

# Built on strong foundations

**Investec plc (excludes results of Investec Limited)**

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



## OVERVIEW OF RESULTS

**Introduction**

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

→ The description of alternative performance measures and their calculation is provided on page 51.

→ All other definitions can be found on page 52.

<b>Key financial statistics</b>	<b>30 Sept 2021</b>	30 Sept 2020	% change	31 March 2021
Total operating income before expected credit loss impairment charges (£'000)	512 689	428 828	19.6%	946 400
Operating costs (£'000)	380 426	357 880	6.3%	766 367
Adjusted operating profit (£'000)	127 413	31 574	>100.0%	109 698
Earnings attributable to ordinary shareholders (£'000)	108 425	18 890	>100.0%	69 772
Cost to income ratio (%)	74.2%	83.4%		80.9%
Total capital resources (including subordinated liabilities) (£'000)	3 375 859	3 250 573	3.9%	3 277 938
Total equity (£'000)	2 613 354	2 460 268	6.2%	2 506 457
Total assets (£'000) <sup>^</sup>	25 468 465	24 492 221	4.0%	24 801 508
Net core loans (£'000)	13 692 364	11 978 740	14.3%	12 330 652
Customer accounts (deposits) (£'000)	16 701 989	15 644 774	6.8%	16 077 671
Loans and advances to customers as a % of customer deposits	82.0%	76.6%		76.7%
Cash and near cash balances (£'mn)	7 315	6 222	17.6%	6 857
Funds under management (£'mn)	44 704	38 018	17.6%	41 708
Total gearing ratio (i.e. total assets to equity)	9.7x	10.0x		9.9x
Total capital ratio	14.6%	14.7%		14.9%
Tier 1 ratio	12.5%	12.3%		12.7%
Common Equity Tier 1 ratio	10.9%	10.6%		11.0%
Leverage ratio	7.7%	7.7%		7.8%
Leverage ratio (fully loaded)	7.3%	7.3%		7.4%
Stage 3 exposure as a % of gross core loans subject to ECL	2.1%	3.0%		2.8%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	1.6%	2.2%		2.0%
Credit loss ratio	0.09%*	0.60%*		0.56%

<sup>^</sup> Restated as detailed on page 27.

\* Annualised.

## CONDENSED CONSOLIDATED INCOME STATEMENT

<b>£'000</b>	<b>Six months to 30 Sept 2021</b>	Six months to 30 Sept 2020	Year to 31 March 2021
Interest income	344 247	356 054	701 220
Interest expense	(115 023)	(170 798)	(301 506)
<b>Net interest income</b>	<b>229 224</b>	<b>185 256</b>	<b>399 714</b>
Fee and commission income	238 306	226 400	501 794
Fee and commission expense	(7 279)	(6 513)	(13 271)
Investment income	15 294	25 189	31 266
Share of post-taxation profit of associates and joint venture holdings	6 785	2 227	10 829
Trading income/(loss) arising from			
– customer flow	32 715	(20 081)	(11 025)
– balance sheet management and other trading activities	(9 861)	9 374	11 262
Other operating income	7 505	6 976	15 831
<b>Total operating income before expected credit loss impairment charges</b>	<b>512 689</b>	<b>428 828</b>	<b>946 400</b>
Expected credit loss impairment charges	(4 850)	(39 904)	(71 196)
<b>Operating income</b>	<b>507 839</b>	<b>388 924</b>	<b>875 204</b>
Operating costs	(380 426)	(357 880)	(766 367)
<b>Operating profit before goodwill, acquired intangibles and strategic actions</b>	<b>127 413</b>	<b>31 044</b>	<b>108 837</b>
Impairment of goodwill	—	—	(11 248)
Amortisation of acquired intangibles	(6 482)	(6 414)	(12 851)
Closure and rundown of the Hong Kong direct investments business	(597)	(2 158)	7 387
<b>Operating profit</b>	<b>120 334</b>	<b>22 472</b>	<b>92 125</b>
<b>Profit before taxation</b>	<b>120 334</b>	<b>22 472</b>	<b>92 125</b>
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(12 167)	(5 337)	(24 243)
Taxation on goodwill, acquired intangibles and strategic actions	258	1 225	1 029
<b>Profit after taxation</b>	<b>108 425</b>	<b>18 360</b>	<b>68 911</b>
Loss attributable to other non-controlling interests	—	530	861
<b>Earnings attributable to shareholders</b>	<b>108 425</b>	<b>18 890</b>	<b>69 772</b>

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Six months to 30 Sept 2021	Six months to 30 Sept 2020	Year to 31 March 2021
<b>Profit after taxation</b>	<b>108 425</b>	<b>18 360</b>	<b>68 911</b>
Other comprehensive income/(loss):			
<b>Items that may be reclassified to the income statement:</b>			
(Gains)/losses on realisation of debt instruments at FVOCI recycled through the income statement*	(229)	828	817
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	(431)	(1 202)	(228)
Foreign currency adjustments on translating foreign operations**	1 982	5 839	(4 529)
Effect rate change on deferred tax relating to adjustment for IFRS 9	1 049	1	380
<b>Items that will never be reclassified to the income statement:</b>			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	27 911	47 070	99 287
Gains/(losses) attributable to own credit risk*	4 753	(966)	62
Movement in post-retirement benefit liabilities		(32)	(39)
<b>Total comprehensive income</b>	<b>143 460</b>	<b>69 898</b>	<b>164 661</b>
Total comprehensive loss attributable to non-controlling interests	—	(530)	(861)
Total comprehensive income attributable to ordinary shareholders	135 020	61 726	148 642
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities	8 440	8 702	16 880
<b>Total comprehensive income</b>	<b>143 460</b>	<b>69 898</b>	<b>164 661</b>

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

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

## CONSOLIDATED BALANCE SHEET

£'000	At 30 Sept 2021	At 31 March 2021	At 30 Sept 2020 <sup>^</sup>
<b>Assets</b>			
Cash and balances at central banks	3 332 458	3 043 034	1 918 509
Loans and advances to banks	1 526 435	1 385 471	1 633 410
Reverse repurchase agreements and cash collateral on securities borrowed	1 486 577	2 065 232	3 024 055
Sovereign debt securities	1 086 517	1 108 253	903 752
Bank debt securities	50 699	48 044	65 645
Other debt securities	493 680	698 961	747 605
Derivative financial instruments	628 646	773 333	900 209
Securities arising from trading activities	457 478	281 645	394 444
Investment portfolio	750 300	714 315	703 919
Loans and advances to customers	13 695 269	12 335 837	11 982 727
Other loans and advances	102 761	123 536	130 430
Other securitised assets	101 851	107 259	107 353
Interests in associated undertakings and joint venture holdings	60 938	58 658	55 948
Deferred taxation assets	91 024	110 750	121 259
Current taxation assets	36 173	58 174	45 779
Other assets	1 092 301	1 392 596	1 227 079
Property and equipment	170 369	185 502	202 038
Goodwill	249 836	249 836	261 283
Software	7 892	7 791	7 108
Other acquired intangible assets	47 261	53 281	59 669
	<b>25 468 465</b>	<b>24 801 508</b>	<b>24 492 221</b>
<b>Liabilities</b>			
Deposits by banks	1 420 267	1 352 581	1 351 400
Derivative financial instruments	750 832	914 863	881 152
Other trading liabilities	42 364	49 055	101 542
Repurchase agreements and cash collateral on securities lent	158 810	157 357	192 593
Customer accounts (deposits)	16 701 989	16 077 671	15 644 774
Debt securities in issue	1 572 783	1 602 584	1 506 801
Liabilities arising on securitisation of other assets	104 215	108 281	109 107
Current taxation liabilities	17 708	36 862	36 154
Deferred taxation liabilities	—	19 984	19 336
Other liabilities	1 323 638	1 204 332	1 398 789
	<b>22 092 606</b>	<b>21 523 570</b>	<b>21 241 648</b>
Subordinated liabilities	762 505	771 481	790 305
	<b>22 855 111</b>	<b>22 295 051</b>	<b>22 031 953</b>
<b>Equity</b>			
Ordinary share capital	202	202	202
Ordinary share premium	806 812	806 812	806 812
Treasury shares	(139 159)	(134 185)	(127 022)
Other reserves	(28 163)	(65 686)	(109 335)
Retained income	1 698 478	1 624 130	1 610 291
<b>Ordinary shareholders' equity</b>	<b>2 338 170</b>	<b>2 231 273</b>	<b>2 180 948</b>
Perpetual preference share capital and premium	24 794	24 794	24 794
<b>Shareholders' equity excluding non-controlling interests</b>	<b>2 362 964</b>	<b>2 256 067</b>	<b>2 205 742</b>
Other Additional Tier 1 securities in issue	250 000	250 000	250 000
Non-controlling interests in partially held subsidiaries	390	390	4 526
<b>Total equity</b>	<b>2 613 354</b>	<b>2 506 457</b>	<b>2 460 268</b>
<b>Total liabilities and equity</b>	<b>25 468 465</b>	<b>24 801 508</b>	<b>24 492 221</b>

<sup>^</sup> Restated as detailed on page 27.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Ordinary share premium	Treasury shares
<b>At 1 April 2020</b>	<b>202</b>	<b>806 812</b>	<b>(140 559)</b>
<b>Movement in reserves 1 April 2020 – 30 September 2020</b>			
Profit after taxation	—	—	—
Effect of rate change on deferred tax relating to adjustment for IFRS 9	—	—	—
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Losses attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference shareholders	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—
Dividends declared to Other Additional Tier 1 security holders	—	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
Movement of treasury shares	—	—	13 537
<b>At 30 September 2020</b>	<b>202</b>	<b>806 812</b>	<b>(127 022)</b>
<b>Movement in reserves 1 October 2020 – 31 March 2021</b>			
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	—	—	—
Fair value movements on equity 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	—	—	—
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference shareholders	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—
Dividends declared to Other Additional Tier 1 security holders	—	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—
Transfer from foreign currency reserve	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
Movement of treasury shares	—	—	(7 163)
<b>At 31 March 2021</b>	<b>202</b>	<b>806 812</b>	<b>(134 185)</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
CONTINUED

