

**38. Capital structure**

At 31 December	Group	
	2007 £m	2006 £m
Tier 1		
Share capital and reserves	1,210.8	1,419.9
Adjustments	81.3	(74.4)
Net pension deficit	(4.0)	50.8
Innovative tier 1	148.8	148.8
<b>Total tier 1 capital</b>	<b>1,436.9</b>	<b>1,545.1</b>
Upper tier 2 capital	580.1	583.8
Lower tier 2 capital	647.0	671.7
<b>Total tier 2 capital</b>	<b>1,227.1</b>	<b>1,255.5</b>
Deductions	(146.7)	(97.2)
<b>Total capital</b>	<b>2,517.3</b>	<b>2,703.4</b>

Innovative tier 1 and tier 2 subordinated liabilities exclude any fair value adjustments arising from the hedging of these instruments that are included in the Balance Sheet.

The primary objectives of the banks capital management are to ensure that the bank complies with externally imposed capital requirements, maintains capital ratios to support development of the business and to cover risks inherent in its activities, to maximise shareholder value and to keep strong credit ratings. The Group defines Equity, Subordinated Liabilities and Other Capital Instruments as capital. The bank manages its capital structure in response to changes in the nature of the banks' activities and economic conditions. The bank may return capital to shareholders, adjust the level of dividend or issue capital securities. During the year the bank commenced a share buy back programme to rebalance the mix of capital by changing the proportions of equity and interest bearing tier 1 capital; this was suspended in the later part of the year due to market conditions.

During the year the Group moved from a Basel I method of assessment to a Basel II Standardised regime. The bank's regulatory capital position is shown above. Tier 1 capital excludes statutory accounting deductions for available-for-sale assets and the cash flow hedge reserve but includes a regulatory deduction for intangible assets. Tier 2 capital reflects amortisation of subordinated debt. The Group's capital adequacy and capital resources are managed and monitored in accordance with the regulatory capital rules of the FSA, the UK regulator. The bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements of the FSA. The bank has put in place processes and controls to monitor and manage the bank's capital adequacy and no breaches were reported to the FSA during the year.

The Company capital is represented by the capital and reserves attributable to equity holders and is sufficient to meet the needs of the Company in its operations and in payment of dividends.

**39. Financial instruments****(a) Categories of financial assets and financial liabilities: carrying value compared to fair value**

Group At 31 December 2007 Financial assets	Available- for-sale £m	Assets at fair value	Assets at fair value	Loans and receivables £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
		through profit or loss - on initial recognition £m	through profit or loss - held for trading £m					
Cash and balances at central banks	-	-	-	209.2	-	209.2	209.2	2.1
Treasury bills	185.0	-	-	-	-	185.0	185.0	1.9
Loans and advances to banks	-	-	-	2,392.1	-	2,392.1	2,392.1	23.9
Loans and advances to customers	-	-	-	40,444.5	-	40,444.5	40,407.2	404.1
Fair value adjustments on portfolio hedging	-	-	-	-	(53.8)	(53.8)	-	-
Debt securities	6,778.7	-	-	-	-	6,778.7	6,778.7	67.8
Derivative financial instruments	-	1,175.4	-	-	-	1,175.4	1,175.4	11.8
Other financial assets	2.1	-	-	658.9	-	661.0	661.0	6.6
<b>Total financial assets</b>	<b>6,965.8</b>	<b>1,175.4</b>	<b>-</b>	<b>43,704.7</b>	<b>(53.8)</b>	<b>51,792.1</b>	<b>51,808.6</b>	<b>518.2</b>

# Notes to the Financial Statements

## 39. Financial instruments continued

### (a) Categories of financial assets and financial liabilities: carrying value compared to fair value continued

Financial liabilities	Liabilities at fair value through profit or loss - on initial recognition £m	Liabilities at fair value through profit or loss - held for trading £m	Liabilities at amortised cost £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
Deposits by banks	-	-	2,074.3	0.1	2,074.4	2,074.4	20.7
Customer accounts	-	-	24,152.6	-	24,152.6	24,155.1	241.6
Fair value adjustments on portfolio hedging	-	-	-	(5.9)	(5.9)	-	-
Derivative financial instruments	498.6	-	-	-	498.6	498.6	5.0
Debt securities in issue	-	-	21,652.6	655.5	22,308.1	21,914.6	219.1
Subordinated liabilities	-	-	1,249.2	4.5	1,253.7	1,168.9	11.7
Other capital instruments	-	-	148.9	12.7	161.6	117.5	1.2
Other financial liabilities	-	-	141.4	-	141.4	141.4	1.4
<b>Total financial liabilities</b>	<b>498.6</b>	<b>-</b>	<b>49,419.0</b>	<b>666.9</b>	<b>50,584.5</b>	<b>50,070.5</b>	<b>500.7</b>

