying asset value	^^	4 150	(4 151)
		Other	^	615	(1 230)
Securities arising from trading activities	4 442	Potential impact on income statement			
		Cash flow adjustments	CPR 11.5%	575	(161)
Investment portfolio	359 200	Potential impact on income statement		37 993	(75 205)
		Price earnings multiple	5.5x-14.2x	9 692	(19 307)
		Underlying asset value	^^	8 902	(18 942)
		Other	^	19 399	(36 956)
Loans and advances to customers	1 235 778	Potential impact on income statement		17 053	(34 464)
		Credit spreads	0.26%-9.83%	11 218	(22 478)
		Price earnings multiple	3.5x-4.2x	1 917	(5 467)
		Underlying asset value	^^	1 705	(2 094)
		Other	^	2 213	(4 425)
		Potential impact on other comprehensive income		14 206	(25 655)
		Credit spreads	0.43%-6.58%	13 717	(24 187)
		Other	^	489	(1 468)
Other securitised assets	86 320	Potential impact on income statement			
		Cash flow adjustments	CPR 9.9%	666	(682)
Total level 3 assets	1 852 082			78 680	(147 807)
Liabilities					
Derivative financial instruments	62 369	Potential impact on income statement		(5 128)	3 177
		Volatilities	18.9%	(3)	5
		Underlying asset value	^^	(5 125)	3 172
Liabilities arising on securitisation of other assets*	90 025	Potential impact on income statement			
		Cash flow adjustments	CPR 9.9%	(304)	309
Total level 3 liabilities	152 394			(5 432)	3 486
Net level 3 assets	1 699 688				

* 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

Fair value hierarchy (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 that 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 2022 £'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 carrying amounts
Assets				
Cash and balances at central banks	4 490 840	4 490 840	—	—
Loans and advances to banks	1 502 767	1 502 767	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	1 326 089	1 090 811	235 278	233 954
Sovereign debt securities	17 566	17 566	—	—
Other debt securities	483 537	34 433	449 104	430 088
Loans and advances to customers	14 030 300	588 494	13 441 806	13 716 333
Other loans and advances	211 744	122 132	89 612	89 299
Other assets	599 269	599 269	—	—
	22 662 112	8 446 312	14 215 800	14 469 674
Liabilities				
Deposits by banks	2 425 565	554 717	1 870 848	1 925 196
Repurchase agreements and cash collateral on securities lent	149 515	89 254	60 261	57 304
Customer accounts (deposits)	19 019 095	11 716 582	7 302 513	7 271 553
Debt securities in issue	1 044 004	1 182	1 042 822	1 035 373
Other liabilities	897 124	893 694	3 430	2 605
Subordinated liabilities	708 581	—	708 581	677 741
	24 243 884	13 255 429	10 988 455	10 969 772

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Expected credit loss impairment charges or (release)

For the six months to 30 September	2022	2021
£'000		
Expected credit losses have arisen on the following items:		
Loans and advances to customers	22 798	6 018
Other loans and advances	(8)	(117)
Other balance sheet assets	282	136
Off-balance sheet commitments and guarantees	4 818	(1 054)
	27 890	4 983

Operating costs

For the six months to 30 September	2022	2021
£'000		
Staff costs	297 764	265 951
Premises expenses	20 054	22 345
Premises expenses (excluding depreciation and impairments)	9 766	9 173
Premises depreciation and impairments	10 288	13 172
Equipment expenses (excluding depreciation)	30 682	25 060
Business expenses	57 184	48 827
Marketing expenses	6 804	4 441
Depreciation, amortisation and impairment of equipment, software and intangibles	3 317	4 219
	415 805	370 843

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

£'000	30 Sept 2022	31 March 2022
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	2 041 337	1 447 485
Expected credit loss	(20)	(12)
Net reverse repurchase agreements and cash collateral on securities borrowed	2 041 317	1 447 473
Reverse repurchase agreements	2 011 843	1 408 503
Cash collateral on securities borrowed	29 474	38 970
	2 041 317	1 447 473
Liabilities		
Repurchase agreements	115 300	129 092
Cash collateral on securities lent	34 215	25 736
	149 515	154 828

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

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

£'000	30 Sept 2022	31 March 2022
Gross loans and advances to customers at amortised cost	14 172 815	13 262 811
Gross loans and advances to customers at FVOCI [^]	735 407	685 386
Gross loans and advances to customers subject to expected credit losses	14 908 222	13 948 197
Expected credit losses on loans and advances to customers at amortised cost and FVOCI [^]	(142 515)	(130 805)
Net loans and advances to customers at amortised cost and FVOCI[^]	14 765 707	13 817 392
Loans and advances to customers at fair value through profit and loss	586 687	609 083
Net loans and advances to customers	15 352 394	14 426 475
Gross other loans and advances	211 786	147 073
Expected credit losses on other loans and advances	(42)	(48)
Net other loans and advances	211 744	147 025

[^] Expected credit losses above do not include £3.8 million (31 March 2022: £3.3 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 2022	31 March 2022
Loans and advances to customers	81 655	88 004
Other debt securities	4 665	5 083
	86 320	93 087

Other assets

£'000	30 Sept 2022	31 March 2022
Settlement debtors	524 047	736 583
Trading properties	4 298	4 287
Prepayments and accruals	107 073	95 677
Trading initial margin	38 378	9 606
Finance lease receivables	244 214	223 902
Indirect taxation assets receivable	—	1 109
Other	74 905	90 385
	992 915	1 161 549

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Debt securities in issue

£'000	30 Sept 2022	31 March 2022
Repayable in:		
Less than three months	49 611	12 482
Three months to one year	117 810	71 796
One to five years	886 573	1 022 555
Greater than five years	12 312	14 008
	1 066 306	1 120 841

Extract of deferred taxation

£'000	30 Sept 2022	31 March 2022
Losses carried forward	8 458	8 166

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023.

The UK Government has also announced on 27 October 2021 that the current bank surcharge rate of 8% to be reduced to 3% and the surcharge allowances available for banking group to be increased to £100 million from £25 million with effect from 1 April 2023.

As these rates have now been substantively enacted at the year end, deferred tax has been calculated based on these rates.

The UK Government made further announcements in the mini budget dated 23 September 2022 that the corporation tax rate rise from 19% to 25% and bank surcharge rate reduction from 8% to 3% will be cancelled. However, following that, the Government has announced that it will no longer proceed with the planned cancellation of the corporation tax rate increase and the previously planned increase of the rate to 25% will go ahead with effect from 1 April 2023. There have been no announcements regarding the bank surcharge rate and there remains uncertainty until at least the Autumn statement which is now expected to be released on 17 November 2022 which might provide some clarity regarding the bank surcharge rate to be applicable from 1 April 2023.

Extract of subordinated liabilities

£'000	30 Sept 2022	31 March 2022
Issued by Investec Bank plc		
Remaining maturities:		
In one year or less, or on demand	—	—
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	708 581	758 739
	708 581	758 739

Medium-term notes

Subordinated fixed rate reset callable medium-term notes (denominated in Pound Sterling) – accounted for at 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.