Other reserves					Retained income	Ordinary shareholders' equity	Perpetual preference share capital and premium	Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
Capital reserve account	Fair value reserve	Foreign currency reserves	Own credit reserve								
<b>(180 899)</b>	<b>39 984</b>	<b>5 128</b>	<b>(12 184)</b>	<b>1 592 182</b>	<b>2 110 666</b>	<b>24 794</b>	<b>2 135 460</b>	<b>250 000</b>	<b>3 369</b>	<b>2 388 829</b>	
—	—	—	—	18 890	18 890	—	18 890	—	(530)	18 360	
—	1	—	—	—	1	—	1	—	—	1	
—	828	—	—	—	828	—	828	—	—	828	
—	(1 202)	—	—	—	(1 202)	—	(1 202)	—	—	(1 202)	
—	47 070	—	—	—	47 070	—	47 070	—	—	47 070	
—	—	5 839	—	—	5 839	—	5 839	—	—	5 839	
—	—	—	(966)	—	(966)	—	(966)	—	—	(966)	
—	—	—	—	(32)	(32)	—	(32)	—	—	(32)	
<b>—</b>	<b>46 697</b>	<b>5 839</b>	<b>(966)</b>	<b>18 858</b>	<b>70 428</b>	<b>—</b>	<b>70 428</b>	<b>—</b>	<b>(530)</b>	<b>69 898</b>	
—	—	—	—	7 912	7 912	—	7 912	—	—	7 912	
—	—	—	—	41	41	—	41	—	—	41	
—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	(262)	(262)	262	—	—	—	—	
—	—	—	—	—	—	(262)	(262)	—	—	(262)	
—	—	—	—	(8 440)	(8 440)	—	(8 440)	8 440	—	—	
—	—	—	—	—	—	—	—	(8 440)	—	(8 440)	
—	—	—	—	—	—	—	—	—	1 687	1 687	
(12 934)	—	—	—	—	603	—	603	—	—	603	
<b>(193 833)</b>	<b>86 681</b>	<b>10 967</b>	<b>(13 150)</b>	<b>1 610 291</b>	<b>2 180 948</b>	<b>24 794</b>	<b>2 205 742</b>	<b>250 000</b>	<b>4 526</b>	<b>2 460 268</b>	
—	—	—	—	50 882	50 882	—	50 882	—	(331)	50 551	
—	(20)	—	399	—	379	—	379	—	—	379	
—	(11)	—	—	—	(11)	—	(11)	—	—	(11)	
—	974	—	—	—	974	—	974	—	—	974	
—	52 217	—	—	—	52 217	—	52 217	—	—	52 217	
—	—	(10 368)	—	—	(10 368)	—	(10 368)	—	—	(10 368)	
—	—	—	1 028	—	1 028	—	1 028	—	—	1 028	
—	—	—	—	(7)	(7)	—	(7)	—	—	(7)	
<b>—</b>	<b>53 160</b>	<b>(10 368)</b>	<b>1 427</b>	<b>50 875</b>	<b>95 094</b>	<b>—</b>	<b>95 094</b>	<b>—</b>	<b>(331)</b>	<b>94 763</b>	
—	—	—	—	(9 125)	(9 125)	—	(9 125)	—	—	(9 125)	
—	—	—	—	(41)	(41)	—	(41)	—	—	(41)	
—	—	—	—	(18 007)	(18 007)	—	(18 007)	—	—	(18 007)	
—	—	—	—	(175)	(175)	175	—	—	—	—	
—	—	—	—	—	—	(175)	(175)	—	—	(175)	
—	—	—	—	(8 440)	(8 440)	—	(8 440)	8 440	—	—	
—	—	—	—	—	—	—	—	(8 440)	—	(8 440)	
—	—	980	—	(980)	—	—	—	—	—	—	
—	—	—	—	(268)	(268)	—	(268)	—	(3 805)	(4 073)	
(1 550)	—	—	—	—	(8 713)	—	(8 713)	—	—	(8 713)	
<b>(195 383)</b>	<b>139 841</b>	<b>1 579</b>	<b>(11 723)</b>	<b>1 624 130</b>	<b>2 231 273</b>	<b>24 794</b>	<b>2 256 067</b>	<b>250 000</b>	<b>390</b>	<b>2 506 457</b>	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
CONTINUED

£'000	Ordinary share capital	Ordinary share premium	Treasury shares
<b>At 31 March 2021</b>	<b>202</b>	<b>806 812</b>	<b>(134 185)</b>
<b>Movement in reserves 1 April 2021 – 30 September 2021</b>			
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	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>
Share-based payments adjustments	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference shareholders	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—
Dividends declared to Other Additional Tier 1 security holders	—	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—
Movement of treasury shares	—	—	(4 974)
<b>At 30 September 2021</b>	<b>202</b>	<b>806 812</b>	<b>(139 159)</b>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
CONTINUED

Other reserves										
Capital reserve account	Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	Ordinary shareholders' equity	Perpetual preference share capital and premium	Shareholders' equity excluding non- controlling interests	Other Additional Tier 1 securities in issue	Non- controlling interests	Total equity
<b>(195 383)</b>	<b>139 841</b>	<b>1 579</b>	<b>(11 723)</b>	<b>1 624 130</b>	<b>2 231 273</b>	<b>24 794</b>	<b>2 256 067</b>	<b>250 000</b>	<b>390</b>	<b>2 506 457</b>
—	—	—	—	108 425	108 425	—	108 425	—	—	108 425
—	(55)	—	1 104	—	1 049	—	1 049	—	—	1 049
—	(229)	—	—	—	(229)	—	(229)	—	—	(229)
—	(431)	—	—	—	(431)	—	(431)	—	—	(431)
—	27 911	—	—	—	27 911	—	27 911	—	—	27 911
—	—	1 982	—	—	1 982	—	1 982	—	—	1 982
—	—	—	4 753	—	4 753	—	4 753	—	—	4 753
<b>—</b>	<b>27 196</b>	<b>1 982</b>	<b>5 857</b>	<b>108 425</b>	<b>143 460</b>	<b>—</b>	<b>143 460</b>	<b>—</b>	<b>—</b>	<b>143 460</b>
—	—	—	—	(1 199)	(1 199)	—	(1 199)	—	—	(1 199)
—	—	—	—	(24 264)	(24 264)	—	(24 264)	—	—	(24 264)
—	—	—	—	(174)	(174)	174	—	—	—	—
—	—	—	—	—	—	(174)	(174)	—	—	(174)
—	—	—	—	(8 440)	(8 440)	—	(8 440)	8 440	—	—
—	—	—	—	—	—	—	—	(8 440)	—	(8 440)
2 488	—	—	—	—	(2 486)	—	(2 486)	—	—	(2 486)
<b>(192 895)</b>	<b>167 037</b>	<b>3 561</b>	<b>(5 866)</b>	<b>1 698 478</b>	<b>2 338 170</b>	<b>24 794</b>	<b>2 362 964</b>	<b>250 000</b>	<b>390</b>	<b>2 613 354</b>

## SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

For the six months to 30 September 2021 £'000	Private Client		Specialist Banking	Group Investments	Group costs	Total group
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other			
Net interest income	436	30 546	198 242	—	—	229 224
Fee and commission income	173 390	404	64 512	—	—	238 306
Fee and commission expense	(345)	(14)	(6 920)	—	—	(7 279)
Investment income	5	(12)	5 247	10 054	—	15 294
Share of post-taxation profit of associates and joint venture holdings	—	—	6 785	—	—	6 785
Trading income/(loss) arising from – customer flow	534	767	31 414	—	—	32 715
– balance sheet management and other trading activities	(115)	1	(9 747)	—	—	(9 861)
Other operating income	—	—	7 505	—	—	7 505
<b>Total operating income before expected credit loss impairment charges</b>	<b>173 905</b>	<b>31 692</b>	<b>297 038</b>	<b>10 054</b>	<b>—</b>	<b>512 689</b>
Expected credit loss impairment charges	(2)	(560)	(4 288)	—	—	(4 850)
<b>Operating income</b>	<b>173 903</b>	<b>31 132</b>	<b>292 750</b>	<b>10 054</b>	<b>—</b>	<b>507 839</b>
Operating costs	(131 728)	(19 842)	(219 517)	—	(9 339)	(380 426)
<b>Operating profit/(loss) before goodwill, acquired intangibles and strategic actions</b>	<b>42 175</b>	<b>11 290</b>	<b>73 233</b>	<b>10 054</b>	<b>(9 339)</b>	<b>127 413</b>
Loss attributable to other non- controlling interests	—	—	—	—	—	—
<b>Adjusted operating profit/(loss) after non-controlling interests</b>	<b>42 175</b>	<b>11 290</b>	<b>73 233</b>	<b>10 054</b>	<b>(9 339)</b>	<b>127 413</b>
<b>Selected returns and key statistics</b>						
Cost to income ratio	75.7%	62.6%	73.9%	n/a	n/a	74.2%
Total assets (£'mn)	1 056	3 993	20 244	175	n/a	25 468

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT  
CONTINUED

For the six months to 30 September 2020 <sup>^</sup> £'000	Private Client		Specialist Banking	Group Investments	Group costs	Total group
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other			
Net interest income	1 597	14 013	169 646	—	—	185 256
Fee and commission income	153 389	327	72 684	—	—	226 400
Fee and commission expense	(385)	(58)	(6 070)	—	—	(6 513)
Investment income	47	—	25 142	—	—	25 189
Share of post-taxation profit of associates and joint venture holdings	—	—	2 227	—	—	2 227
Trading income/(loss) arising from						
– customer flow	323	538	(20 942)	—	—	(20 081)
– balance sheet management and other trading activities	102	2	9 270	—	—	9 374
Other operating income	—	—	6 976	—	—	6 976
<b>Total operating income before expected credit loss impairment charges</b>	<b>155 073</b>	<b>14 822</b>	<b>258 933</b>	<b>—</b>	<b>—</b>	<b>428 828</b>
Expected credit loss impairment charges	(6)	(981)	(38 917)	—	—	(39 904)
<b>Operating income</b>	<b>155 067</b>	<b>13 841</b>	<b>220 016</b>	<b>—</b>	<b>—</b>	<b>388 924</b>
Operating costs	(126 190)	(16 989)	(204 493)	—	(10 208)	(357 880)
<b>Operating profit/(loss) before goodwill, acquired intangibles and strategic actions</b>	<b>28 877</b>	<b>(3 148)</b>	<b>15 523</b>	<b>—</b>	<b>(10 208)</b>	<b>31 044</b>
Loss attributable to other non- controlling interests	—	—	530	—	—	530
<b>Adjusted operating profit after non- controlling interests</b>	<b>28 877</b>	<b>(3 148)</b>	<b>16 053</b>	<b>—</b>	<b>(10 208)</b>	<b>31 574</b>
<b>Selected returns and key statistics</b>						
Cost to income ratio	81.4%	114.6%	78.8%	n/a	n/a	83.4%
Total assets (£'mn)	995	2 783	20 714	n/a	n/a	24 492

<sup>^</sup> Restated as detailed on page 27.

## ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

## Net interest income

		2021			2020		
		Average balance sheet value	Interest income	Average yield	Average balance sheet value	Interest income	Average yield
<b>For the six months to 30 September</b>	Notes						
<b>£'000</b>							
Cash, near cash and bank debt and sovereign debt securities	1	7 327 132	8 779	0.24%	7 758 805	14 943	0.39%
Loans and advances	2	12 911 716	298 553	4.62%	12 024 771	289 165	4.81%
Private client		3 683 613	55 397	3.01%	2 659 621	39 409	2.96%
Corporate, Investment Banking and Other		9 228 103	243 156	5.27%	9 365 150	249 756	5.33%
Other debt securities and other loans and advances		669 623	11 406	3.41%	888 989	17 400	3.91%
Other <sup>#</sup>	3	239 318	25 509	n/a	306 365	34 546	n/a
<b>Total interest-earning assets</b>		<b>21 147 789</b>	<b>344 247</b>	<b>3.26%</b>	<b>20 978 930</b>	<b>356 054</b>	<b>3.39%</b>
		2021			2020		
		Average balance sheet value	Interest expense	Average yield	Average balance sheet value	Interest expense	Average yield
<b>For the six months to 30 September</b>	Notes						
<b>£'000</b>							
Deposits by banks and other debt-related securities	4	3 059 454	16 301	1.07%	3 289 067	25 476	1.55%
Customer accounts (deposits)		16 056 758	44 354	0.55%	15 932 816	76 885	0.97%
Subordinated liabilities		767 890	24 301	6.33%	790 805	24 125	6.10%
Other <sup>#</sup>	5	372 770	30 067	n/a	459 493	44 312	n/a
<b>Total interest-bearing liabilities</b>		<b>20 256 872</b>	<b>115 023</b>	<b>1.14%</b>	<b>20 472 181</b>	<b>170 798</b>	<b>1.67%</b>
<b>Net interest income</b>			<b>229 224</b>			<b>185 256</b>	
<b>Annualised net interest margin</b>			<b>2.17%</b>			<b>1.77%</b>	

