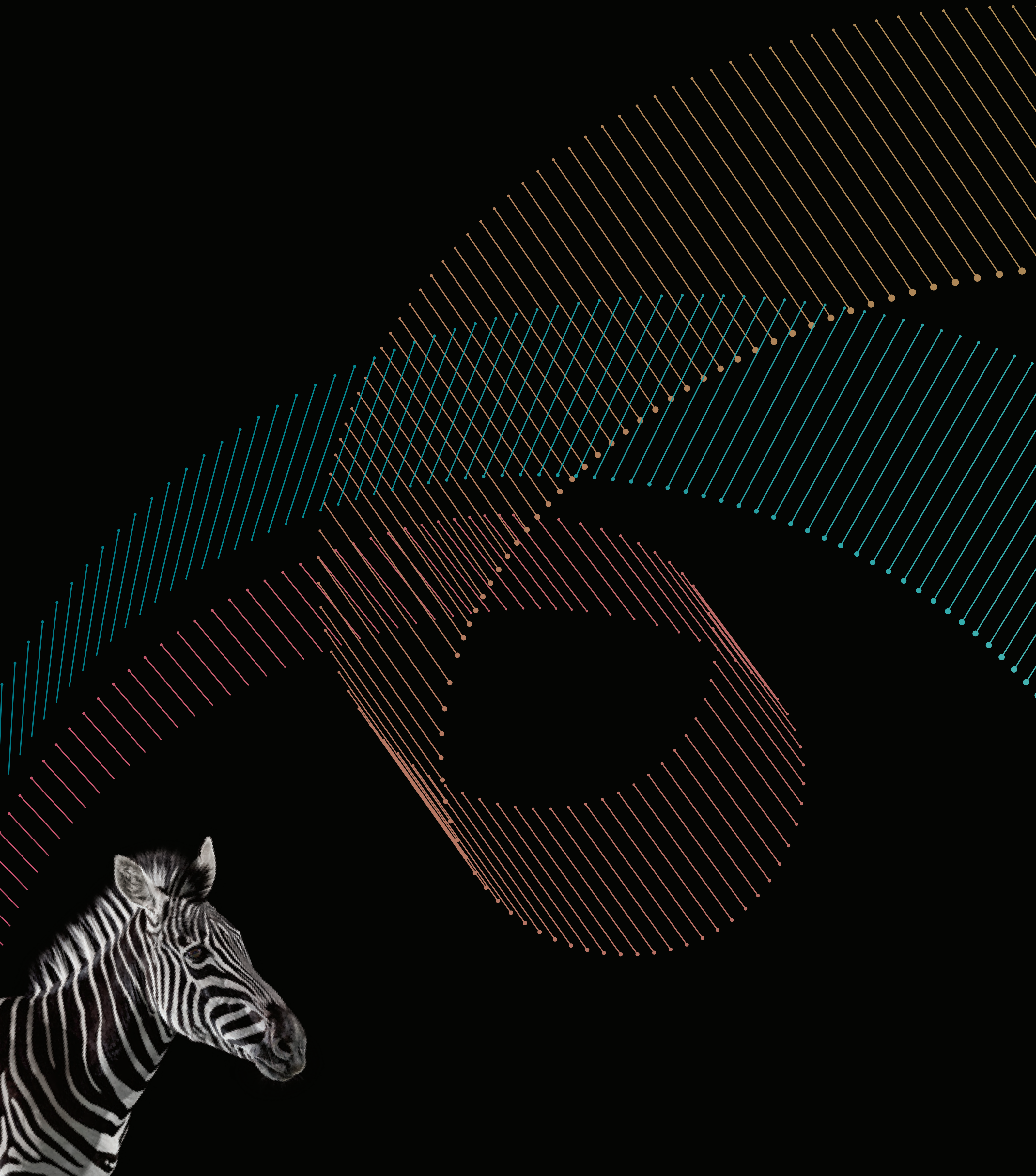
Investec

ANNUAL REPORT 2020

Investec Bank plc annual financial statements



Cross reference tools

AUDITED INFORMATION
Denotes information in the risk and remuneration reports that forms part of the group's audited annual financial statements

ALTERNATIVE PERFORMANCE MEASURES
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information. These measures are highlighted with the symbol
The description of alternative performance measures and their calculation is provided in the alternative performance measures section

PAGE REFERENCES
Refers readers to information elsewhere in this report

WEBSITE
Indicates that additional information is available on our website: www.investec.com