Subordinated prepayable fixed rate resettable medium-term loan (denominated in Pound Sterling) – accounted for at amortised cost

On 4 October 2021, Investec Bank plc entered into a £350 000 000 subordinated loan with Investec plc at a fixed interest rate of 2.625% (2032 loan). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The loan will mature on 4 January 2032. The borrower may prepay the loan in full on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Offsetting

At 30 September 2022 £'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	4 490 840	—	4 490 840	—	—	4 490 840
Loans and advances to banks	1 502 767	—	1 502 767	—	(195 853)	1 306 914
Reverse repurchase agreements and cash collateral on securities borrowed	2 041 317	—	2 041 317	(60 187)	(103 215)	1 877 915
Sovereign debt securities	1 376 257	—	1 376 257	—	—	1 376 257
Bank debt securities	109 789	—	109 789	—	—	109 789
Other debt securities	590 175	—	590 175	—	—	590 175
Derivative financial instruments	1 192 786	—	1 192 786	(529 959)	(392 261)	270 566
Securities arising from trading activities	135 849	—	135 849	(48 391)	—	87 458
Investment portfolio	361 583	—	361 583	—	—	361 583
Loans and advances to customers	15 352 394	—	15 352 394	—	—	15 352 394
Other loans and advances	211 744	—	211 744	—	(10 808)	200 936
Other securitised assets	86 320	—	86 320	—	—	86 320
Other assets	992 915	—	992 915	—	—	992 915
	28 444 736	—	28 444 736	(638 537)	(702 137)	27 104 062
Liabilities						
Deposits by banks	2 425 565	—	2 425 565	—	(482 909)	1 942 656
Derivative financial instruments	1 385 425	—	1 385 425	(553 677)	(187 711)	644 037
Other trading liabilities	42 260	—	42 260	(29 417)	—	12 843
Repurchase agreements and cash collateral on securities lent	149 515	—	149 515	(34 153)	(17 938)	97 424
Customer accounts (deposits)	19 019 095	—	19 019 095	—	(12 567)	19 006 528
Debt securities in issue	1 066 306	—	1 066 306	(21 290)	(1 012)	1 044 004
Liabilities arising on securitisation of other assets	90 025	—	90 025	—	—	90 025
Other liabilities	1 443 882	—	1 443 882	—	—	1 443 882
Subordinated liabilities	708 581	—	708 581	—	—	708 581
	26 330 654	—	26 330 654	(638 537)	(702 137)	24 989 980

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Offsetting (continued)

At 31 March 2022 £'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	5 379 994	—	5 379 994	—	—	5 379 994
Loans and advances to banks	1 467 039	—	1 467 039	—	(45 950)	1 421 089
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	—	1 447 473	(89 970)	(15 538)	1 341 965
Sovereign debt securities	1 165 777	—	1 165 777	—	—	1 165 777
Bank debt securities	61 714	—	61 714	—	—	61 714
Other debt securities	437 649	—	437 649	—	—	437 649
Derivative financial instruments	717 457	—	717 457	(272 446)	(209 749)	235 262
Securities arising from trading activities	163 165	—	163 165	(46 114)	—	117 051
Investment portfolio	333 221	—	333 221	—	—	333 221
Loans and advances to customers	14 426 475	—	14 426 475	—	—	14 426 475
Other loans and advances	147 025	—	147 025	—	(5 930)	141 095
Other securitised assets	93 087	—	93 087	—	—	93 087
Other assets	1 161 549	—	1 161 549	—	—	1 161 549
	27 001 625	—	27 001 625	(408 530)	(277 167)	26 315 928
Liabilities						
Deposits by banks	2 026 573	—	2 026 573	—	(215 054)	1 811 519
Derivative financial instruments	863 295	—	863 295	(298 340)	(47 482)	517 473
Other trading liabilities	42 944	—	42 944	(38 287)	—	4 657
Repurchase agreements and cash collateral on securities lent	154 828	—	154 828	(25 761)	(4 348)	124 719
Customer accounts (deposits)	18 616 233	—	18 616 233	—	(10 233)	18 606 000
Debt securities in issue	1 120 841	—	1 120 841	(46 142)	(50)	1 074 649
Liabilities arising on securitisation of other assets	95 885	—	95 885	—	—	95 885
Other liabilities	1 360 071	—	1 360 071	—	—	1 360 071
Subordinated liabilities	758 739	—	758 739	—	—	758 739
	25 039 409	—	25 039 409	(408 530)	(277 167)	24 353 712

ADDITIONAL IAS 34 DISCLOSURES CONTINUED

Historical German dividend tax arbitrage transactions

Investec Bank plc has previously been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum-ex transactions). Investigations are ongoing and no formal proceedings have been issued against Investec Bank plc by the Office of the Public Prosecutor. In addition, Investec Bank plc received certain enquiries in respect of client tax reclaims for the periods 2010-2011 relating to the historical German dividend arbitrage transactions from the German Federal Tax Office (FTO) in Bonn. Since issuing our 31 March 2022 Annual Report, the FTO has provided more information in relation to their claims and Investec Bank plc has sought further information and clarification.

Investec Bank plc is co-operating with the German authorities and continues to conduct its own internal investigation into the matters in question. A provision is held to reflect the potential financial outflows that could arise as a result of this matter. There are factual issues to be resolved which may have legal consequences, including financial penalties.

In relation to potential civil claims; whilst Investec Bank plc is not a claimant nor a defendant to any civil claims in respect of cum-ex transactions, Investec Bank plc has received third party notices in relation to two civil proceedings in Germany and may elect to join the proceedings as a third party participant. Investec Bank plc has itself served third party notices on various participants to these historic transactions in order to preserve statute of limitation on any potential future claims that Investec Bank plc may seek to bring against those parties, should Investec Bank plc incur any liability in the future. Investec Bank plc has also entered into standstill agreements with some third parties in order to suspend the limitation period in respect of the potential civil claims. While Investec Bank plc is not a claimant nor a defendant to any civil claims at this stage, it cannot rule out the possibility of civil claims by or against Investec Bank plc in future in relation to the relevant transactions.

The Group has not provided further disclosure with respect to these historical dividend arbitrage transactions because it has concluded that such disclosure may be expected to seriously prejudice its outcome.

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 2022.

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 £926 million since 31 March 2022 to £15.3 billion. A portion of this growth has been driven by the weakening of the Pound Sterling against the US Dollar and Euro the over the period, currency neutral annualised growth would be 7.9%. 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 well. Asset quality ratios remain low. Total Stage 3 exposures total £304 million at 30 September 2022 or 2.0% of gross core loans subject to ECL reduced, from 2.1% at 31 March 2022, predominantly due to limited new defaults.

Stage 2 exposures have increased to £1 067 million or 7.2% of gross core loans subject to ECL (£992 million or 7.1% at 31 March 2022) resulting from the model driven impacts of the updated macro-economic scenarios accounting for the elevated levels of inflation in the UK, interest rate rises, energy considerations and other relevant factors since 31 March 2022.

The annualised credit loss ratio at 30 September 2022 is 0.32%. The credit loss ratio is trending towards the 'through-the cycle' range of 30-40bps following very limited charges taken in the prior year due to the significant level of UK Government support provided during the COVID-19 pandemic.