## Notes:

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

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES  
CONTINUED

**Net fee and commission income**

For the six months to 30 September £'000	2021	2020
<b>Wealth &amp; Investment businesses net fee and commission income</b>	<b>173 045</b>	<b>153 004</b>
Fund management fees/fees for assets under management	152 287	129 086
Private client transactional fees	21 103	24 303
Fee and commission expense	(345)	(385)
<b>Specialist Banking net fee and commission income</b>	<b>57 982</b>	<b>66 883</b>
Specialist Banking fee and commission income	64 916	73 011
Specialist Banking fee and commission expense	(6 934)	(6 128)
<b>Net fee and commission income</b>	<b>231 027</b>	<b>219 887</b>
Annuity fees (net of fees payable)	159 969	137 486
Deal fees	71 058	82 401

**Investment income**

For the six months to 30 September £'000	Listed equities	Unlisted equities	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
<b>2021</b>							
Realised	(489)	6 150	5 661	565	(4 725)	(4 697)	(3 196)
Unrealised*	(233)	13 617	13 384	51	4 843	(13 460)	4 818
Dividend income	10 086	2 517	12 603	—	—	213	12 816
Funding and other net related income	—	—	—	—	856	—	856
	<b>9 364</b>	<b>22 284</b>	<b>31 648</b>	<b>616</b>	<b>974</b>	<b>(17 944)</b>	<b>15 294</b>
<b>2020</b>							
Realised	2 769	(13 337)	(10 568)	5 107	(110)	2 294	(3 277)
Unrealised*	13 049	27 431	40 480	141	(3 522)	(10 811)	26 288
Dividend income	7	1 011	1 018	—	—	—	1 018
Funding and other net related income	—	—	—	—	1 160	—	1 160
	<b>15 825</b>	<b>15 105</b>	<b>30 930</b>	<b>5 248</b>	<b>(2 472)</b>	<b>(8 517)</b>	<b>25 189</b>

\* 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**

<b>At 30 September 2021</b>	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	<b>Total</b>
<b>Assets</b>				
Cash and balances at central banks	—	3 332 458	—	3 332 458
Loans and advances to banks	—	1 526 435	—	1 526 435
Reverse repurchase agreements and cash collateral on securities borrowed	559 554	927 023	—	1 486 577
Sovereign debt securities	1 082 219	4 298	—	1 086 517
Bank debt securities	50 699	—	—	50 699
Other debt securities	99 778	393 902	—	493 680
Derivative financial instruments	628 646	—	—	628 646
Securities arising from trading activities	457 478	—	—	457 478
Investment portfolio	750 300	—	—	750 300
Loans and advances to customers	1 312 069	12 383 200	—	13 695 269
Other loans and advances	—	102 761	—	102 761
Other securitised assets	101 851	—	—	101 851
Interests in associated undertakings and joint venture holdings	—	—	60 938	60 938
Deferred taxation assets	—	—	91 024	91 024
Current taxation assets	—	—	36 173	36 173
Other assets	30 697	749 932	311 672	1 092 301
Property and equipment	—	—	170 369	170 369
Goodwill	—	—	249 836	249 836
Software	—	—	7 892	7 892
Other acquired intangible assets	—	—	47 261	47 261
	<b>5 073 291</b>	<b>19 420 009</b>	<b>975 165</b>	<b>25 468 465</b>
<b>Liabilities</b>				
Deposits by banks	—	1 420 267	—	1 420 267
Derivative financial instruments	750 832	—	—	750 832
Other trading liabilities	42 364	—	—	42 364
Repurchase agreements and cash collateral on securities lent	—	158 810	—	158 810
Customer accounts (deposits)	—	16 701 989	—	16 701 989
Debt securities in issue	89 476	1 483 307	—	1 572 783
Liabilities arising on securitisation of other assets	104 215	—	—	104 215
Current taxation liabilities	—	—	17 708	17 708
Deferred taxation liabilities	—	—	—	—
Other liabilities	—	805 417	518 221	1 323 638
	<b>986 887</b>	<b>20 569 790</b>	<b>535 929</b>	<b>22 092 606</b>
Subordinated liabilities	336 750	425 755	—	762 505
	<b>1 323 637</b>	<b>20 995 545</b>	<b>535 929</b>	<b>22 855 111</b>

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Fair value hierarchy**

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

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

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

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

At 30 September 2021 £'000	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Reverse repurchase agreements and cash collateral on securities borrowed	559 554	—	559 554	—
Sovereign debt securities	1 082 219	1 082 219	—	—
Bank debt securities	50 699	50 699	—	—
Other debt securities	99 778	—	10 709	89 069
Derivative financial instruments	628 646	7	583 840	44 799
Securities arising from trading activities	457 478	452 157	309	5 012
Investment portfolio	750 300	392 704	9 942	347 654
Loans and advances to customers	1 312 069	—	1 929	1 310 140
Other securitised assets	101 851	—	—	101 851
Other assets	30 697	30 697	—	—
	<b>5 073 291</b>	<b>2 008 483</b>	<b>1 166 283</b>	<b>1 898 525</b>
<b>Liabilities</b>				
Derivative financial instruments	750 832	—	703 921	46 911
Other trading liabilities	42 364	42 364	—	—
Debt securities in issue	89 476	—	89 476	—
Liabilities arising on securitisation of other assets	104 215	—	—	104 215
Subordinated liabilities	336 750	336 750	—	—
	<b>1 323 637</b>	<b>379 114</b>	<b>793 397</b>	<b>151 126</b>
<b>Net assets at fair value</b>	<b>3 749 654</b>	<b>1 629 369</b>	<b>372 886</b>	<b>1 747 399</b>

**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 <sup>1</sup>	Total
<b>Assets</b>					
<b>Balance as at 1 April 2021</b>	<b>341 984</b>	<b>1 045 663</b>	<b>107 259</b>	<b>135 369</b>	<b>1 630 275</b>
Total gains or (losses)	18 871	29 787	864	20 118	69 640
In the income statement	18 871	28 292	864	20 118	68 145
In the statement of comprehensive income	—	1 495	—	—	1 495
Purchases	20 690	1 102 958	—	18 962	1 142 610
Sales	(30 047)	(566 082)	—	(174)	(596 303)
Settlements	(6 218)	(315 261)	(6 272)	(38 867)	(366 618)
Foreign exchange adjustments	2 374	13 075	—	3 472	18 921
<b>Balance as at 30 September 2021</b>	<b>347 654</b>	<b>1 310 140</b>	<b>101 851</b>	<b>138 880</b>	<b>1 898 525</b>

£'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities <sup>2</sup>	Total
<b>Liabilities</b>			
<b>Balance as at 1 April 2021</b>	<b>108 281</b>	<b>28 034</b>	<b>136 315</b>
Total (gains) or losses	627	18 547	19 174
In the income statement	627	18 547	19 174
Settlements	(4 693)	(270)	(4 963)
Foreign exchange adjustments	—	600	600
<b>Balance as at 30 September 2021</b>	<b>104 215</b>	<b>46 911</b>	<b>151 126</b>

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

<sup>2</sup> Comprises level 3 deposits by banks and derivative financial instruments.

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

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



ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Fair value hierarchy (continued)**

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

For the six months to 30 September 2021 £'000	Total	Realised	Unrealised
<b>Total gains or (losses) included in the income statement for the year</b>			
Net interest income	31 876	21 955	9 921
Investment income*	18 249	7 496	10 753
Trading loss arising from customer flow	(1 154)	—	(1 154)
	<b>48 971</b>	<b>29 451</b>	<b>19 520</b>
<b>Total gains or (losses) included in other comprehensive income for the year</b>			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	302	302	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	1 495	—	1 495
	<b>1 797</b>	<b>302</b>	<b>1 495</b>

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

**Level 2 financial assets and financial liabilities**

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

	VALUATION BASIS/TECHNIQUE	MAIN ASSUMPTIONS
<b>Assets</b>		
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
<b>Liabilities</b>		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Debt securities in issue	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

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

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

At 30 September 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
<b>Assets</b>					
Other debt securities	89 069	Potential impact on income statement		3 390	(6 327)
		Credit spreads	0.7%-1.0%	86	(219)
		Cash flow adjustments	CPR 6.1%	3	(63)
		Other	^	3 301	(6 045)
Derivative financial instruments	44 799	Potential impact on income statement		3 839	(4 309)
		Volatilities	5.3%-12.6%	4	(8)
		Cash flow adjustments	CPR 6.1%	7	(7)
		Underlying asset value	^^	3 363	(3 363)
		Other	^	465	(931)
Securities arising from trading activities	5 012	Potential impact on income statement			
		Cash flow adjustments	CPR 9.8%	647	(879)
Investment portfolio	347 654	Potential impact on income statement		37 194	(70 093)
		Price earnings multiple	5.5x-15.5x	14 125	(26 689)
		Discount rate	17.5%-18.5%	3 919	(5 139)
		Underlying asset value	^^	1 681	(3 356)
		Other	^	17 469	(34 909)
Loans and advances to customers	1 310 140	Potential impact on income statement		26 294	(41 793)
		Credit spreads	0.2%-34.3%	8 390	(16 486)
		Price earnings multiple	3.5x-4.1x	8 158	(6 011)
		Underlying asset value	^^	4 273	(8 350)
		Other	^	5 473	(10 946)
		Potential impact on other comprehensive income			
		Credit spreads	0.3%-3.4%	5 740	(12 345)
Other securitised assets	101 851	Potential impact on income statement			
		Cash flow adjustments	CPR 6.1%	1 344	(1 247)
<b>Total level 3 assets</b>	<b>1 898 525</b>			<b>78 448</b>	<b>(136 993)</b>
<b>Liabilities</b>					
Derivative financial instruments	46 911	Potential impact on income statement		(3 400)	3 436
		Volatilities	5.3% -20.5%	(37)	73
		Underlying asset value	^^	(3 363)	3 363
Liabilities arising on securitisation of other assets*	104 215	Potential impact on income statement			
		Cash flow adjustments	CPR 6.1%	(131)	225
<b>Total level 3 liabilities</b>	<b>151 126</b>			<b>(3 531)</b>	<b>3 661</b>
<b>Net level 3 assets</b>	<b>1 747 399</b>				

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

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

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

## ADDITIONAL IAS 34 DISCLOSURES

### CONTINUED

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

#### **Credit spreads**

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

#### **Discount rates**

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

#### **Volatilities**

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

#### **Cash flows**

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

#### **Price earnings multiple**

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

#### **Underlying asset value**

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

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Fair value of financial instruments at amortised cost**

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

<b>At 30 September 2021</b> <b>£'000</b>	<b>Carrying amount</b>	<b>Fair value approximates carrying amount</b>	<b>Balances where fair values do not approximate carrying amounts</b>	<b>Fair value of balances that do not approximate to carrying amounts</b>
<b>Assets</b>				
Cash and balances at central banks	3 332 458	3 332 458	—	—
Loans and advances to banks	1 526 435	1 520 797	5 638	5 349
Reverse repurchase agreements and cash collateral on securities borrowed	927 023	853 962	73 061	74 216
Sovereign debt securities	4 298	4 298	—	—
Other debt securities	393 902	53	393 849	394 910
Loans and advances to customers	12 383 200	572 064	11 811 136	11 784 234
Other loans and advances	102 761	55 718	47 043	46 845
Other assets	749 932	749 762	170	165
	<b>19 420 009</b>	<b>7 089 112</b>	<b>12 330 897</b>	<b>12 305 719</b>
<b>Liabilities</b>				
Deposits by banks	1 420 267	107 504	1 312 763	1 324 946
Repurchase agreements and cash collateral on securities lent	158 810	158 810	—	—
Customer accounts (deposits)	16 701 989	10 386 351	6 315 638	6 351 514
Debt securities in issue	1 483 307	1 183	1 482 124	1 508 649
Other liabilities	805 417	801 571	3 846	2 999
Subordinated liabilities	425 755	—	425 755	443 226
	<b>20 995 545</b>	<b>11 455 419</b>	<b>9 540 126</b>	<b>9 631 334</b>