Group At 31 December 2006 Financial assets	Available-for-sale £m	Assets at fair value through profit or loss - on initial recognition £m	Assets at fair value through profit or loss - held for trading £m	Loans and receivables £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
Cash and balances at central banks	-	-	-	202.6	-	202.6	202.6	2.0
Loans and advances to banks	-	-	-	3,301.4	-	3,301.4	3,301.4	33.0
Loans and advances to customers	-	-	-	36,131.7	-	36,131.7	35,985.3	359.9
Fair value adjustments on portfolio hedging	-	-	-	-	(70.4)	(70.4)	-	-
Debt securities	5,299.9	-	-	-	-	5,299.9	5,299.9	53.0
Derivative financial instruments	-	291.0	-	-	-	291.0	291.0	2.9
Other financial assets	-	-	-	34.2	-	34.2	34.2	0.3
<b>Total financial assets</b>	<b>5,299.9</b>	<b>291.0</b>	<b>-</b>	<b>39,669.9</b>	<b>(70.4)</b>	<b>45,190.4</b>	<b>45,114.4</b>	<b>451.1</b>

Financial liabilities	Liabilities at fair value through profit or loss - on initial recognition £m	Liabilities at fair value through profit or loss - held for trading £m	Liabilities at amortised cost £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
Deposits by banks	-	-	1,512.4	-	1,512.4	1,512.4	15.1
Customer accounts	-	-	22,201.1	(0.1)	22,201.0	22,189.6	221.9
Derivative financial instruments	493.4	-	-	-	493.4	493.4	4.9
Debt securities in issue	-	-	18,059.5	(218.2)	17,841.3	17,844.7	178.4
Subordinated liabilities	-	-	1,248.2	(1.2)	1,247.0	1,385.9	13.9
Other capital instruments	-	-	148.9	16.3	165.2	162.2	1.6
Other financial liabilities	-	-	128.5	-	128.5	128.5	1.3
<b>Total financial liabilities</b>	<b>493.4</b>	<b>-</b>	<b>43,298.6</b>	<b>(203.2)</b>	<b>43,588.8</b>	<b>43,716.7</b>	<b>437.1</b>

Company At 31 December 2007 Financial assets	Available-for-sale £m	Assets at fair value through profit or loss - on initial recognition £m	Assets at fair value through profit or loss - held for trading £m	Loans and receivables £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
Cash and balances at central banks	-	-	-	209.2	-	209.2	209.2	2.1
Treasury bills	185.0	-	-	-	-	185.0	185.0	1.9
Loans and advances to banks	-	-	-	1,901.9	-	1,901.9	1,901.9	19.0
Loans and advances to customers	-	-	-	51,435.4	-	51,435.4	51,417.7	514.2
Fair value adjustments on portfolio hedging	-	-	-	-	(53.8)	(53.8)	-	-
Debt securities	7,398.2	-	-	-	-	7,398.2	7,398.2	74.0
Derivative financial instruments	-	468.6	-	-	-	468.6	468.6	4.7
Other financial assets	2.1	-	-	657.5	-	659.6	659.6	6.6
<b>Total financial assets</b>	<b>7,585.3</b>	<b>468.6</b>	<b>-</b>	<b>54,204.0</b>	<b>(53.8)</b>	<b>62,204.1</b>	<b>62,240.2</b>	<b>622.5</b>

**39. Financial instruments continued****(a) Categories of financial assets and financial liabilities: carrying value compared to fair value continued**