£'million	30 Sept 2022	31 March 2022
Gross core loans	15 495	14 557
Gross core loans at FVPL	587	609
Gross core loans subject to ECL*	14 908	13 948
Stage 1	13 537	12 665
Stage 2	1 067	992
of which past due greater than 30 days	44	28
Stage 3	304	291
ECL	(146)	(134)
Stage 1	(35)	(32)
Stage 2	(38)	(35)
Stage 3	(73)	(67)
Coverage ratio		
Stage 1	0.26%	0.25%
Stage 2	3.6%	3.5%
Stage 3	24.0%	23.0%
Annualised credit loss ratio	0.32%	0.17%
ECL impairment charges on core loans	(23)	(22)
Average gross core loans subject to ECL	14 428	12 958
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	231	224
Aggregate collateral and other credit enhancements on Stage 3	235	230
Stage 3 as a % of gross core loans subject to ECL	2.0%	2.1%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.6%	1.6%

Note: Our exposure (net of ECL) to the UK Legacy portfolio has reduced from £43 million at 31 March 2022 to £40 million at 30 September 2022 and therefore Ongoing (excluding Legacy) is no longer reported separately in the table above. These Legacy assets are predominantly reported in Stage 3 and make up 16.8% of Stage 3 gross core loans. These assets have been significantly provided for and coverage remains high at 56.9%. Refer to definitions on page 48.

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

	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		
£'million										
At 30 September 2022										
Commercial real estate	1 243	(3)	165	(8)	102	(25)	1 510	(36)	42	1 552
Commercial real estate – investment	985	(2)	141	(6)	96	(22)	1 222	(30)	39	1 261
Commercial real estate – development	247	(1)	18	(1)	—	—	265	(2)	3	268
Commercial vacant land and planning	11	—	6	(1)	6	(3)	23	(4)	—	23
Residential real estate	703	(2)	61	(4)	36	(17)	800	(23)	35	835
Residential real estate – investment	385	(1)	30	(3)	6	(2)	421	(6)	34	455
Residential real estate – development	303	(1)	29	(1)	6	(3)	338	(5)	—	338
Residential vacant land and planning	15	—	2	—	24	(12)	41	(12)	1	42
Total lending collateralised by property	1 946	(5)	226	(12)	138	(42)	2 310	(59)	77	2 387
Coverage ratio		0.26%		5.3%		30.4%		2.6%		
At 31 March 2022										
Commercial real estate	1 334	(3)	152	(6)	105	(21)	1 591	(30)	46	1 637
Commercial real estate – investment	1 104	(2)	108	(4)	99	(18)	1 311	(24)	42	1 353
Commercial real estate – development	222	(1)	38	(1)	—	—	260	(2)	4	264
Commercial vacant land and planning	8	—	6	(1)	6	(3)	20	(4)	—	20
Residential real estate	676	(2)	3	—	34	(16)	713	(18)	29	742
Residential real estate – investment	394	(1)	3	—	4	(1)	401	(2)	27	428
Residential real estate – development	276	(1)	—	—	6	(3)	282	(4)	—	282
Residential vacant land and planning	6	—	—	—	24	(12)	30	(12)	2	32
Total lending collateralised by property	2 010	(5)	155	(6)	139	(37)	2 304	(48)	75	2 379
Coverage ratio		0.25%		3.9%		26.6%		2.1%		

CREDIT AND COUNTERPARTY RISK
CONTINUED

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 2022										
Mortgages	4 314	(2)	100	(1)	56	(6)	4 470	(9)	24	4 494
High net worth and specialised lending	972	(2)	36	(2)	16	(2)	1 024	(6)	3	1 027
Total high net worth and other private client lending	5 286	(4)	136	(3)	72	(8)	5 494	(15)	27	5 521
Coverage ratio		0.08%		2.2%		11.1%		0.3%		
At 31 March 2022										
Mortgages	3 995	(1)	86	—	57	(4)	4 138	(5)	25	4 163
High net worth and specialised lending	938	(2)	42	(1)	6	(2)	986	(5)	3	989
Total high net worth and other private client lending	4 933	(3)	128	(1)	63	(6)	5 124	(10)	28	5 152
Coverage ratio		0.06%		0.8%		9.5%		0.2%		

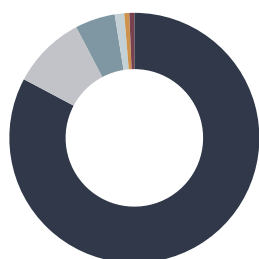
CREDIT AND COUNTERPARTY RISK
CONTINUED

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 2022										
Corporate and acquisition finance	1 782	(9)	179	(8)	11	(1)	1 972	(18)	98	2 070
Asset-based lending	312	(1)	30	—	—	—	342	(1)	4	346
Fund finance	1 542	(1)	3	—	—	—	1 545	(1)	60	1 605
Other corporate and financial institutions and governments	370	(2)	—	—	4	(1)	374	(3)	13	387
Small ticket asset finance	1 137	(8)	244	(7)	33	(15)	1 414	(30)	—	1 414
Motor finance	683	(2)	162	(5)	7	(3)	852	(10)	—	852
Aviation finance	133	(1)	7	—	—	—	140	(1)	272	412
Power and infrastructure finance	346	(2)	80	(3)	39	(3)	465	(8)	36	501
Total corporate and other lending	6 305	(26)	705	(23)	94	(23)	7 104	(72)	483	7 587
Coverage ratio		0.41%		3.3%		24.5%		1.0%		
At 31 March 2022										
Corporate and acquisition finance	1 528	(7)	207	(13)	10	(1)	1 745	(21)	125	1 870
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 194	(1)	18	—	—	—	1 212	(1)	44	1 256
Other corporate and financial institutions and governments	379	(2)	37	(2)	3	(1)	419	(5)	11	430
Small ticket asset finance	1 183	(8)	242	(7)	29	(18)	1 454	(33)	—	1 454
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
Aviation finance	96	(1)	10	(1)	—	—	106	(2)	244	350
Power and infrastructure finance	362	(2)	47	(2)	41	(2)	450	(6)	70	520
Total corporate and other lending	5 722	(24)	709	(28)	89	(24)	6 520	(76)	506	7 026
Coverage ratio		0.42%		3.9%		27.0%		1.2%		

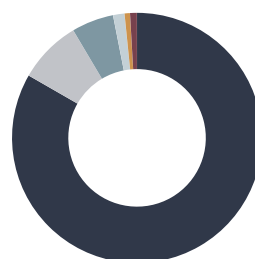
An analysis of gross core loans by country of exposure

30 September 2022
£15 495 million



United Kingdom
Europe (excluding UK)
North America
Asia
Other
Australia

31 March 2022
£14 557 million



United Kingdom
Europe (excluding UK)
North America
Asia
Other
Australia

83.3%
8.2%
5.4%
1.5%
0.7%
0.9%

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 2022 to 30 September 2022. 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 2 was almost all driven by the changes in the macro-economic environment and corresponding PD deterioration in the loan book. There was little uptick in transfers into Stage 3 as a proportion of the opening book reflecting limited new defaults experienced to date.

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 prior period largely reflects the management overlay of £16.8 million which has remained unchanged since 31 March 2022. 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 2022.