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Expected credit loss impairment charges or (release)**

<b>For the six months to 30 September</b>		
<b>£'000</b>	<b>2021</b>	2020
Expected credit losses have arisen on the following items:		
Loans and advances to customers	5 884	34 574
Other loans and advances	(116)	9
Other balance sheet assets	136	554
Off-balance sheet commitments and guarantees	(1 054)	4 767
	<b>4 850</b>	<b>39 904</b>

**Operating costs**

<b>For the six months to 30 September</b>		
<b>£'000</b>	<b>2021</b>	2020
Staff costs	271 509	262 527
Premises expenses	22 458	19 767
Premises expenses (excluding depreciation and impairments)	9 286	7 648
Premises depreciation and impairments	13 172	12 119
Equipment expenses (excluding depreciation)	25 164	22 978
Business expenses	52 322	43 301
Marketing expenses	4 754	4 085
Depreciation, amortisation and impairment on equipment, software and intangibles	4 219	5 222
	<b>380 426</b>	<b>357 880</b>

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

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

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Extract of other debt securities**

<b>£'000</b>	<b>30 Sept 2021</b>	31 March 2021
Gross other debt securities	495 192	700 319
Expected credit loss	(1 512)	(1 358)
<b>Net other debt securities</b>	<b>493 680</b>	<b>698 961</b>
Bonds	109 404	190 679
Asset-backed securities	384 276	508 282
	<b>493 680</b>	<b>698 961</b>

**Extract of securities arising from trading activities**

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

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

<b>£'000</b>	<b>30 Sept 2021</b>	31 March 2021
Gross loans and advances to customers at amortised cost	12 519 767	11 454 547
Gross loans and advances to customers at FVOCI <sup>^</sup>	627 616	534 059
<b>Gross loans and advances to customers subject to expected credit losses</b>	<b>13 147 383</b>	<b>11 988 606</b>
Expected credit losses on loans and advances to customers at amortised cost and FVOCI <sup>^</sup>	(136 567)	(164 373)
<b>Net loans and advances to customers at amortised cost and FVOCI<sup>^</sup></b>	<b>13 010 816</b>	<b>11 824 233</b>
Loans and advances to customers at fair value through profit and loss	684 453	511 604
<b>Net loans and advances to customers</b>	<b>13 695 269</b>	<b>12 335 837</b>
Gross other loans and advances	102 775	123 580
Expected credit losses on other loans and advances	(14)	(44)
<b>Net other loans and advances</b>	<b>102 761</b>	<b>123 536</b>

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

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Other securitised assets**

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

**Other assets**

<b>£'000</b>	<b>30 Sept 2021</b>	31 March 2021
Settlement debtors	684 479	865 283
Trading properties	19 628	24 758
Prepayments and accruals	46 288	67 566
Trading initial margin	10 956	6 857
Finance lease receivables	235 952	252 797
Other	94 998	175 335
	<b>1 092 301</b>	<b>1 392 596</b>

**Debt securities in issue**

<b>£'000</b>	<b>30 Sept 2021</b>	31 March 2021
<b>Repayable in:</b>		
Less than three months	11 919	45 890
Three months to one year	250 064	25 851
One to five years	940 098	1 490 054
Greater than five years	370 702	40 789
	<b>1 572 783</b>	<b>1 602 584</b>

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Other liabilities**

<b>£'000</b>	<b>30 Sept 2021</b>	31 March 2021
Settlement liabilities	622 051	387 733
Other creditors and accruals	231 422	290 897
Lease liabilities	364 948	387 165
Other non-interest bearing liabilities	97 409	129 716
Expected credit losses on off-balance sheet commitments and guarantees	7 808	8 821
	<b>1 323 638</b>	<b>1 204 332</b>

**Extract of perpetual preference share capital**

<b>£'000</b>	<b>30 Sept 2021</b>	31 March 2021
Perpetual preference share capital	29	29
Perpetual preference share premium	24 765	24 765
	<b>24 794</b>	<b>24 794</b>

**Extract of deferred taxation**

<b>£'000</b>	<b>30 Sept 2021</b>	31 March 2021
Losses carried forward	<b>10 900</b>	12 286

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

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



ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

**Extract of subordinated liabilities**

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

**Medium-term notes**

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

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

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

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

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

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

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 30 September 2021 £'000	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non- cash collateral)	Cash collateral	Net amount
<b>Assets</b>						
Cash and balances at central banks	3 332 458	—	3 332 458	—	—	3 332 458
Loans and advances to banks	1 526 435	—	1 526 435	—	(131 278)	1 395 157
Reverse repurchase agreements and cash collateral on securities borrowed	1 486 577	—	1 486 577	(146 026)	(8 454)	1 332 097
Sovereign debt securities	1 086 517	—	1 086 517	(16 076)	—	1 070 441
Bank debt securities	50 699	—	50 699	—	—	50 699
Other debt securities	493 680	—	493 680	—	—	493 680
Derivative financial instruments	628 646	—	628 646	(290 670)	(133 626)	204 350
Securities arising from trading activities	457 478	—	457 478	(62 755)	—	394 723
Investment portfolio	750 300	—	750 300	—	—	750 300
Loans and advances to customers	13 695 269	—	13 695 269	—	—	13 695 269
Other loans and advances	102 761	—	102 761	—	(7 260)	95 501
Other securitised assets	101 851	—	101 851	—	—	101 851
Other assets	1 092 301	—	1 092 301	—	—	1 092 301
	<b>24 804 972</b>	<b>—</b>	<b>24 804 972</b>	<b>(515 527)</b>	<b>(280 618)</b>	<b>24 008 827</b>
<b>Liabilities</b>						
Deposits by banks	1 420 267	—	1 420 267	—	(145 298)	1 274 969
Derivative financial instruments	750 832	—	750 832	(352 783)	(72 127)	325 922
Other trading liabilities	42 364	—	42 364	(34 381)	—	7 983
Repurchase agreements and cash collateral on securities lent	158 810	—	158 810	(39 225)	(4 199)	115 386
Customer accounts (deposits)	16 701 989	—	16 701 989	—	(58 656)	16 643 333
Debt securities in issue	1 572 783	—	1 572 783	(89 138)	(338)	1 483 307
Liabilities arising on securitisation of other assets	104 215	—	104 215	—	—	104 215
Other liabilities	1 323 638	—	1 323 638	—	—	1 323 638
Subordinated liabilities	762 505	—	762 505	—	—	762 505
	<b>22 837 403</b>	<b>—</b>	<b>22 837 403</b>	<b>(515 527)</b>	<b>(280 618)</b>	<b>22 041 258</b>

ADDITIONAL IAS 34 DISCLOSURES  
CONTINUED

Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March 2021 £'000	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non- cash collateral)	Cash collateral	Net amount
<b>Assets</b>						
Cash and balances at central banks	3 043 034	—	3 043 034	—	—	3 043 034
Loans and advances to banks	1 385 471	—	1 385 471	—	(124 649)	1 260 822
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	—	2 065 232	(121 967)	(43 280)	1 899 985
Sovereign debt securities	1 108 253	—	1 108 253	(232 592)	—	875 661
Bank debt securities	48 044	—	48 044	—	—	48 044
Other debt securities	698 961	—	698 961	—	—	698 961
Derivative financial instruments	773 333	—	773 333	(299 446)	(144 900)	328 987
Securities arising from trading activities	281 645	—	281 645	(59 977)	—	221 668
Investment portfolio	714 315	—	714 315	—	—	714 315
Loans and advances to customers	12 335 837	—	12 335 837	—	—	12 335 837
Other loans and advances	123 536	—	123 536	—	(4 628)	118 908
Other securitised assets	107 259	—	107 259	—	—	107 259
Other assets	1 392 596	—	1 392 596	—	—	1 392 596
	<b>24 077 516</b>	<b>—</b>	<b>24 077 516</b>	<b>(713 982)</b>	<b>(317 457)</b>	<b>23 046 077</b>
<b>Liabilities</b>						
Deposits by banks	1 352 581	—	1 352 581	—	(219 441)	1 133 140
Derivative financial instruments	914 863	—	914 863	(532 037)	(63 783)	319 043
Other trading liabilities	49 055	—	49 055	(25 830)	—	23 225
Repurchase agreements and cash collateral on securities lent	157 357	—	157 357	(37 425)	(4 551)	115 381
Customer accounts (deposits)	16 077 671	—	16 077 671	—	(29 335)	16 048 336
Debt securities in issue	1 602 584	—	1 602 584	(118 690)	(347)	1 483 547
Liabilities arising on securitisation of other assets	108 281	—	108 281	—	—	108 281
Other liabilities	1 204 332	—	1 204 332	—	—	1 204 332
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	<b>22 238 205</b>	<b>—</b>	<b>22 238 205</b>	<b>(713 982)</b>	<b>(317 457)</b>	<b>21 206 766</b>

## RESTATEMENTS

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

As at 31 March 2021, current taxation assets, which were previously reported within other assets, were reported as a separate line item in accordance with IAS 1 Presentation of Financial Statements. As at 30 September 2020, current taxation assets of £45.8 million have been re-presented to reflect the same basis.

**Gilts and Total Return Swaps reclassification**

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

£'000	At 30 Sept 2020 as previously reported	Reclassification	At 30 Sept 2020 restated
<b>Assets</b>			
Reverse repurchase agreements and cash collateral on securities borrowed	2 183 917	840 138	3 024 055
Sovereign debt securities	1 537 996	(634 244)	903 752
Derivative financial instruments	900 732	(523)	900 209
Securities arising from trading activities	665 035	(270 591)	394 444
<b>Total assets</b>	<b>24 557 441</b>	<b>(65 220)</b>	<b>24 492 221</b>
<b>Liabilities</b>			
Derivative financial instruments	946 372	(65 220)	881 152
<b>Total liabilities</b>	<b>22 097 173</b>	<b>(65 220)</b>	<b>22 031 953</b>

## CREDIT AND COUNTERPARTY RISK

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

**An analysis of gross core loans, asset quality and ECL**

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

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

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

Stage 2 exposures decreased from 10.4% at 31 March 2021 to 6.4% at 30 September 2021, predominantly due to the transfer of loans back to Stage 1 resulting from the updated forward-looking macro-economic scenarios. This ratio still remains above pre-COVID-19 levels (5.3% at 30 September 2019) reflecting the ongoing uncertainty in the macro-economic environment.

The annualised credit loss ratio at 30 September 2021 is low at 0.09% given the limited number of specific impairments required in the period (0.56% at 31 March 2021).