Financial liabilities	Liabilities at fair value through profit or loss - on initial recognition £m	Liabilities at fair value through profit or loss - held for trading £m	Liabilities at amortised cost £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
Deposits by banks	-	-	1,658.5	-	1,658.5	1,658.5	16.6
Customer accounts	19,279.0	-	24,322.8	-	43,601.8	43,604.3	436.0
Fair value adjustments on portfolio hedging	-	-	-	(5.9)	(5.9)	-	-
Derivative financial instruments	483.2	-	-	-	483.2	483.2	4.8
Debt securities in issue	-	-	13,897.9	511.2	14,409.1	14,205.4	142.1
Subordinated liabilities	-	-	1,548.1	17.2	1,565.3	1,437.1	14.4
Other financial liabilities	-	-	131.0	-	131.0	131.0	1.3
<b>Total financial liabilities</b>	<b>19,762.2</b>	<b>-</b>	<b>41,558.3</b>	<b>522.5</b>	<b>61,843.0</b>	<b>61,519.5</b>	<b>615.2</b>

Company At 31 December 2006 Financial assets	Available-for-sale £m	Assets at fair value through profit or loss - on initial recognition £m	Assets at fair value through profit or loss - held for trading £m	Loans and receivables £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
Cash and balances at central banks	-	-	-	202.6	-	202.6	202.6	2.0
Loans and advances to banks	-	-	-	2,413.5	-	2,413.5	2,413.5	24.1
Loans and advances to customers	-	-	-	41,895.5	-	41,895.5	41,874.4	418.7
Fair value adjustments on portfolio hedging	-	-	-	-	(70.4)	(70.4)	-	-
Debt securities	4,840.9	-	-	-	-	4,840.9	4,840.9	48.4
Derivative financial instruments	-	278.2	-	-	-	278.2	278.2	2.8
Other financial assets	-	-	-	40.3	-	40.3	40.3	0.4
<b>Total financial assets</b>	<b>4,840.9</b>	<b>278.2</b>	<b>-</b>	<b>44,551.9</b>	<b>(70.4)</b>	<b>49,600.6</b>	<b>49,649.9</b>	<b>496.4</b>

Financial liabilities	Liabilities at fair value through profit or loss - on initial recognition £m	Liabilities at fair value through profit or loss - held for trading £m	Liabilities at amortised cost £m	Hedging adjustments £m	Total carrying value £m	Fair value £m	If fair values increased by 1% £m
Deposits by banks	-	-	885.8	-	885.8	885.8	8.9
Customer accounts	11,919.3	-	22,623.6	(0.1)	34,542.8	34,531.6	345.3
Derivative financial instruments	408.8	-	-	-	408.8	408.8	4.1
Debt securities in issue	-	-	11,538.7	(292.2)	11,246.5	11,241.3	112.4
Subordinated liabilities	-	-	1,546.7	15.1	1,561.8	1,698.1	17.0
Other financial liabilities	-	-	121.7	-	121.7	121.7	1.2
<b>Total financial liabilities</b>	<b>12,328.1</b>	<b>-</b>	<b>36,716.5</b>	<b>(277.2)</b>	<b>48,767.4</b>	<b>48,887.3</b>	<b>488.9</b>

Neither the Group nor the Company recognised any 'day one gains or losses' during the year (2006: £nil).

Cash and balances at central banks and loans and advances to banks: the fair value is their carrying amount.

Loans and advances to customers: where floating rate loans and advances to customers have been issued at market rates we have assumed fair value approximates to book value. Given current market conditions, it is not known whether these fair values are reflective of prices that could be achieved on the open market; however, there is no intent to sell these loans. Fixed rate mortgage balances, within loans and advances to customers, are fair valued using discounted cash flow models, using prevailing market rates, with underlying assumptions based on current market conditions.

Debt securities and treasury bills: fair value has been estimated through reference to market price or specific restructuring proposals. Where no market price exists an assessment has been made as to the value of the security. This assessment is based on modelling the present value of future expected cash flows, using a discount curve adjusted for credit spread and liquidity, utilising information from a number of sources, including fund manager expectations and the performance of other similar securities.

Derivative financial instruments, other financial assets and deposits by banks: the fair value is their carrying amount.

Customer accounts: the fair value is estimated from expected future cash flows, discounted at current market rates.