£'million	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
At 31 March 2022	12 665	(32)	992	(35)	291	(67)	13 948	(134)
Transfer from Stage 1	(340)	2	311	(2)	29	—	—	—
Transfer from Stage 2	129	(1)	(151)	2	22	(1)	—	—
Transfer from Stage 3	1	—	10	(1)	(11)	1	—	—
ECL remeasurement arising from transfer of stage	—	1	—	(4)	—	(7)	—	(10)
New lending net of repayments (includes assets written off)	877	(4)	(113)	2	(30)	1	734	(1)
Changes to risk parameters and models	—	—	—	—	—	—	—	—
Foreign exchange and other	205	(1)	18	—	3	—	226	(1)
At 30 September 2022	13 537	(35)	1 067	(38)	304	(73)	14 908	(146)

£'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)

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 £29.8 billion at 30 September 2022. Cash and near cash balances amounted to £8.5 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. Loans and advances to customers (including committed facilities) account for greater than 95% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	30 Sept 2022	31 March 2022
Cash and balances at central banks	4 491	5 380
Loans and advances to banks	1 503	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	2 041	1 447
Sovereign debt securities	1 376	1 166
Bank debt securities	110	62
Other debt securities	596	443
Derivative financial instruments	1 089	669
Securities arising from trading activities	19	26
Loans and advances to customers	15 495	14 557
Other loans and advances	212	147
Other securitised assets	6	6
Other assets	38	116
Total on-balance sheet exposures	26 976	25 486
Guarantees	42	41
Committed facilities related to loans and advances to customers	2 297	1 957
Contingent liabilities, letters of credit and other	482	326
Total off-balance sheet exposures	2 821	2 324
Total gross credit and counterparty exposures	29 797	27 810

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 2022 £'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	4 491	—	4 491	—	—	4 491
Loans and advances to banks	1 503	—	1 503	—	—	1 503
Reverse repurchase agreements and cash collateral on securities borrowed	2 041	715	1 326	—	—	2 041
Sovereign debt securities	1 376	24	1 352	—	—	1 376
Bank debt securities	110	—	110	—	—	110
Other debt securities	596	107	489	(6)	—	590
Derivative financial instruments	1 089	1 089	—	—	104	1 193
Securities arising from trading activities	19	19	—	—	117	136
Investment portfolio	—	—	—	—	362*	362
Loans and advances to customers	15 495	587	14 908	(146)	—	15 349
Other loans and advances	212	—	212	—	—	212
Other securitised assets	6	6	—	—	80 [^]	86
Interest in associated undertakings and joint venture holdings	—	—	—	—	12	12
Deferred taxation assets	—	—	—	—	105	105
Current taxation assets	—	—	—	—	15	15
Other assets	38	—	38	—	955**	993
Property and equipment	—	—	—	—	127	127
Goodwill	—	—	—	—	243	243
Software	—	—	—	—	10	10
Other acquired intangible assets	—	—	—	—	39	39
Total on-balance sheet exposures	26 976	2 547	24 429	(152)	2 169	28 993
Guarantees	42	—	42	—	—	42
Committed facilities related to loans and advances to customers	2 297	68	2 229	(12)	—	2 285
Contingent liabilities, letters of credit and other	482	—	482	(1)	227	708
Total off-balance sheet exposures	2 821	68	2 753	(13)	227	3 035
Total exposures	29 797	2 615	27 182	(165)	2 396	32 028

[#] ECLs include £3.8 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 2022 £'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	5 380	—	5 380	—	—	5 380
Loans and advances to banks	1 467	—	1 467	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	1 447	669	778	—	—	1 447
Sovereign debt securities	1 166	34	1 132	—	—	1 166
Bank debt securities	62	—	62	—	—	62
Other debt securities	443	144	299	(5)	—	438
Derivative financial instruments	669	669	—	—	48	717
Securities arising from trading activities	26	26	—	—	137	163
Investment portfolio	—	—	—	—	333*	333
Loans and advances to customers	14 557	609	13 948	(134)	—	14 423
Other loans and advances	147	—	147	—	—	147
Other securitised assets	6	6	—	—	87 [^]	93
Interest in associated undertakings and joint venture holdings	—	—	—	—	11	11
Deferred taxation assets	—	—	—	—	110	110
Current taxation assets	—	—	—	—	16	16
Other assets	116	—	116	—	1 046**	1 162
Property and equipment	—	—	—	—	155	155
Goodwill	—	—	—	—	244	244
Software	—	—	—	—	7	7
Other acquired intangible assets	—	—	—	—	44	44
Total on-balance sheet exposures	25 486	2 157	23 329	(139)	2 238	27 585
Guarantees	41	—	41	—	—	41
Committed facilities related to loans and advances to customers	1 957	53	1 904	(7)	—	1 950
Contingent liabilities, letters of credit and other	326	—	326	(1)	181	506
Total off-balance sheet exposures	2 324	53	2 271	(8)	181	2 497
Total exposures	27 810	2 210	25 600	(147)	2 419	30 082

[#] ECLs include £3.3 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

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 2022							
Cash and balances at central banks	—	—	—	—	4 491	—	—
Loans and advances to banks	—	—	—	—	—	—	1 503
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	368	—	1 673
Sovereign debt securities	—	—	—	—	1 376	—	—
Bank debt securities	—	—	—	—	—	—	110
Other debt securities	—	—	—	10	9	17	422
Derivative financial instruments	—	—	—	66	—	11	806
Securities arising from trading activities	—	—	—	—	—	1	14
Loans and advances to customers	5 521	2 387	15	518	222	1 474	1 990
Other loans and advances	—	—	—	—	—	—	201
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	38
Total on-balance sheet exposures	5 521	2 387	15	594	6 466	1 503	6 757
Guarantees	8	—	—	10	—	—	—
Committed facilities related to loans and advances to customers	139	591	—	368	58	158	728
Contingent liabilities, letters of credit and other	12	—	—	309	—	12	148
Total off-balance sheet exposures	159	591	—	687	58	170	876
Total gross credit and counterparty exposures	5 680	2 978	15	1 281	6 524	1 673	7 633
At 31 March 2022							
Cash and balances at central banks	—	—	—	—	5 380	—	—
Loans and advances to banks	—	—	—	—	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	485	—	962
Sovereign debt securities	—	—	—	—	1 166	—	—
Bank debt securities	—	—	—	—	—	—	62
Other debt securities	—	—	—	9	10	13	249
Derivative financial instruments	—	—	—	32	—	2	493
Securities arising from trading activities	—	—	—	—	3	2	16
Loans and advances to customers	5 152	2 379	14	619	233	1 333	1 661
Other loans and advances	—	—	—	—	—	—	136
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	39
Total on-balance sheet exposures	5 152	2 379	14	660	7 277	1 350	5 085
Guarantees	7	—	—	11	—	—	—
Committed facilities related to loans and advances to customers	131	436	—	262	66	205	596
Contingent liabilities, letters of credit and other	18	—	—	191	—	8	104
Total off-balance sheet exposures	156	436	—	464	66	213	700
Total gross credit and counterparty exposures	5 308	2 815	14	1 124	7 343	1 563	5 785

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
—	—	—	—	—	—	—	—	—	—	4 491
—	—	—	—	—	—	—	—	—	—	1 503
—	—	—	—	—	—	—	—	—	—	2 041
—	—	—	—	—	—	—	—	—	—	1 376
—	—	—	—	—	—	—	—	—	—	110
—	—	—	73	—	—	—	57	—	8	596
19	47	2	—	—	118	—	18	—	2	1 089
—	—	—	4	—	—	—	—	—	—	19
243	873	122	—	170	74	91	667	852	276	15 495
—	—	—	11	—	—	—	—	—	—	212
—	—	—	6	—	—	—	—	—	—	6
—	—	—	—	—	—	—	—	—	—	38
262	920	124	94	170	192	91	742	852	286	26 976
—	—	—	—	3	—	—	21	—	—	42
11	102	14	—	9	15	2	26	—	76	2 297
—	—	—	—	—	—	—	1	—	—	482
11	102	14	—	12	15	2	48	—	76	2 821
273	1 022	138	94	182	207	93	790	852	362	29 797
—	—	—	—	—	—	—	—	—	—	5 380
—	—	—	—	—	—	—	—	—	—	1 467
—	—	—	—	—	—	—	—	—	—	1 447
—	—	—	—	—	—	—	—	—	—	1 166
—	—	—	—	—	—	—	—	—	—	62
—	—	—	99	—	—	—	55	—	8	443
6	11	—	—	—	111	1	13	—	—	669
—	—	—	5	—	—	—	—	—	—	26
285	797	110	—	123	96	85	656	755	259	14 557
—	—	—	11	—	—	—	—	—	—	147
—	—	—	6	—	—	—	—	—	—	6
20	1	—	—	—	—	—	53	—	3	116
311	809	110	121	123	207	86	777	755	270	25 486
2	—	—	—	3	—	—	18	—	—	41
7	104	7	—	40	32	2	9	—	60	1 957
—	—	—	—	—	4	—	1	—	—	326
9	104	7	—	43	36	2	28	—	60	2 324
320	913	117	121	166	243	88	805	755	330	27 810