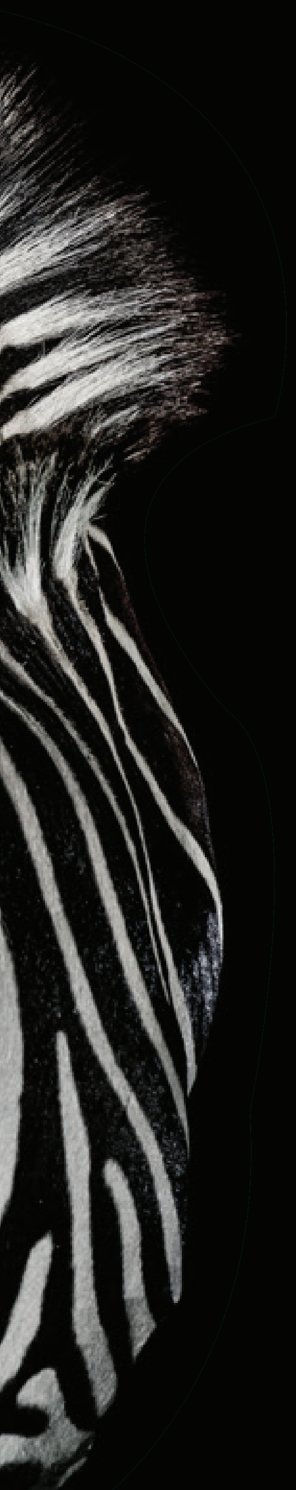
SUSTAINABILITY
Refers readers to further information in our 2020 group sustainability and ESG supplementary report available on our website: www.investec.com

REPORTING STANDARD
Denotes our consideration of a reporting standard

STRATEGIC REPORT

STRATEGIC REPORT
The operational and strategic overview section, together with the financial review section (sections 1 and 2 of this report respectively, and together, the strategic report) provide an overview of our strategic position, performance during the financial year and outlook for the business. This should be read in conjunction with the sections referenced below which elaborate on the aspects highlighted in the strategic report:

- *The risk management section in section 3 of this report which provides a description of the principal risks and uncertainties facing the company; and*
- *The group sustainability and ESG supplementary report on our website which highlights the sustainability, economic, social and environmental considerations.*



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OPERATIONAL AND STRATEGIC OVERVIEW

Operating structure

Investec Bank plc (IBP) is the main banking subsidiary of Investec plc.

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

In terms of the DLC structure, Investec Limited is the holding company of our businesses in Southern Africa and Mauritius and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec plc is listed on the LSE (since 2002).

In March 2020, the Asset Management business was demerged and separately listed as Ninety One plc on the LSE and Ninety One Limited on the JSE.

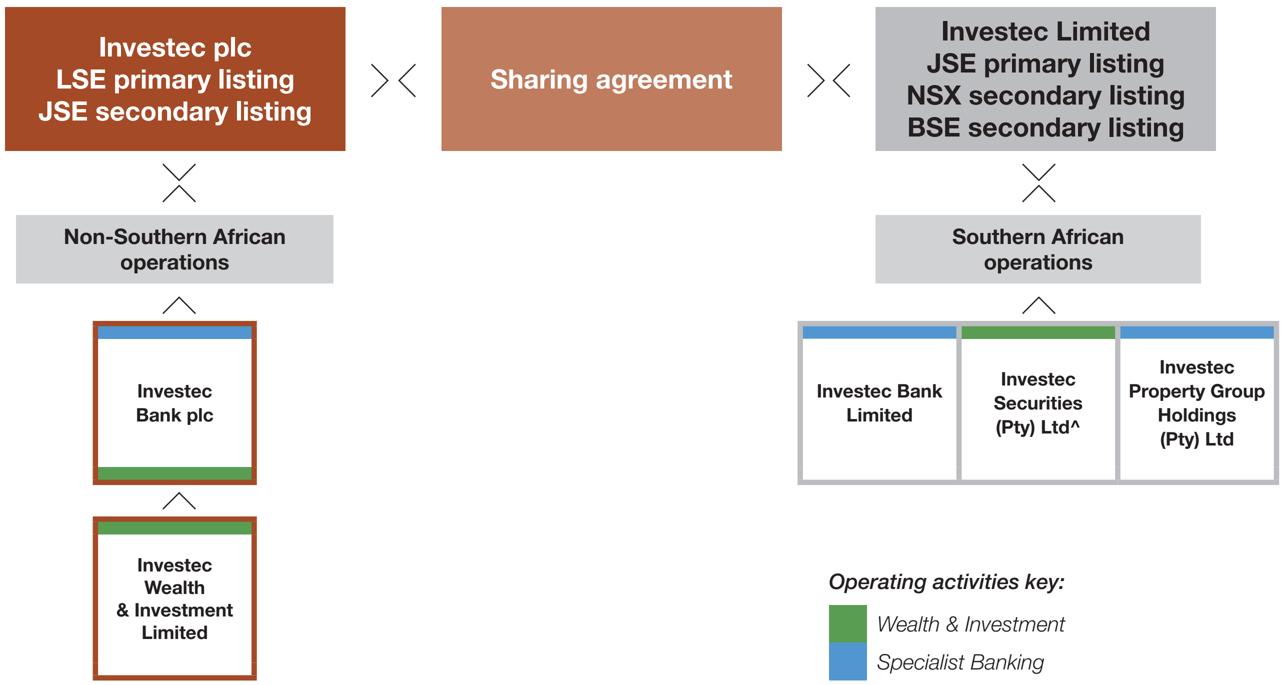
All references in this report to the bank, IBP or the group relate to Investec Bank plc, whereas references to Investec, Investec group or DLC relate to the combined DLC group comprising Investec plc and Investec Limited.