Debt securities in issue, subordinated liabilities and other capital instruments: the fair value is based upon quoted market prices in active markets or discounted expected cash flows using market rates applicable to the credit quality and maturity of the instrument.

Other financial liabilities: the fair value is their carrying amount.

No financial assets were reclassified during 2007 or 2006 by the Group or Company between amortised cost and fair value categories.

**(b) Trading book**

During the year the Group commenced trading activities in derivatives. The net trading income for the year, which is all included in the Income Statement within 'realised gains less losses on financial instruments', was £1.0m.

The fair value of these held for trading derivatives at 31 December 2007 was not material and therefore does not appear in note 39a.

# Notes to the Financial Statements

## 39. Financial instruments continued

### (c) Interest income and expense on financial instruments that are not at fair value through profit or loss

Total interest income and expense (calculated using the effective interest rate method) on financial instruments that are not at fair value through profit or loss were as follows:

	2007 £m	Group 2006 £m
Interest income	2,967.5	2,383.0
Interest expense	(2,419.8)	(1,872.8)
Net interest income	547.7	510.2

The above includes interest on derivatives which are effective hedging instruments.

### (d) Impaired financial assets

Allowance accounts for credit losses in respect of impairment of loans and advances to customers are detailed in note 11, and in respect of debt securities in note 13.

No impairment loss has been recognised in respect of any other class of financial asset, and no other class of financial asset includes assets that are past due.

### (e) Derecognition of financial assets

The following financial assets have been sold but continue to be carried on Balance Sheet because the sale does not qualify for derecognition; the Group remains exposed to the economic risk on the assets because of the sale terms.

Group	2007		2006	
	Carrying amount of assets £m	Carrying amount of associated liabilities £m	Carrying amount of assets £m	Carrying amount of associated liabilities £m
Repurchase agreements (see also note 39f)	794.0	744.4	128.4	128.5
Other arrangements	168.9	170.8	281.3	281.5
	962.9	915.2	409.7	410.0

  

Company	2007		2006	
	Carrying amount of assets £m	Carrying amount of associated liabilities £m	Carrying amount of assets £m	Carrying amount of associated liabilities £m
Repurchase agreements (see also note 39f)	1,721.4	1,645.9	628.4	628.5
Other arrangements	168.9	170.8	281.3	281.5
	1,890.3	1,816.7	909.7	910.0

In addition, loans to customers which have been securitised are not derecognised from the Balance Sheet as the originator of the loans retains substantially all of the risks and rewards of the securitised loans (see note 12).

### (f) Collateral

All loans and advances made by the Group are secured on property. The secured property can be repossessed in the event of borrower default, in which case the carrying value of the loan is reduced if the estimated recoverable amount is lower than the outstanding balance owed, in accordance with the accounting policy described in note 1. The repossessed property is carried on the Balance Sheet within loans and advances to customers.

A credit exposure could arise in respect of derivative contracts entered into by the Group if the counterparty were unable to fulfil its contractual obligations. The Group addresses the risks associated with these activities by monitoring counterparty credit exposure and requiring additional collateral to be posted or returned as necessary. The only forms of collateral accepted by the Group are cash and government securities. Derivatives are transacted under ISDA with CSA annexes and as such may require collateral to be posted from time to time.

Fair value of collateral which we hold which we can sell or repledge in the absence of default by the owner of the collateral:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Assets under reverse repurchase agreements	253.4	0.5	253.4	0.5
Cash collateral which we have received in respect of derivatives contracts	45.2	123.2	67.3	410.5
	298.6	123.7	320.7	411.0

None of the above collateral has been sold or repledged.

**39. Financial instruments continued****(f) Collateral continued**

Carrying amount of financial assets which we have pledged as collateral:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Assets under repurchase agreements (see also note 39e)	794.0	128.4	1,721.4	628.4
Cash Ratio Deposit with the Bank of England	38.2	34.8	38.2	34.8
Cash collateral which we have provided in respect of derivative contracts	90.9	79.6	90.9	79.6
	<b>923.1</b>	<b>242.8</b>	<b>1,850.5</b>	<b>742.8</b>

In addition, certain loans to customers have been securitised, as detailed in note 12. These loans, and also the other financial assets shown above which we have pledged, are carried on the Group's and Company's Balance Sheets.