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by residual contractual maturity

At 30 September 2022	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
£'million							
Cash and balances at central banks	4 491	—	—	—	—	—	4 491
Loans and advances to banks	1 497	—	—	6	—	—	1 503
Reverse repurchase agreements and cash collateral on securities borrowed	1 129	21	213	174	—	504	2 041
Sovereign debt securities	775	171	114	255	40	21	1 376
Bank debt securities	17	—	—	80	13	—	110
Other debt securities	14	5	8	52	335	182	596
Derivative financial instruments	297	113	235	402	37	5	1 089
Securities arising from trading activities	—	—	—	2	11	6	19
Loans and advances to customers	1 295	867	2 157	7 845	1 998	1 333	15 495
Other loans and advances	17	—	—	85	74	36	212
Other securitised assets	—	—	—	—	—	6	6
Other assets	38	—	—	—	—	—	38
Total on-balance sheet exposures	9 570	1 177	2 727	8 901	2 508	2 093	26 976
Guarantees	14	3	1	24	—	—	42
Committed facilities related to loans and advances to customers	71	89	275	1 560	287	15	2 297
Contingent liabilities, letters of credit and other	45	12	108	277	40	—	482
Total off-balance sheet exposures	130	104	384	1 861	327	15	2 821
Total gross credit and counterparty exposures	9 700	1 281	3 111	10 762	2 835	2 108	29 797

ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURE

Key judgements at 30 September 2022

At 30 September 2022, the revised macro-economic scenarios have been updated to account for elevated levels of inflation in the UK, interest rate rises, energy considerations and other relevant factors since 31 March 2022. There has also been an increase in scenario weighting of the downside 1 – inflation scenario by 5% to 35% and a consequent reduction in the downside 2 – global shock weighting. The ECL impairment charge impact of the macro-economic scenario updates and weightings over the period was £9.9 million.

There remains a significant amount of economic uncertainty and, given the events currently taking place that have not been factored into the models' history, significant model performance uncertainty exists. 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. As a result, an ECL overlay is still considered appropriate.

We continue to hold a management ECL overlay totalling £16.8 million at 30 September 2022 (£16.8 million at 31 March 2022; £21 million at 30 September 2021) to account for the considerable uncertainty that remains in the macro-economic environment. In particular, with respect to the ongoing situation in the UK political environment and resulting market volatility. The management ECL overlay seeks to capture the significant level of judgement required in the application of the macro-economic scenarios as well as the ongoing uncertainty in the UK and global operating environment that is not currently captured completely by modelled outputs.

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 presented at the relevant BRCCs as well as the relevant capital committees for approval, 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 ECL measurement.

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.

Economic developments since 31 March 2022 have resulted in a number of updates to the macro-economic scenarios. The main considerations being the Russian invasion of Ukraine, and consequentially energy market issues, both in terms of the elevated levels of natural gas prices and supply issues which have significant implications for the UK and the EU. In addition, persistently elevated levels of inflation globally resulted in aggressive Central Bank tightening as well as fiscal policy in the UK. While the selection of scenarios at 30 September 2022 remained the same as at 31 March 2022, an upside, base case and two downside cases (inflation, global shock) the base case and downside 1-inflation have been updated to reflect the most recent developments.

At 30 September 2022, in addition to updated macro-economic forecasts, the scenario weightings were reassessed taking into account changes to the balance of risks as well as the updated scenario forecasts. As such, the revised weightings stood at 10% upside, 45% base case, 35% downside 1-inflation and 10% downside 2-global shock. The main change was a 5% increase in weighting of the inflation scenario. In overall terms the balance of risks remained skewed to the downside.

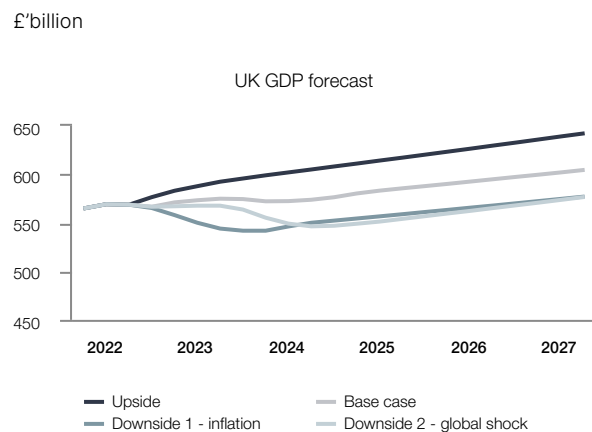
The base case has been updated to reflect a number of developments and changes to assumptions since 31 March 2022. Firstly, the Russian invasion of Ukraine has continued for longer than expected. The energy implications as a result of the conflict have also influenced updated assumptions. Secondly, recent UK fiscal policy developments alter the domestic outlook materially. The domestic expected case now envisages inflation remaining stubbornly high, in excess of 10% into 2023 before moderating. A tighter degree of monetary policy is also now expected following the UK fiscal policy announcements, which are viewed as supporting demand and ultimately inflation. A peak bank rate of 5% is now expected in the second quarter of 2022 and expected to remain at that level into 2024, when an easing is expected following a recession in the second half of 2023. The housing market is expected to weaken, and prices to fall 5% given higher interest rates. Globally the outlook is characterised by higher interest rates in response to persistently high levels of inflation. However, a global economic slowdown over 2023 is expected to result in many central banks beginning to ease monetary policy by the end of 2023.

The downside 1-inflation scenario is an updated version of the scenario used at 31 March 2022. It assumes a more entrenched level of core inflation globally than previously, consequently resulting in more aggressive monetary tightening by central banks. Additional UK specific factors, including an expansionary fiscal policy stance, contribute to a peak BoE Bank rate of 6.50% in 2023 which remains at that level into 2024. The sharp tightening of financial conditions globally causes a global economic downturn and recessions in the major advanced economies. In the UK the severity is a 3.9% peak-to-trough fall in GDP. The stress scenario is also characterised by rising unemployment and falls in house prices, while financial markets see a correction in equity and bond values. Through the mid to later part of the forecast horizon, policy rates are cut in response to the economic downturn, and GDP growth gradually recovers.

The downside 2-global shock is a hypothetical scenario designed to encapsulate a variety of tail risks. It models a severe synchronised global economic downturn and a sharp repricing of all asset classes, particularly those whose valuations are most elevated. Although the shock is assumed to take place early on in the forecasting horizon, lasting headwinds mean the economic and asset price recovery that follows is a slow one. Partly, this also reflects the assumption that fiscal support is not as substantial as it was during the initial phase of the COVID-19 pandemic. Faced by a deflationary shock, central banks loosen policy. The BoE does so via asset purchases and a cut in Bank rate, to a low of 0.25%. Over time, economic recovery prompts a renewed but slow rise in policy rates.