£'million	30 Sept 2021	31 March 2021
<b>Gross core loans</b>	<b>13 831</b>	<b>12 501</b>
Gross core loans at FVPL	684	512
<b>Gross core loans subject to ECL*</b>	<b>13 147</b>	<b>11 989</b>
Stage 1	12 031	10 415
Stage 2	841	1 242
of which past due greater than 30 days	30	90
Stage 3	275	332
of which Ongoing (excluding Legacy) Stage 3*	215	231
<b>ECL</b>	<b>(139)</b>	<b>(170)</b>
Stage 1	(33)	(27)
Stage 2	(33)	(42)
Stage 3	(73)	(101)
of which ongoing (excluding Legacy) Stage 3*	(41)	(62)
<b>Coverage ratio</b>		
Stage 1	0.27%	0.26%
Stage 2	3.9%	3.4%
Stage 3	26.5%	30.4%
of which Ongoing (excluding Legacy) Stage 3*	19.1%	26.8%
<b>Annualised credit loss ratio</b>	<b>0.09%</b>	<b>0.56%</b>
ECL impairment charges on core loans	(6)	(65)
Average gross core loans subject to ECL	12 568	11 691
<b>An analysis of Stage 3 gross core loans subject to ECL</b>		
Stage 3 net of ECL	202	231
of which Ongoing (excluding Legacy) Stage 3*	174	169
Aggregate collateral and other credit enhancements on Stage 3	208	235
Stage 3 as a % of gross core loans subject to ECL	2.1%	2.8%
of which Ongoing (excluding Legacy) Stage 3*	1.6%	1.9%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.6%	2.0%
of which Ongoing (excluding Legacy) Stage 3*	1.3%	1.4%

\* Refer to definitions on page 52. Our exposure (net of ECL) to the Legacy portfolio has reduced from £84 million at 31 March 2021 to £49 million at 30 September 2021. These assets are largely reported under Stage 3 and make up 21.8% of Stage 3 gross core loans. These assets have been significantly provided for and Stage 3 coverage for these Legacy assets remains high at 53.3%.

CREDIT AND COUNTERPARTY RISK  
CONTINUED

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

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

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		
<b>At 30 September 2021</b>										
Mortgages	3 620	(1)	76	—	33	(3)	3 729	(4)	—	3 729
High net worth and specialised lending	899	(3)	22	(1)	1	—	922	(4)	4	926
<b>Total high net worth and other private client lending</b>	<b>4 519</b>	<b>(4)</b>	<b>98</b>	<b>(1)</b>	<b>34</b>	<b>(3)</b>	<b>4 651</b>	<b>(8)</b>	<b>4</b>	<b>4 655</b>
<b>Coverage ratio</b>		<b>0.09%</b>		<b>1.0%</b>		<b>8.8%</b>		<b>0.2%</b>		
<b>At 31 March 2021</b>										
Mortgages	3 103	(1)	74	—	16	(2)	3 193	(3)	—	3 193
High net worth and specialised lending	832	(1)	31	(1)	2	(1)	865	(3)	7	872
<b>Total high net worth and other private client lending</b>	<b>3 935</b>	<b>(2)</b>	<b>105</b>	<b>(1)</b>	<b>18</b>	<b>(3)</b>	<b>4 058</b>	<b>(6)</b>	<b>7</b>	<b>4 065</b>
<b>Coverage ratio</b>		<b>0.05%</b>		<b>1.0%</b>		<b>16.7%</b>		<b>0.1%</b>		

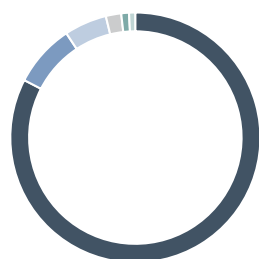
## CREDIT AND COUNTERPARTY RISK CONTINUED

### 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		
<b>At 30 September 2021</b>										
Corporate and acquisition finance	1 331	(8)	226	(12)	6	(5)	1 563	(25)	114	1 677
Asset-based lending	315	(1)	37	—	—	—	352	(1)	12	364
Fund finance	1 303	(1)	18	—	—	—	1 321	(1)	102	1 423
Other corporate and financial institutions and governments	496	(3)	77	(3)	4	(2)	577	(8)	130	707
Asset finance	1 796	(9)	166	(9)	26	(14)	1 988	(32)	125	2 113
Small ticket asset finance	1 192	(8)	112	(7)	21	(12)	1 325	(27)	—	1 325
Motor finance	604	(1)	54	(2)	5	(2)	663	(5)	—	663
Large ticket asset finance	—	—	—	—	—	—	—	—	125	125
Power and infrastructure finance	431	(2)	39	(1)	44	(2)	514	(5)	168	682
Resource finance	—	—	—	—	—	—	—	—	—	—
<b>Total corporate and other lending</b>	<b>5 672</b>	<b>(24)</b>	<b>563</b>	<b>(25)</b>	<b>80</b>	<b>(23)</b>	<b>6 315</b>	<b>(72)</b>	<b>651</b>	<b>6 966</b>
<b>Coverage ratio</b>		<b>0.42%</b>		<b>4.4%</b>		<b>28.8%</b>		<b>1.1%</b>		
<b>At 31 March 2021</b>										
Corporate and acquisition finance	1 000	(7)	336	(17)	12	(4)	1 348	(28)	87	1 435
Asset-based lending	206	(2)	119	(3)	—	—	325	(5)	14	339
Fund finance	1 176	(2)	57	—	—	—	1 233	(2)	48	1 281
Other corporate and financial institutions and governments	452	(2)	113	(2)	9	(3)	574	(7)	144	718
Asset finance	1 527	(10)	284	(11)	58	(36)	1 869	(57)	135	2 004
Small ticket asset finance	1 060	(9)	202	(10)	29	(16)	1 291	(35)	—	1 291
Motor finance	467	(1)	82	(1)	6	(2)	555	(4)	—	555
Large ticket asset finance	—	—	—	—	23	(18)	23	(18)	135	158
Power and infrastructure finance	351	(2)	82	(4)	25	(1)	458	(7)	47	505
Resource finance	28	—	—	—	—	—	28	—	—	28
<b>Total corporate and other lending</b>	<b>4 740</b>	<b>(25)</b>	<b>991</b>	<b>(37)</b>	<b>104</b>	<b>(44)</b>	<b>5 835</b>	<b>(106)</b>	<b>475</b>	<b>6 310</b>
<b>Coverage ratio</b>		<b>0.53%</b>		<b>3.7%</b>		<b>42.3%</b>		<b>1.8%</b>		

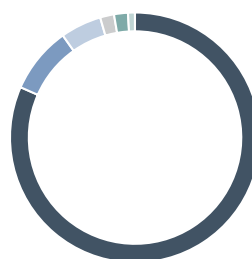
### An analysis of gross core loans by country of exposure

30 September 2021  
£13 831 million



United Kingdom	82.6%
Europe (excluding UK)	8.1%
North America	5.5%
Asia	2.0%
Australia	1.0%
Other	0.8%

31 March 2021  
£12 501 million



United Kingdom	81.6%
Europe (excluding UK)	8.6%
North America	5.3%
Asia	1.8%
Australia	1.8%
Other	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 2021 to 30 September 2021. The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The increase in transfers into Stage 1 was almost all driven by the improved economic outlook and corresponding PD improvement in the loan book. There was no uptick in transfers into Stage 3 as a proportion of the opening book reflecting limited new defaults experienced to date, supported in part by government measures in place.

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

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

£'million	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
<b>At 31 March 2021</b>	<b>10 415</b>	<b>(27)</b>	<b>1 242</b>	<b>(42)</b>	<b>332</b>	<b>(101)</b>	<b>11 989</b>	<b>(170)</b>
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)	1 383	1	(121)	3	(131)	31	1 131	35
Changes to risk parameters and models	—	(3)	—	—	—	—	—	(3)
Foreign exchange and other	25	—	2	—	—	—	27	—
<b>At 30 September 2021</b>	<b>12 031</b>	<b>(33)</b>	<b>841</b>	<b>(33)</b>	<b>275</b>	<b>(73)</b>	<b>13 147</b>	<b>(139)</b>

£'million	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
<b>At 31 March 2020</b>	<b>10 437</b>	<b>(37)</b>	<b>576</b>	<b>(31)</b>	<b>379</b>	<b>(107)</b>	<b>11 392</b>	<b>(175)</b>
Transfer from Stage 1	(948)	4	933	(4)	15	—	—	—
Transfer from Stage 2	94	(1)	(150)	2	56	(1)	—	—
Transfer from Stage 3	4	—	8	—	(12)	—	—	—
ECL remeasurement arising from transfer of stage	—	1	—	(10)	—	(8)	—	(17)
New lending net of repayments (includes assets written off)	302	1	(31)	(2)	(93)	24	178	23
Changes to risk parameters and models	—	(1)	—	—	—	—	—	(1)
Foreign exchange and other	27	—	5	—	—	—	32	—
<b>At 30 September 2020</b>	<b>9 916</b>	<b>(33)</b>	<b>1 341</b>	<b>(45)</b>	<b>345</b>	<b>(92)</b>	<b>11 602</b>	<b>(170)</b>



## CREDIT AND COUNTERPARTY RISK

### CONTINUED

#### COVID-19 government schemes

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

#### COVID-19 relief measures

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

#### COVID-19 vulnerable sectors

£'million	30 September 2021					Total gross core loans	31 March 2021					Total gross core loans
	Stage 1	Stage 2	Stage 3	FVPL	Stage 1		Stage 2	Stage 3	FVPL			
Aviation	85	41	1	242	369	30	95	6	262	393		
Transport (excluding aviation)	87	25	8	—	120	29	99	31	—	159		
Retail, hotel and leisure properties <sup>^</sup>	127	14	59	8	208	109	14	66	11	200		
Leisure, entertainment and tourism	22	26	—	—	48	22	27	—	—	49		
Retailers	77	7	6	—	90	55	7	8	—	70		
Vulnerable sectors within small ticket asset finance	307	25	8	—	340	265	50	11	—	326		
<b>Total</b>	<b>705</b>	<b>138</b>	<b>82</b>	<b>250</b>	<b>1 175</b>	510	292	122	273	<b>1 197</b>		
<b>Coverage ratio</b>	<b>0.71%</b>	<b>6.5%</b>	<b>25.6%</b>	—	<b>3.0%</b>	0.59%	3.1%	33.6%	—	<b>4.4%</b>		

<sup>^</sup> Retail properties which have no underlying tenants that are either food retailers or other essential goods and services.

## CREDIT AND COUNTERPARTY RISK

### CONTINUED

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

#### An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £25.0 billion at 30 September 2021. Cash and near cash balances amounted to £7.3 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 98% of overall ECLs.