**(g) Hedge accounting**

The Group had the following types of hedges:

	2007					2006				
	Nominal amounts £m	Fair value hedges £m	Cash flow hedges £m	Non- hedging £m	Total £m	Nominal amounts £m	Fair value hedges £m	Cash flow hedges £m	Total £m	
Exchange rate contracts	12,119.7	903.5	-	-	903.5	9,656.2	33.5	-	33.5	
Interest rate contracts	24,359.5	225.4	40.4	-	265.8	25,673.8	231.6	19.0	250.6	
Other derivatives	16.8	6.1	-	-	6.1	316.8	6.9	-	6.9	
Total asset balances	<b>36,496.0</b>	<b>1,135.0</b>	<b>40.4</b>	-	<b>1,175.4</b>	<b>35,646.8</b>	<b>272.0</b>	<b>19.0</b>	<b>291.0</b>	
Exchange rate contracts	3,432.8	135.9	-	-	135.9	1,439.3	325.1	-	325.1	
Interest rate contracts	20,782.8	165.7	141.5	-	307.2	2,686.9	156.4	3.2	159.6	
Other derivatives	222.6	5.8	-	49.7	55.5	184.6	8.1	0.6	8.7	
Total liability balances	<b>24,438.2</b>	<b>307.4</b>	<b>141.5</b>	<b>49.7</b>	<b>498.6</b>	<b>4,310.8</b>	<b>489.6</b>	<b>3.8</b>	<b>493.4</b>	
Fair value of hedging instruments	<b>12,057.8</b>	<b>827.6</b>	<b>(101.1)</b>	-	<b>676.8</b>	<b>31,336.0</b>	<b>(217.6)</b>	<b>15.2</b>	<b>(202.4)</b>	

The Company had the following types of hedges:

	2007					2006				
	Nominal amounts £m	Fair value hedges £m	Cash flow hedges £m	Non- hedging £m	Total £m	Nominal amounts £m	Fair value hedges £m	Cash flow hedges £m	Total £m	
Exchange rate contracts	2,957.5	196.4	-	-	196.4	3,642.7	20.8	-	20.8	
Interest rate contracts	23,130.3	225.7	40.4	-	266.1	24,824.3	231.5	19.0	250.5	
Other derivatives	16.8	6.1	-	-	6.1	316.8	6.9	-	6.9	
Total asset balances	<b>26,104.6</b>	<b>428.2</b>	<b>40.4</b>	-	<b>468.6</b>	<b>28,783.8</b>	<b>259.2</b>	<b>19.0</b>	<b>278.2</b>	
Exchange rate contracts	935.0	80.0	-	-	80.0	93.6	203.4	-	203.4	
Interest rate contracts	36,185.0	205.6	141.5	-	347.1	2,686.9	193.5	3.2	196.7	
Other derivatives	222.6	6.4	-	49.7	56.1	184.6	8.1	0.6	8.7	
Total liability balances	<b>37,342.6</b>	<b>292.0</b>	<b>141.5</b>	<b>49.7</b>	<b>483.2</b>	<b>2,965.1</b>	<b>405.0</b>	<b>3.8</b>	<b>408.8</b>	
Fair value of hedging instruments	<b>(11,238.0)</b>	<b>136.2</b>	<b>(101.1)</b>	-	<b>(14.6)</b>	<b>25,818.7</b>	<b>(145.8)</b>	<b>15.2</b>	<b>(130.6)</b>	

The Group and Company undertake derivative transactions to hedge risk exposures, and manage risk by use of fair value hedges and cash flow hedges. For those transactions which qualify and are designated as fair value or cash flow hedges, hedge accounting treatment is applied.

Fair value hedges are primarily used to hedge against changes in fair value of fixed rate products due to movements in market interest rates. For the year ended 31 December 2007, the Group recognised fair value losses of £23.5m (2006: gains of £0.3m), representing the ineffective portion of the fair value hedges.

Cash flow hedges are used to hedge the risk of exposure to variability of cash flows attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction. Any gains or losses on cash flow hedges are recorded in equity until the hedged cash flow occurs, whereupon they are transferred to profit or loss for the period. As at 31 December 2007, net losses accumulated in equity were £60.4m (2006: gains of £20.6m).