In the upside case, an assumption is that UK fiscal policy is effective and that economic activity expands more briskly, thanks to a pick-up in labour productivity, which sustains faster growth for longer as medium-term GDP growth averages 2% per annum. Amid a positive environment for corporates, unemployment falls even further. This stronger than expected rebound is seen globally, and monetary policy remains held around neutral levels.

The graph below shows the forecasted UK GDP under each macro-economic scenario applied at 30 September 2022.



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.

Macro-economic scenarios	At 30 September 2022 average 2022 – 2027				At 31 March 2022 average 2022 – 2027			
	Upside %	Base case %	Downside 1 inflation %	Downside 2 global shock %	Upside %	Base case %	Downside 1 inflation %	Downside 2 global shock %
UK								
GDP growth	2.5	1.3	0.3	0.4	2.6	1.9	0.8	0.3
Unemployment rate	3.3	4.4	5.8	6.3	3.3	3.7	5.4	6.4
CPI inflation	3.8	4.2	5.8	2.8	2.4	3.1	3.2	1.6
House price growth	4.2	2.1	(1.0)	(3.2)	3.5	2.9	1.5	(3.6)
Bank of England – Bank rate (end year)	2.5	3.4	4.1	0.7	1.8	1.9	2.0	(0.2)
Euro area								
GDP growth	2.7	1.1	0.4	0.2	2.8	2.1	1.1	0.1
US								
GDP growth	2.7	1.3	0.7	0.3	3.1	2.1	1.4	0.6
Scenario weightings	10	45	35	10	10	45	30	15

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 2022.

Base case %	Financial years				
	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
UK					
GDP growth	1.6	0.6	0.9	1.8	1.6
Unemployment rate	3.9	4.6	4.8	4.3	4.3
CPI inflation	10.0	4.9	2.0	2.0	2.0
House price growth	8.2	(2.9)	0.3	2.3	2.4
Bank of England – Bank rate (end year)	4.8	4.5	2.5	2.5	2.5
Euro area					
GDP growth	2.1	(0.3)	0.6	1.6	1.6
US					
GDP growth	1.1	0.4	1.2	1.8	1.8

The following table outlines the extreme point forecast for each economic factor across the scenarios as at 30 September 2022. Baseline represents the five-year base case average. Upside scenario values represent the best outcomes, namely the highest quarterly level of GDP, house price growth (year-on-year), lowest level of unemployment and Bank rate. Upside scenario value for CPI inflation is represented by the five-year average. Downside scenario values represent the worst outcomes being lowest quarterly level of GDP, house price growth (year-on-year). For Bank rate and CPI inflation the most extreme point is listed, the highest level reflective in downside 1-inflation scenario and the lowest level in downside 2-global shock scenario.

Five-year extreme points At 30 September 2022	Upside %	Baseline: Base case five-year average %	Downside 1 inflation %	Downside 2 global shock %
UK				
GDP growth	4.2	1.3	(3.7)	(4.3)
Unemployment rate	3.2	4.4	7.6	7.4
CPI inflation	3.8	4.2	13.8	0.8
House price growth	11.2	2.1	(13.3)	(21.9)
BoE – Bank rate (end year)	2.3	3.4	6.5	0.3
Euro area				
GDP growth	4.1	1.1	(3.4)	(4.2)
US				
GDP growth	4.7	1.3	(3.8)	(3.9)

INVESTMENT RISK

Investment risk in the banking book

Investment risk in the banking book comprises 1.3% of total assets at 30 September 2022.

Summary of investments

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 2022	On-balance sheet value of investments 31 March 2022
Unlisted investments	361	331
Listed equities	1	2
Total investment portfolio	362	333
Trading properties	4	4
Warrants and profit shares	6	6
Total	372	343

An analysis of the investment portfolio, warrants and profit shares

30 September 2022

£368 million



■ Finance and insurance	47.7%
■ Manufacturing and commerce	12.0%
■ Transport	9.8%
■ Retailers and wholesalers	8.9%
■ Real estate	7.8%
■ Other	4.7%
■ Construction	3.9%
■ Communication	3.1%
■ Leisure, entertainment and tourism	2.1%

SECURITISATION/STRUCTURED CREDIT

Securitisation/structured credit activities exposures**Overview**

The Group's definition of securitisation/structured credit activities is wider than the definition applied for regulatory capital purposes. The regulatory capital definition focuses largely on positions we hold in an investor capacity and 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.

Since 1 January 2020, the UK has applied the new securitisation framework. Given risk-weightings under this new framework are generally not reliant on external ratings, a breakdown by risk-weight 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 2022 £'million	31 March 2022 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	629	429	Other debt securities and other loans and advances
<40% RWA	623	423	
>40% RWA	6	6	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US corporate loans	340	69	7	—	—	—	416	82	498
UK RMBS	60	24	1	—	—	—	85	5	90
European corporate loans	40	1	—	—	—	—	41	—	41
Total at 30 September 2022	440	94	8	—	—	—	542	87	629
<40% RWA	440	94	7	—	—	—	541	82	623
>40% RWA	—	—	1	—	—	—	1	5	6
Total at 31 March 2022	282	83	16	—	—	—	381	48	429

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, being the average of the losses in the tail of the VaR distribution.

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

95% one-day VaR £'000	30 September 2022				31 March 2022			
	Period end	Average	High	Low	Year end	Average	High	Low
Equities	299	365	683	251	381	479	742	335
Foreign exchange	23	12	76	3	5	9	69	1
Interest rates	28	28	73	15	21	28	172	8
Credit	44	7	45	1	1	13	89	1
Consolidated*	287	367	679	256	370	469	699	340

* 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 2022 Period end	31 March 2022 Year end
Equities	430	530
Foreign exchange	31	7
Interest rates	43	36
Credit	62	1
Consolidated[^]	422	525

[^] 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 2022 Period end	31 March 2022 Year end
99% one-day sVaR	645	858