#### An analysis of gross credit and counterparty exposures

£'million	30 Sept 2021	31 March 2021
Cash and balances at central banks	3 332	3 043
Loans and advances to banks	1 526	1 385
Reverse repurchase agreements and cash collateral on securities borrowed	1 487	2 065
Sovereign debt securities	1 087	1 108
Bank debt securities	51	48
Other debt securities	496	672
Derivative financial instruments	596	730
Securities arising from trading activities	29	28
Loans and advances to customers	13 831	12 501
Other loans and advances	103	93
Other securitised assets	7	6
Other assets	68	451
<b>Total on-balance sheet exposures</b>	<b>22 613</b>	<b>22 130</b>
Guarantees	148	145
Committed facilities related to loans and advances to customers	1 959	1 805
Contingent liabilities, letters of credit and other	272	253
<b>Total off-balance sheet exposures</b>	<b>2 379</b>	<b>2 203</b>
<b>Total gross credit and counterparty exposures</b>	<b>24 992</b>	<b>24 333</b>

## 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.

<b>At 30 September 2021</b> <b>£ million</b>	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL <sup>#</sup>	Assets that we deem to have no legal credit exposure	<b>Total assets</b>
Cash and balances at central banks	3 332	—	3 332	—	—	3 332
Loans and advances to banks	1 526	—	1 526	—	—	1 526
Reverse repurchase agreements and cash collateral on securities borrowed	1 487	560	927	—	—	1 487
Sovereign debt securities	1 087	36	1 051	—	—	1 087
Bank debt securities	51	—	51	—	—	51
Other debt securities	496	100	396	(2)	—	494
Derivative financial instruments	596	596	—	—	33	629
Securities arising from trading activities	29	29	—	—	428	457
Investment portfolio	—	—	—	—	750*	750
Loans and advances to customers	13 831	684	13 147	(139)	—	13 692
Other loans and advances	103	—	103	—	—	103
Other securitised assets	7	7	—	—	95 <sup>^</sup>	102
Interest in associated undertakings and joint venture holdings	—	—	—	—	61	61
Deferred taxation assets	—	—	—	—	91	91
Current taxation assets	—	—	—	—	36	36
Other assets	68	—	68	—	1 024**	1 092
Property and equipment	—	—	—	—	170	170
Goodwill	—	—	—	—	250	250
Software	—	—	—	—	8	8
Other acquired intangible assets	—	—	—	—	47	47
<b>Total on-balance sheet exposures</b>	<b>22 613</b>	<b>2 012</b>	<b>20 601</b>	<b>(141)</b>	<b>2 993</b>	<b>25 465</b>
Guarantees	148	—	148	—	—	148
Committed facilities related to loans and advances to customers	1 959	47	1 912	(7)	—	1 952
Contingent liabilities, letters of credit and other	272	—	272	(1)	211	482
<b>Total off-balance sheet exposures</b>	<b>2 379</b>	<b>47</b>	<b>2 332</b>	<b>(8)</b>	<b>211</b>	<b>2 582</b>
<b>Total exposures</b>	<b>24 992</b>	<b>2 059</b>	<b>22 933</b>	<b>(149)</b>	<b>3 204</b>	<b>28 047</b>

# Includes £2.9 million of 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.

<sup>^</sup> While the group 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 group. The net credit exposure that the group has in the vehicles is reflected in the 'total credit and counterparty exposure'.

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

CREDIT AND COUNTERPARTY RISK  
CONTINUED

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

At 31 March 2021 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL <sup>#</sup>	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	3 043	—	3 043	—	—	3 043
Loans and advances to banks	1 385	—	1 385	—	—	1 385
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	675	1 390	—	—	2 065
Sovereign debt securities	1 108	37	1 071	—	—	1 108
Bank debt securities	48	—	48	—	—	48
Other debt securities	672	205	467	(1)	28	699
Derivative financial instruments	730	730	—	—	43	773
Securities arising from trading activities	28	28	—	—	254	282
Investment portfolio	—	—	—	—	714*	714
Loans and advances to customers	12 501	512	11 989	(170)	—	12 331
Other loans and advances	93	—	93	—	31	124
Other securitised assets	6	6	—	—	101 <sup>^</sup>	107
Interest in associated undertakings and joint venture holdings	—	—	—	—	59	59
Deferred taxation assets	—	—	—	—	111	111
Current taxation assets	—	—	—	—	58	58
Other assets	451	—	451	—	942**	1 393
Property and equipment	—	—	—	—	186	186
Goodwill	—	—	—	—	250	250
Software	—	—	—	—	8	8
Other acquired intangible assets	—	—	—	—	53	53
<b>Total on-balance sheet exposures</b>	<b>22 130</b>	<b>2 193</b>	<b>19 937</b>	<b>(171)</b>	<b>2 838</b>	<b>24 797</b>
Guarantees	145	—	145	—	—	145
Committed facilities related to loans and advances to customers	1 805	83	1 722	(9)	—	1 796
Contingent liabilities, letters of credit and other	253	—	253	—	213	466
<b>Total off-balance sheet exposures</b>	<b>2 203</b>	<b>83</b>	<b>2 120</b>	<b>(9)</b>	<b>213</b>	<b>2 407</b>
<b>Total exposures</b>	<b>24 333</b>	<b>2 276</b>	<b>22 057</b>	<b>(180)</b>	<b>3 051</b>	<b>27 204</b>

# Includes £5.2 million of 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.

<sup>^</sup> While the group 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 group. The net credit exposure that the group 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 residual contractual maturity

<b>At 30 September 2021</b> <b>£'million</b>	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	<b>Total</b>
Cash and balances at central banks	3 332	—	—	—	—	—	3 332
Loans and advances to banks	1 485	—	35	6	—	—	1 526
Reverse repurchase agreements and cash collateral on securities borrowed	862	3	43	62	33	484	1 487
Sovereign debt securities	528	141	103	216	65	34	1 087
Bank debt securities	—	—	11	11	29	—	51
Other debt securities	2	2	—	50	188	254	496
Derivative financial instruments	70	79	126	221	74	26	596
Securities arising from trading activities	—	2	3	5	11	8	29
Loans and advances to customers	1 178	883	1 590	7 213	1 797	1 170	13 831
Other loans and advances	7	—	—	9	75	12	103
Other securitised assets	—	—	—	—	—	7	7
Other assets	67	—	1	—	—	—	68
<b>Total on-balance sheet exposures</b>	<b>7 531</b>	<b>1 110</b>	<b>1 912</b>	<b>7 793</b>	<b>2 272</b>	<b>1 995</b>	<b>22 613</b>
Guarantees	102	1	1	42	2	—	148
Committed facilities related to loans and advances to customers	53	50	199	1 189	449	19	1 959
Contingent liabilities, letters of credit and other	10	27	67	113	55	—	272
<b>Total off-balance sheet exposures</b>	<b>165</b>	<b>78</b>	<b>267</b>	<b>1 344</b>	<b>506</b>	<b>19</b>	<b>2 379</b>
<b>Total gross credit and counterparty exposures</b>	<b>7 696</b>	<b>1 188</b>	<b>2 179</b>	<b>9 137</b>	<b>2 778</b>	<b>2 014</b>	<b>24 992</b>

## CREDIT AND COUNTERPARTY RISK

### CONTINUED

#### Detailed analysis of gross credit and counterparty exposures by industry

£'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
<b>At 30 September 2021</b>							
Cash and balances at central banks	—	—	—	—	3 332	—	—
Loans and advances to banks	—	—	—	—	—	—	1 526
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	394	—	1 093
Sovereign debt securities	—	—	—	—	1 002	—	85
Bank debt securities	—	—	—	—	—	—	51
Other debt securities	—	—	—	—	6	36	232
Derivative financial instruments	1	2	—	88	1	2	368
Securities arising from trading activities	—	—	—	—	5	2	17
Loans and advances to customers	4 655	2 210	14	792	255	1 143	1 619
Other loans and advances	—	—	—	—	—	—	91
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	59
<b>Total on-balance sheet exposures</b>	<b>4 656</b>	<b>2 212</b>	<b>14</b>	<b>880</b>	<b>4 995</b>	<b>1 183</b>	<b>5 141</b>
Guarantees	7	—	—	10	—	1	122
Committed facilities related to loans and advances to customers	120	376	—	314	40	186	575
Contingent liabilities, letters of credit and other	18	—	—	135	—	15	103
<b>Total off-balance sheet exposures</b>	<b>145</b>	<b>376</b>	<b>—</b>	<b>459</b>	<b>40</b>	<b>202</b>	<b>800</b>
<b>Total gross credit and counterparty exposures</b>	<b>4 801</b>	<b>2 588</b>	<b>14</b>	<b>1 339</b>	<b>5 035</b>	<b>1 385</b>	<b>5 941</b>
<b>At 31 March 2021</b>							
Cash and balances at central banks	—	—	—	—	3 043	—	—
Loans and advances to banks	—	—	—	—	—	—	1 385
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	634	—	1 431
Sovereign debt securities	—	—	—	—	1 062	—	46
Bank debt securities	—	—	—	—	—	—	48
Other debt securities	—	—	—	22	6	17	312
Derivative financial instruments	—	5	2	88	6	22	458
Securities arising from trading activities	—	—	—	—	15	2	9
Loans and advances to customers	4 065	2 126	14	648	272	1 048	1 306
Other loans and advances	—	—	—	—	—	—	75
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	9	—	—	441
<b>Total on-balance sheet exposures</b>	<b>4 065</b>	<b>2 131</b>	<b>16</b>	<b>767</b>	<b>5 038</b>	<b>1 089</b>	<b>5 511</b>
Guarantees	8	—	—	10	—	—	118
Committed facilities related to loans and advances to customers	147	351	—	290	37	160	474
Contingent liabilities, letters of credit and other	18	—	—	124	—	—	103
<b>Total off-balance sheet exposures</b>	<b>173</b>	<b>351</b>	<b>—</b>	<b>424</b>	<b>37</b>	<b>160</b>	<b>695</b>
<b>Total gross credit and counterparty exposures</b>	<b>4 238</b>	<b>2 482</b>	<b>16</b>	<b>1 191</b>	<b>5 075</b>	<b>1 249</b>	<b>6 206</b>

CREDIT AND COUNTERPARTY RISK  
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	Total
—	—	—	—	—	—	—	—	—	—	3 332
—	—	—	—	—	—	—	—	—	—	1 526
—	—	—	—	—	—	—	—	—	—	1 487
—	—	—	—	—	—	—	—	—	—	1 087
—	—	—	—	—	—	—	—	—	—	51
—	—	—	153	—	—	—	61	—	8	496
11	11	1	—	4	64	—	42	—	1	596
—	—	—	5	—	—	—	—	—	—	29
248	815	103	—	149	115	93	711	663	246	13 831
—	—	—	12	—	—	—	—	—	—	103
—	—	—	7	—	—	—	—	—	—	7
2	—	—	—	—	—	—	7	—	—	68
<b>261</b>	<b>826</b>	<b>104</b>	<b>177</b>	<b>153</b>	<b>179</b>	<b>93</b>	<b>821</b>	<b>663</b>	<b>255</b>	<b>22 613</b>
1	—	—	—	1	—	—	6	—	—	148
13	129	7	—	41	67	2	22	—	67	1 959
—	1	—	—	—	—	—	—	—	—	272
<b>14</b>	<b>130</b>	<b>7</b>	<b>—</b>	<b>42</b>	<b>67</b>	<b>2</b>	<b>28</b>	<b>—</b>	<b>67</b>	<b>2 379</b>
<b>275</b>	<b>956</b>	<b>111</b>	<b>177</b>	<b>195</b>	<b>246</b>	<b>95</b>	<b>849</b>	<b>663</b>	<b>322</b>	<b>24 992</b>
—	—	—	—	—	—	—	—	—	—	3 043
—	—	—	—	—	—	—	—	—	—	1 385
—	—	—	—	—	—	—	—	—	—	2 065
—	—	—	—	—	—	—	—	—	—	1 108
—	—	—	—	—	—	—	—	—	—	48
—	—	—	238	—	—	—	69	—	8	672
34	26	2	—	6	23	—	56	—	2	730
—	—	—	2	—	—	—	—	—	—	28
233	769	94	—	95	156	98	754	555	268	12 501
—	—	—	18	—	—	—	—	—	—	93
—	—	—	6	—	—	—	—	—	—	6
—	1	—	—	—	—	—	—	—	—	451
<b>267</b>	<b>796</b>	<b>96</b>	<b>264</b>	<b>101</b>	<b>179</b>	<b>98</b>	<b>879</b>	<b>555</b>	<b>278</b>	<b>22 130</b>
2	—	—	—	1	—	—	6	—	—	145
14	114	—	—	4	75	—	21	—	118	1 805
1	1	—	—	—	6	—	—	—	—	253
<b>17</b>	<b>115</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>81</b>	<b>—</b>	<b>27</b>	<b>—</b>	<b>118</b>	<b>2 203</b>
<b>284</b>	<b>911</b>	<b>96</b>	<b>264</b>	<b>106</b>	<b>260</b>	<b>98</b>	<b>906</b>	<b>555</b>	<b>396</b>	<b>24 333</b>

## ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURE

### Key judgements at 30 September 2021

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

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

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

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



## ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURES CONTINUED

### Forward-looking macro-economic scenarios

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

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

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

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

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

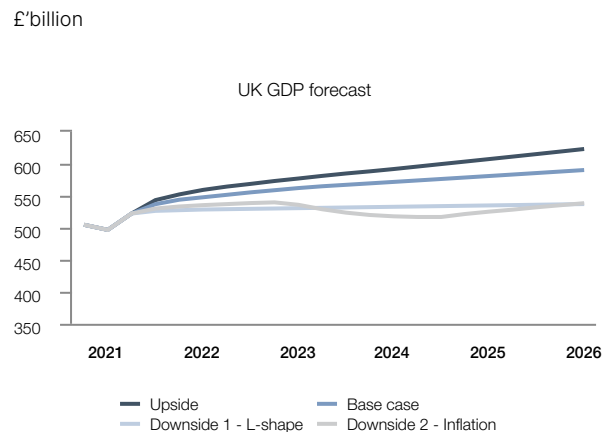
Risks to the economic outlook from COVID-19 remain, but the effective roll out of vaccines across the world should indicate that the worst of the pandemic has passed. As such, the base case assumes a continued rebound in economic activity with the pre-pandemic peak in GDP being surpassed in the first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

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

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

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

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



## ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURES

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

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

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

## INVESTMENT RISK

**Investment risk in the banking book**

Investment risk in the banking book comprises 3.0% of total assets at 30 September 2021.