Hedge effectiveness is measured and assessed on an ongoing basis and was determined to be actually effective throughout the year. Changes in fair values and cash flows of the hedged items were almost fully offset by changes in fair values and cash flows of the hedging instruments, and actual effectiveness was within a range of 80% to 125%.

The Group has recognised embedded derivatives within certain products and has classified them with derivatives in accordance with IAS 39.

Forward starting swaps are entered into, in anticipation of the take up of fixed rate mortgages. These are treated as cash flow hedges. Cash flow ineffectiveness testing incorporates testing for forecast transactions which are no longer expected to occur.

# Notes to the Financial Statements

## 39. Financial instruments continued

### (g) Hedge accounting continued

Fair value movements on financial instruments recognised in the Income Statement comprised the following:

	Group	
	2007 £m	2006 £m
Net (losses)/gains on fair value hedging instruments	(372.6)	9.9
Net gains/(losses) on fair value hedged items	349.2	(9.6)
Ineffectiveness on cash flow hedges	(0.1)	-
Total hedge ineffectiveness	(23.5)	0.3
Net loss in fair value on embedded derivatives	(49.7)	(0.1)
Total fair value movements recognised in the Income Statement	(73.2)	0.2

Realised gains less losses on financial instruments recognised in the Income Statement comprised the following:

	Group	
	2007 £m	2006 £m
Realised gains on available-for-sale instruments	4.5	2.1
Realised gains on instruments at amortised cost	1.0	-
Realised gains on instruments at fair value through profit or loss	1.0	-
Total realised gains less losses on financial instruments recognised in the Income Statement	6.5	2.1

## 40. Risk management

(a) A description of the principal risks to which the Group and Company are exposed is provided on pages 18 to 21.

The following table describes the significant activities undertaken by the Group, the risks associated with such activities and the types of derivatives which are typically used in managing such risks.

Activity	Risk	Type of derivative instrument used
Fixed rate savings products and funding activities in Sterling involving either fixed rate instruments or instruments with embedded options	Sensitivity to changes in interest rates	Interest rate swaps and interest rate futures
Fixed and capped rate mortgage lending and investment activities involving either fixed rate instruments or instruments with embedded options	Sensitivity to changes in interest rates	Interest rate swaps and options
Investment and funding in foreign currencies	Sensitivity to changes in foreign exchange rates	Cross-currency interest rate swaps and foreign exchange contracts
Equity-linked investment products	Sensitivity to changes in equity indices	Equity-linked swaps
Variable rate products	Sensitivity to changes in interest rates	Interest rate swaps

The accounting policy for derivatives and hedge accounting is described in note 1.

### (b) Credit risk

Before taking account of any collateral, the maximum exposure to credit risk at 31 December was:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Cash and balances at central banks	209.2	202.6	209.2	202.6
Treasury bills	185.0	-	185.0	-
Loans and advances to banks	2,392.1	3,301.4	1,901.9	2,413.5
Loans and advances to customers	40,444.5	36,131.7	51,435.4	41,895.5
Debt securities	6,778.7	5,299.9	7,398.2	4,840.9
Derivative financial instruments	1,175.4	291.0	468.6	278.2
Other financial assets	661.0	34.2	659.6	40.3
<b>Total on - Balance Sheet</b>	<b>51,845.9</b>	<b>45,260.8</b>	<b>62,257.9</b>	<b>49,671.0</b>
Irrevocable undrawn loan facilities (off - Balance Sheet) (see note 34)	1,900.7	2,305.7	75.7	522.0
<b>Total maximum exposure to credit risk</b>	<b>53,746.6</b>	<b>47,566.5</b>	<b>62,333.6</b>	<b>50,193.0</b>

In respect of loans and advances to banks and customers and derivative financial instruments the Group and Company may hold reverse repurchase agreements and may also hold cash as security (see notes 39e and 39f). Loans and advances to customers are secured on property.

In respect of Lifetime mortgages, the irrevocable undrawn loan facility is calculated using actuarial assumptions. There is no commitment to advance further cash; the commitment reflects interest expected to roll up on the loans until redemption.