MARKET RISK CONTINUED

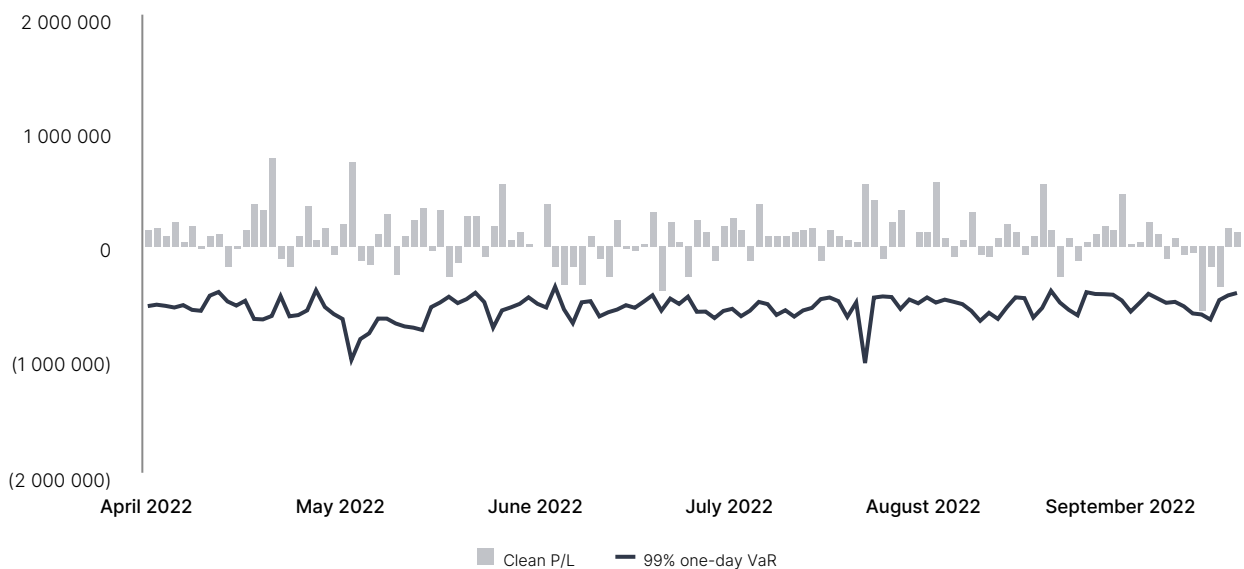
Backtesting

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 these graphs, 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 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 one year period. The absence of exceptions is attributable to the continued risk reduction in the structured products book and the market volatility of 2020 still being in the historic VaR time series for much of the reporting period.

99% one-day VaR backtesting (£)

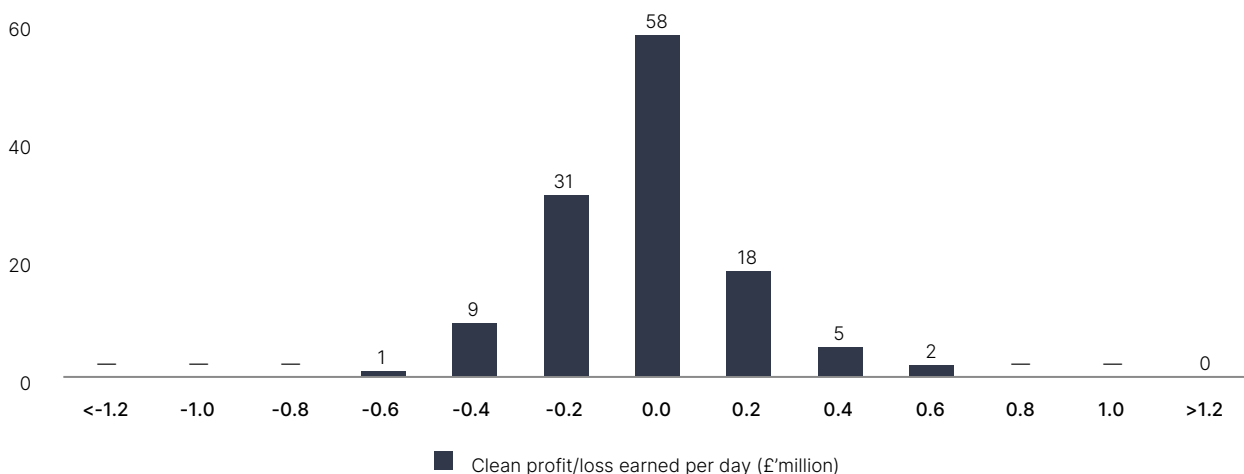


Clean profit and loss histogram

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 83 days out of a total of 124 days in the trading business. The average daily clean profit and loss generated for the six months to 30 September 2022 was £70 981 (six months to 30 September 2021: £73 387).

Clean profit and loss

Frequency: Days in the period



BALANCE SHEET RISK AND LIQUIDITY

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.

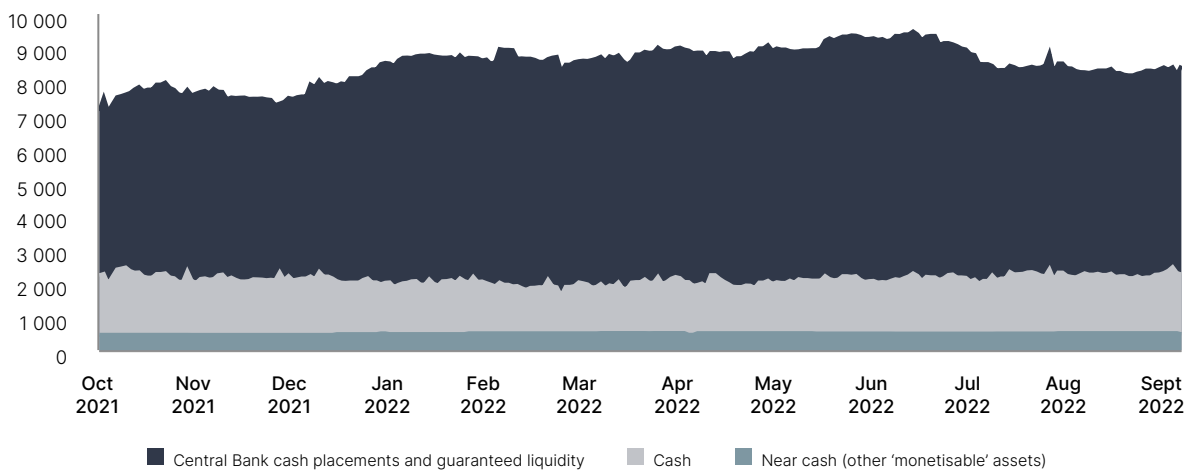
Liquidity risk

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.

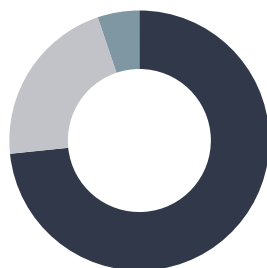
Liquidity risk is further broken down into:

- **Funding liquidity risk:** 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 risk:** 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 2022 £8 463 million



Central Bank cash placements and guaranteed liquidity	73.4%
Cash	21.4%
Near cash (other 'monetisable' assets)	5.2%

Bank and non-bank depositor concentration by type at 30 September 2022 £21 445 million



Individuals	54.2%
Other financial institutions and corporates	28.8%
Banks	11.3%
Small business	5.7%

BALANCE SHEET RISK AND LIQUIDITY

CONTINUED

Liquidity mismatch

The tables that follow show the 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 Group 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'
 - 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 2022

£'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	5 386	599	3	—	—	6	—	5 994
Investment/trading assets	161	1 450	885	312	686	1 074	1 252	5 820
Securitised assets	—	1	—	—	1	25	59	86
Advances	208	448	651	866	2 145	7 843	3 403	15 564
Other assets	10	591	53	61	42	418	357	1 532
Assets	5 765	3 089	1 592	1 239	2 874	9 366	5 071	28 996
Deposits – banks	(548)	—	—	—	—	(1 878)	—	(2 426)
Deposits – non-banks	(7 578)	(717)	(4 096)	(3 557)	(1 899)	(1 126)	(46)	(19 019)
Negotiable paper	—	(30)	(20)	(17)	(102)	(887)	(10)	(1 066)
Securitised liabilities	—	—	(2)	(2)	(4)	(38)	(44)	(90)
Investment/trading liabilities	(88)	(319)	(495)	(201)	(188)	(286)	—	(1 577)
Subordinated liabilities	—	—	—	—	—	—	(709)	(709)
Other liabilities	(83)	(725)	(30)	(49)	(183)	(305)	(71)	(1 446)
Liabilities	(8 297)	(1 791)	(4 643)	(3 826)	(2 376)	(4 520)	(880)	(26 333)
Total equity	—	—	—	—	—	—	(2 663)	(2 663)
Contractual liquidity gap	(2 532)	1 298	(3 051)	(2 587)	498	4 846	1 528	—
Cumulative liquidity gap	(2 532)	(1 234)	(4 285)	(6 872)	(6 374)	(1 528)	—	—

Behavioural liquidity at 30 September 2022

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	3 472	846	(3 020)	(2 518)	384	(633)	1 469	—
Cumulative	3 472	4 318	1 298	(1 220)	(836)	(1 469)	—	—

Regulatory ratios

The Investec plc and IBP (solo basis) LCRs are calculated using the PRA rulebook (CRR) and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 30 September 2022, the LCR was 360% for IBP (solo basis).