**Summary of investments held and stress testing analyses**

An analysis of income and revaluations of these investments can be found in the investment income note on page 12. The balance sheet value of investments is indicated in the table below.

£'million Category	On-balance sheet value of investments 30 Sept 2021	Valuation change stress test 30 Sept 2021*	On-balance sheet value of investments 31 March 2021	Valuation change stress test 31 March 2021*
Unlisted investments	357	54	346	52
Listed equities	7	2	10	3
Ninety One <sup>^</sup>	386	n/a	358	n/a
<b>Total investment portfolio</b>	<b>750</b>	<b>56</b>	<b>714</b>	<b>55</b>
Trading properties	20	4	25	5
Warrants and profit shares	5	2	5	2
<b>Total</b>	<b>775</b>	<b>62</b>	<b>744</b>	<b>62</b>

<sup>^</sup> The investment in Ninety One is reflected as part of the Investment portfolio. Investec plc has a 16.3% shareholding in Ninety One (previously known as Investec Asset Management).

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

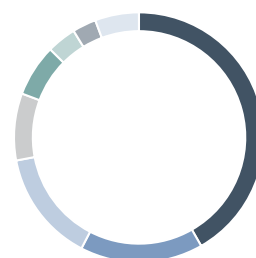
Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Warrants and profit shares	35%
Ninety One	n/a

**Stress testing summary**

Based on the information at 30 September 2021, as reflected above, we could have a £62 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the group to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is low, although the probability of listed equities being negatively impacted at the same time is high. Stress testing is not considered to be relevant for Ninety One. This investment is accounted for at fair value through other comprehensive income and any share price movement is likely to have a limited impact on the group's capital given the regulatory capital treatment.

**An analysis of the investment portfolio (excluding Ninety One), warrants and profit shares**

30 September 2021  
£369 million



Finance and insurance	41.7%
Manufacturing and commerce	15.9%
Real estate	14.4%
Retailers and wholesalers	8.7%
Transport	6.7%
Communication	3.8%
Business services	3.1%
Other	5.7%

## SECURITISATION

**Securitisation/structured credit activities exposures****Overview**

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

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

**Credit analysis**

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

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

**Analysis of gross structured credit exposure**

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

## MARKET RISK

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

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

**Value at Risk**

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

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

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

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

**Expected shortfall**

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

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

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

**Stressed VaR**

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

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

**Stress testing**

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

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

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

## MARKET RISK

### CONTINUED

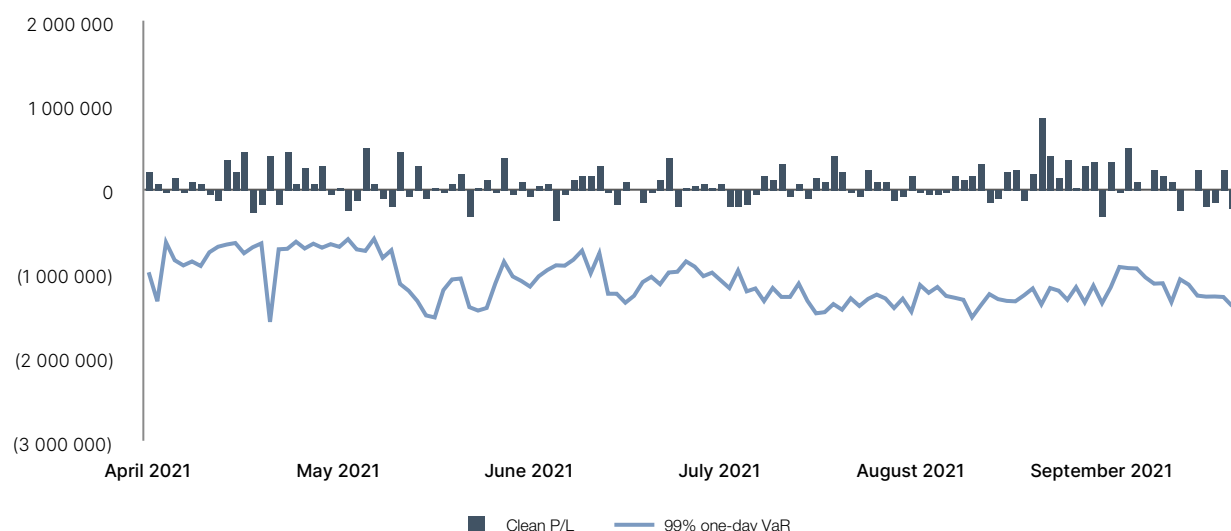
#### Backtesting

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

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

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

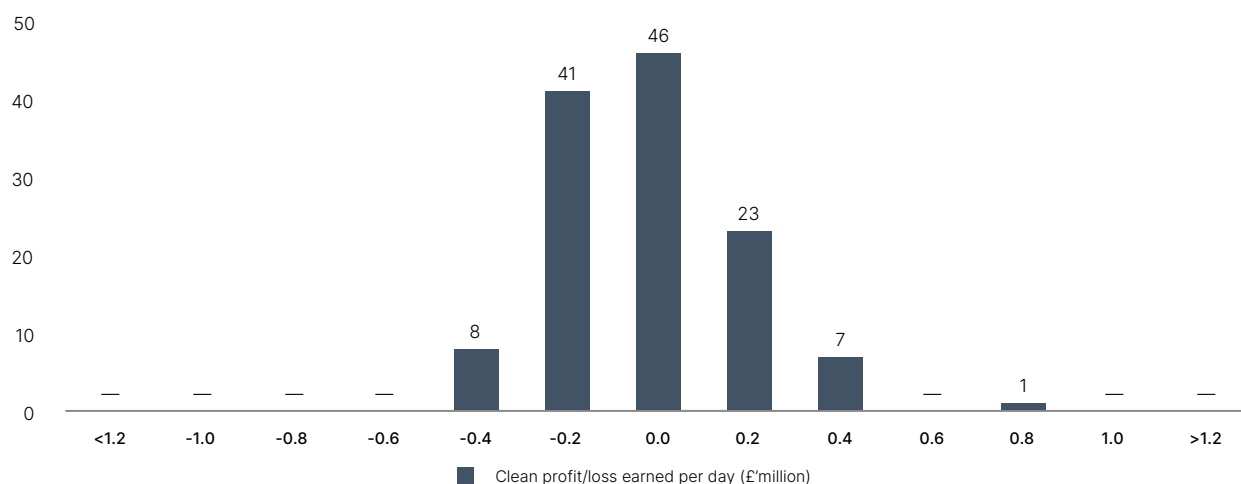
#### 99% one-day VaR backtesting (£)



#### Clean profit and loss histogram

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

Clean profit and loss  
Frequency: Days in the period



## BALANCE SHEET RISK

### Balance sheet risk management

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

### Liquidity risk

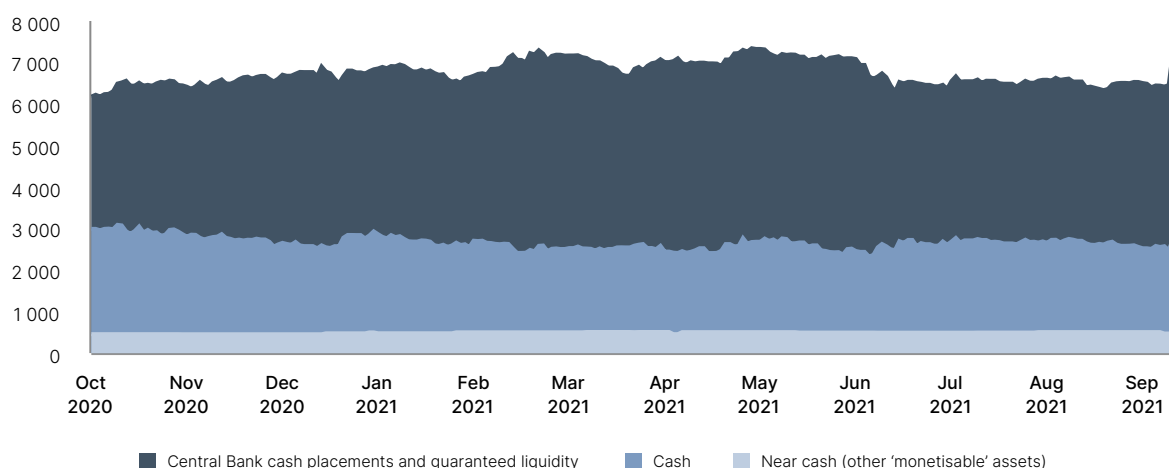
Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises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

Liquidity risk is further broken down into:

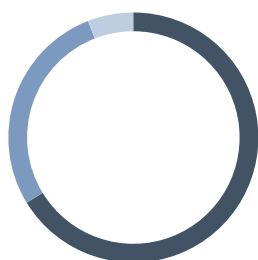
- **Funding liquidity:** this relates to the risk that the group will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without adversely affecting its solvency, financial position or its reputation
- **Market liquidity:** this relates to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

### Cash and near cash trend

£'million

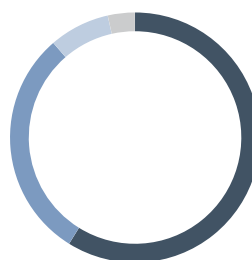


An analysis of cash and near cash at 30 September 2021  
£7 315 million



Central Bank cash placements and guaranteed liquidity	66.3%
Cash	27.8%
Near cash (other 'monetisable' assets)	5.9%

Bank and non-bank depositor concentration by type at 30 September 2021  
£18 122 million



Individuals	58.9%
Other financial institutions and corporates	29.8%
Banks	7.8%
Small business	3.5%

## BALANCE SHEET RISK

### CONTINUED

#### Liquidity mismatch

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

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

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

- Liquidity buffer: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the 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'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- Customer deposits: the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