Within the UK, the NSFR has become a binding requirement for banks since January 2022. Banks are now required to maintain a minimum NSFR of 100%. The Investec plc and IBP (solo basis) NSFRs are calculated using the PRA rulebook (CRR) and our own interpretations where the regulation calls for it. The NSFR at 30 September 2022 was 129% for IBP (solo basis).

BALANCE SHEET RISK AND LIQUIDITY

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 Group 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 2022

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	5 843	—	101	—	—	—	5 944
Investment/trading assets	2 527	135	127	202	32	366	3 389
Securitised assets	86	—	—	—	—	—	86
Advances	9 598	760	725	3 918	563	—	15 564
Other assets	—	—	—	—	—	1 348	1 348
Assets	18 054	895	953	4 120	595	1 714	26 331
Deposits – banks	(2 421)	—	—	—	—	—	(2 421)
Deposits – non-banks	(14 553)	(1 828)	(1 837)	(706)	(9)	—	(18 933)
Negotiable paper	(390)	—	—	(527)	—	—	(917)
Securitised liabilities	(90)	—	—	—	—	—	(90)
Investment/trading liabilities	(115)	—	—	—	—	—	(115)
Subordinated liabilities	—	—	(359)	(350)	—	—	(709)
Other liabilities	—	—	—	—	—	(593)	(593)
Liabilities	(17 569)	(1 828)	(2 196)	(1 583)	(9)	(593)	(23 778)
Total equity	—	—	—	—	—	(2 553)	(2 553)
Balance sheet	485	(933)	(1 243)	2 537	586	(1 432)	—
Off-balance sheet	612	1 254	1 014	(2 180)	(700)	—	—
Repricing gap	1 097	321	(229)	357	(114)	(1 432)	—
Cumulative repricing gap	1 097	1 418	1 189	1 546	1 432	—	—

Economic value sensitivity at 30 September 2022

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	Other (GBP)	
200bps down	(8.1)	5.7	3.1	0.4	(0.2)
200bps up	9.0	(4.4)	(2.7)	(0.4)	2.5

The bank previously disclosed its exposures to IBOR benchmarks as at 31 March 2022. 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 2022*	31 March 2022*
Common Equity Tier 1 ratio**	11.6%	12.0%
Common Equity Tier 1 ratio (fully loaded)***	11.4%	11.6%
Tier 1 ratio**	13.1%	13.6%
Total capital ratio**	17.4%	18.2%
Risk weighted assets (£'million)**	17 557	16 462
Leverage exposure measure (£'million)^	27 413	23 874
Leverage ratio^	8.4%	9.3%
Leverage ratio (fully loaded)^****	8.2%	9.1%

Capital structure and capital adequacy

£'million	30 September 2022*	31 March 2022*
Shareholder's equity	2 354	2 215
Shareholder's equity excluding non-controlling interests	2 412	2 296
Foreseeable charges and dividends	(36)	(61)
Deconsolidation of special purpose entities	(22)	(20)
Non-controlling interests	—	—
Non-controlling interests per balance sheet	1	1
Non-controlling interests excluded for regulatory purposes	(1)	(1)
Regulatory adjustments to the accounting basis	(7)	71
Additional value adjustments	(7)	(6)
Cash flow hedging reserve	(47)	—
Adjustment under IFRS 9 transitional arrangements	47	77
Deductions	(305)	(304)
Goodwill and intangible assets net of deferred taxation	(290)	(291)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(8)	(8)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(4)	(5)
Amount of insufficient coverage for non-performing exposures	(3)	—
Common Equity Tier 1 capital	2 042	1 982
Additional Tier 1 instruments	250	250
Tier 1 capital	2 292	2 232
Tier 2 capital	766	766
Tier 2 instruments	766	766
Total regulatory capital	3 058	2 998
Risk weighted assets**	17 557	16 462

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating Common Equity Tier (CET)1 capital. These disclosures differ from the capital adequacy disclosures included in the Investec Group's 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 20bps (31 March 2022: 37bps) higher, on this basis.

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

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assume full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

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

CAPITAL ADEQUACY
CONTINUED

Risk weighted assets and capital requirements

£'millions	Risk weighted assets**		Capital requirements**	
	30 September 2022*	31 March 2022	30 September 2022*	31 March 2022
	17 557	16 462	1 405	1 317
Credit risk	14 374	13 332	1 151	1 066
Equity risk	76	57	6	5
Counterparty credit risk	626	591	50	47
Credit valuation adjustment risk	67	103	5	8
Market risk	643	608	51	49
Operational risk	1 771	1 771	142	142

Leverage

£'millions	30 September 2022*	31 March 2022*
Total exposure measure	27 413	23 874
Tier 1 capital**	2 292	2 232
Leverage ratio[^]	8.4%	9.3%
Total exposure measure (fully loaded)	27 366	23 797
Tier 1 capital (fully loaded)	2 245	2 155
Leverage ratio (fully loaded)^{^***}	8.2%	9.1%


* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures differ from the capital adequacy disclosures included in the Investec Group's 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 20bps (31 March 2022: 37bps) higher, on this basis.

** The CET1, Tier 1, 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) assume full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

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

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 2022	30 Sept 2021	31 March 2022
Operating profit before goodwill, acquired intangibles and strategic actions	174 931	128 473	287 683
Add: Loss attributable to non-controlling interests	—	—	—
Adjusted operating profit	174 931	128 473	287 683

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 2022	31 March 2022
Loans and advances to customers per the balance sheet	15 352	14 426
ECL held against FVOCI loans reported on the balance sheet within reserves	(3)	(3)
Net core loans	15 349	14 423
of which amortised cost and FVOCI ('subject to ECL')	14 762	13 814
of which FVPL	587	609
Add: ECL	146	134
Gross core loans	15 495	14 557
of which amortised cost and FVOCI ('subject to ECL')	14 908	13 948
of which FVPL	587	609

Cost to income ratio Refer to the calculation in the table below

£'000	30 Sept 2022	30 Sept 2021	31 March 2022
Operating costs (A)	415 805	370 843	760 286
Total operating income before expected credit loss impairment charges	618 626	504 299	1 073 332
Add: Loss attributable to non-controlling interests	—	—	—
Total (B)	618 626	504 299	1 073 332
Cost to income ratio (A/B)	67.2%	73.5%	70.8%


Coverage ratio ECL as a percentage of gross core loans subject to ECL

Credit loss ratio 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 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

CET1 capital

Common Equity Tier 1 capital

RWAs

Risk weighted assets

CRR II

Capital Requirements Regulation II

CRD IV

Capital Requirements Directive IV