#### Contractual liquidity at 30 September 2021

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	4 694	123	—	—	35	7	—	4 859
Investment/trading assets	624	733	388	248	258	750	2 014	5 015
Securitised assets	—	—	1	1	2	18	80	102
Advances	25	521	629	828	1 580	7 183	3 032	13 798
Other assets	1	728	56	17	97	338	457	1 694
<b>Assets</b>	<b>5 344</b>	<b>2 105</b>	<b>1 074</b>	<b>1 094</b>	<b>1 972</b>	<b>8 296</b>	<b>5 583</b>	<b>25 468</b>
Deposits – banks	(106)	(1)	(1)	(636)	(78)	(598)	—	(1 420)
Deposits – non-banks	(6 717)	(652)	(2 880)	(3 490)	(1 142)	(1 673)	(148)	(16 702)
Negotiable paper	(1)	(3)	(9)	(8)	(243)	(684)	(625)	(1 573)
Securitised liabilities	—	—	(3)	(2)	(4)	(36)	(59)	(104)
Investment/trading liabilities	(177)	(103)	(79)	(115)	(108)	(370)	—	(952)
Subordinated liabilities	—	—	—	(337)	—	—	(426)	(763)
Other liabilities	(14)	(724)	(43)	(52)	(111)	(316)	(81)	(1 341)
<b>Liabilities</b>	<b>(7 015)</b>	<b>(1 483)</b>	<b>(3 015)</b>	<b>(4 640)</b>	<b>(1 686)</b>	<b>(3 677)</b>	<b>(1 339)</b>	<b>(22 855)</b>
Total equity	—	—	—	—	—	—	(2 613)	(2 613)
<b>Contractual liquidity gap</b>	<b>(1 671)</b>	<b>622</b>	<b>(1 941)</b>	<b>(3 546)</b>	<b>286</b>	<b>4 619</b>	<b>1 631</b>	<b>—</b>
Cumulative liquidity gap	(1 671)	(1 049)	(2 990)	(6 536)	(6 250)	(1 631)	—	—

#### Behavioural liquidity at 30 September 2021

As discussed above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
<b>Behavioural liquidity gap</b>	<b>3 549</b>	<b>377</b>	<b>(1 662)</b>	<b>(2 936)</b>	<b>183</b>	<b>(1 042)</b>	<b>1 531</b>	<b>—</b>
Cumulative	3 549	3 926	2 264	(672)	(489)	(1 531)	—	—

#### Regulatory ratios

Following the UK's departure from the EU, the PRA have exercised temporary transitional powers (TTP), meaning that EU regulation in place prior to the end of the transition period largely remains valid in the UK until 31 March 2022. As such, the Investec plc and IBP (solo basis) LCRs are calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 30 September 2021, the LCR reported to the PRA was 284% for Investec plc and 280% for IBP (solo basis).

In the UK, the NSFR will be implemented by the PRA and expected to become a binding requirement for banks in January 2022. Banks will be required to maintain a minimum NSFR of 100%. In the meantime, our internally calculated NSFR is based on the version published in the EU Official Journal in June 2019, and our own interpretations where required. The NSFR at 30 September 2021 was 127% for Investec plc and 123% for IBP (solo basis).

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



## BALANCE SHEET RISK

### CONTINUED

#### Non-trading interest rate risk

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 group 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 group or its customers can alter the level and timing of their cash flows
- **Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

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

Interest rate sensitivity gap at 30 September 2021\*

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

£million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non- trading
Cash and short-term funds – banks	4 818	—	—	—	—	—	4 818
Investment/trading assets	2 897	126	63	100	87	359	3 632
Securitised assets	102	—	—	—	—	—	102
Advances	9 583	666	529	2 782	238	—	13 798
Other assets	—	—	—	—	—	1 437	1 437
<b>Assets</b>	<b>17 400</b>	<b>792</b>	<b>592</b>	<b>2 882</b>	<b>325</b>	<b>1 796</b>	<b>23 787</b>
Deposits – banks	(1 416)	—	—	—	—	—	(1 416)
Deposits – non-banks	(14 656)	(704)	(897)	(412)	—	—	(16 669)
Negotiable paper	(568)	—	(200)	(258)	(350)	—	(1 376)
Securitised liabilities	(104)	—	—	—	—	—	(104)
Investment/trading liabilities	(119)	—	—	—	—	—	(119)
Subordinated liabilities	(35)	(308)	—	(420)	—	—	(763)
Other liabilities	—	—	—	—	—	(828)	(828)
<b>Liabilities</b>	<b>(16 898)</b>	<b>(1 012)</b>	<b>(1 097)</b>	<b>(1 090)</b>	<b>(350)</b>	<b>(828)</b>	<b>(21 275)</b>
Total equity	—	—	—	—	—	(2 512)	(2 512)
<b>Balance sheet</b>	<b>502</b>	<b>(220)</b>	<b>(505)</b>	<b>1 792</b>	<b>(25)</b>	<b>(1 544)</b>	<b>—</b>
Off-balance sheet	1 426	81	(179)	(1 435)	107	—	—
<b>Repricing gap</b>	<b>1 928</b>	<b>(139)</b>	<b>(684)</b>	<b>357</b>	<b>82</b>	<b>(1 544)</b>	<b>—</b>
Cumulative repricing gap	1 928	1 789	1 105	1 462	1 544	—	—

Economic value sensitivity at 30 September 2021\*

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

million	Sensitivity to the following interest rates (expressed in original currencies)						All (GBP)
	GBP	USD	EUR	AUD	ZAR	Other (GBP)	
200bps down	1.1	14.8	2.2	1.3	(0.7)	1.9	15.9
200bps up	(0.9)	(12.8)	(1.9)	(1.2)	0.6	(1.7)	(13.7)

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

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

## CAPITAL ADEQUACY

## A summary of capital adequacy and leverage ratios

	30 September 2021*	31 March 2021*
Common Equity Tier 1 ratio**	10.9%	11.0%
Common Equity Tier 1 ratio (fully loaded)***	10.5%	10.5%
Tier 1 ratio**	12.5%	12.7%
Total capital ratio**/ Pro-forma^	14.6%/ 16.6%	14.9%/ n/a
Leverage ratio^^	7.7%	7.8%
Leverage ratio (fully loaded)^^^ ***	7.3%	7.4%
Leverage ratio (UK leverage ratio framework)^^ ^^^	8.7%	9.0%

## Capital structure and capital adequacy

£'million	30 September 2021*	31 March 2021*
<b>Shareholders' equity</b>	<b>2 269</b>	<b>2 198</b>
Shareholders' equity excluding non-controlling interests	2 363	2 256
Foreseeable charges and dividends	(39)	(25)
Perpetual preference share capital and share premium	(25)	(25)
Deconsolidation of special purpose entities	(30)	(8)
<b>Non-controlling interests</b>	<b>—</b>	<b>—</b>
<b>Regulatory adjustments to the accounting basis</b>	<b>76</b>	<b>98</b>
Additional value adjustments	(6)	(7)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	6	12
Adjustment under IFRS 9 transitional arrangements	76	93
<b>Deductions</b>	<b>(530)</b>	<b>(500)</b>
Goodwill and intangible assets net of deferred taxation	(309)	(307)
Investment in capital of financial entities above 10% threshold	(205)	(179)
Deferred taxation assets that rely on future profitability excluding those arising from temporary difference	(11)	(12)
Securitisation positions which can alternatively be subject to a 1 250%	(5)	—
<b>Common Equity Tier 1 capital</b>	<b>1 815</b>	<b>1 796</b>
Additional Tier 1 instruments	274	274
<b>Tier 1 capital</b>	<b>2 089</b>	<b>2 070</b>
<b>Tier 2 capital</b>	<b>345</b>	<b>370</b>
Tier 2 instruments	442	473
Non-qualifying surplus capital attributable to non-controlling interests	(97)	(103)
<b>Total regulatory capital</b>	<b>2 434</b>	<b>2 440</b>
<b>Risk-weighted assets**</b>	<b>16 723</b>	<b>16 332</b>

\* The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc CET1 ratio would be 26bps (31 March 2021:17bps) higher, on this basis.

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

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

^ Pro-forma 30 September 2021 total capital ratio includes the proceeds of the Investec plc £350 million 2.625% Callable Fixed Rate Resettable Subordinated Notes due 2023, issued 4 October 2021.

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

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

CAPITAL ADEQUACY  
CONTINUED

**Risk-weighted assets and capital requirements**

£'million	Risk-weighted assets**		Capital requirements	
	30 September 2021	31 March 2021	30 September 2021	31 March 2021
	<b>16 723</b>	<b>16 332</b>	<b>1 338</b>	<b>1 307</b>
Credit risk	13 114	12 497	1 049	1 000
Equity risk	563	581	45	46
Counterparty credit risk	552	691	44	55
Credit valuation adjustment risk	38	59	3	5
Market risk	730	778	59	63
Operational risk	1 726	1 726	138	138

**Leverage**

£'million	30 September 2021*	31 March 2021*
Total exposure measure	27 300	26 672
Tier 1 capital (as reported)**	2 089	2 070
<b>Leverage ratio^^</b>	<b>7.7%</b>	<b>7.8%</b>
<b>Leverage ratio (fully loaded)^^ ***</b>	<b>7.3%</b>	<b>7.4%</b>
Leverage ratio (UK leverage ratio framework)^^ ^^^	8.7%	9.0%

\* The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc CET1 ratio would be 26bps (31 March 2021: 17bps) higher, on this basis.


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

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

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

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

## ANNEXURE 1 – ALTERNATIVE PERFORMANCE MEASURES

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


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

Adjusted operating profit

Refer to the calculation in the table below

£'000	30 Sept 2021	30 Sept 2020	31 March 2021
Operating profit before goodwill, acquired intangibles and strategic actions	127 413	31 044	108 837
Add: Loss attributable to other non-controlling interests	—	530	861
<b>Adjusted operating profit</b>	<b>127 413</b>	<b>31 574</b>	<b>109 698</b>

Annuity income

 Net interest income (refer to page 11) plus net annuity fees and commissions (refer to page 12)

Core loans

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

£'million	30 Sept 2021	31 March 2021
Loans and advances to customers per the balance sheet	13 695	12 336
ECL held against FVOCI loans reported on the balance sheet within reserves	(3)	(5)
<b>Net core loans</b>	<b>13 692</b>	<b>12 331</b>
of which amortised cost and FVOCI ('subject to ECL')	13 008	11 819
of which FVPL	684	512
Add: ECL	139	170
<b>Gross core loans</b>	<b>13 831</b>	<b>12 501</b>
of which amortised cost and FVOCI ('subject to ECL')	13 147	11 989
of which FVPL	684	512

Cost to income ratio

Refer to calculation in the table below

£'000	30 Sept 2021	30 Sept 2020	31 March 2021
Operating costs (A)	380 426	357 880	766 367
Total operating income before expected credit loss impairment charges	512 689	428 828	946 400
Add: Loss attributable to other non-controlling interests	—	530	861
Total (B)	512 689	429 358	947 261
<b>Cost to income ratio (A/B)</b>	<b>74.2%</b>	<b>83.4%</b>	<b>80.9%</b>

Coverage ratio

ECL as a percentage of gross core loans subject to ECL

Credit loss ratio

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

Gearing ratio


Total assets divided by total equity

Loans and advances to customers as a % of customer deposits

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

Net interest margin

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

 Refer to calculation on page 11

## 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 11 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 11 for calculation

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

Legacy, as separately disclosed from 2013 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

**Ninety One and Ninety One group**

All references to Ninety One and Ninety One group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries

**Ongoing basis**

Ongoing information, as separately disclosed from 2013 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

**Strategic actions**

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

**Subject to ECL**

Includes financial assets held at amortised cost and FVOCI

— OUT OF THE ORDINARY