While Investec Wealth & Investment Limited is a wholly owned, FCA regulated subsidiary of IBP, it maintains an independent governance structure, whereby its board reports to the DLC board.

www ***A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.***

www ***Further information on the demerger can be found on our website.***

The DLC structure and main operating subsidiaries at 31 March 2020



^ *Houses the Wealth & Investment business.*

All shareholdings in the ordinary share capital of the subsidiaries shown are 100%.

In March 2020, Investec completed the demerger and separate listing of Ninety One (formerly known as Investec Asset Management). The Investec group retained a 25% shareholding in the Ninety One group, with 16% held through Investec plc and 9% held through Investec Limited.

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

One Investec

We strive to be a distinctive bank and investment manager, driven by commitment to our core philosophies and values.

Our long-term commitment is to One Investec; a client-focused strategy where, irrespective of specialisation or geography, we commit to offering our clients the full breadth and scale of our products and services.

We are focused on delivering profitable, impactful and sustainable solutions to our clients.

To deliver on One Investec, we will focus on imperative collaboration between the Banking and Wealth & Investment businesses and continue to invest in and support these franchises. This will position IBP for sustainable long-term growth.

Our long-term strategic focus:

- We are committed to delivering exceptional service to our clients, creating long-term value for our shareholders and contributing meaningfully to our people, communities and the planet
- All relevant Investec resources and services are on offer in every single client transaction
- Sustain our distinctive, out of the ordinary culture, entrepreneurial spirit and freedom to operate, with the discipline and obligation to do things properly for the whole of Investec.

Investec Distinction

CLIENT FOCUSED APPROACH

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High-tech, high-touch approach
- High level of service by being nimble, flexible and innovative.

SPECIALISED STRATEGY

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

SUSTAINABLE BUSINESS

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

STRONG CULTURE

- Strong entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

OUR STRATEGIC OBJECTIVES

1

In order to deliver on our strategy, we have identified five key strategic objectives outlined below:

THESE WILL ENABLE US TO SIMPLIFY, FOCUS AND GROW THE BUSINESS WITH DISCIPLINE.

Capital discipline

A more disciplined approach to capital allocation, particularly where businesses are non-core to overall long-term growth and capital strategy

Growth initiatives

Focus on growing our client base and building new sources of revenue

Improved cost management

Heightened rigour in identifying efficiencies in all areas of the business

Digitalisation

Enhancing digital capabilities to continue delivering an advanced high-tech, high-touch proposition

Greater Connectivity

Enhancing links among and between the Banking and Wealth & Investment businesses, across geographies

We are a domestically relevant, internationally connected banking and wealth & investment group

2
core areas of activity

3 900+
employees

£11.8 billion
Core loans

£15.5 billion
Customer deposits

£33.5 billion
Third party funds under management (FUM)

Corporate / Institutional / Government / Intermediary	Private client (HNW / high income) / charities / trusts
Specialist Banking	**Wealth & Investment**
Lending	Discretionary wealth management
Transactional banking	Investment advisory services
Treasury solutions	Financial planning
Advisory	
Investment activities	
Deposit raising activities	

We have market-leading distinctive client franchises

We provide a high level of client service enabled by advanced digital platforms

We are a people business backed by our out of the ordinary culture, and entrepreneurial spirit

Investec Bank plc operates as a specialist bank and wealth manager

Specialist Banking

Our specialist teams are well positioned to provide solutions to meet private, business, corporate and institutional clients' needs

Each business provides specialised products and services to defined target markets

What makes us distinct?

- Provision of high touch personalised service, with ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth
- Provision of high-quality solutions to corporate and private clients, with leading positions in select areas.

Focus on helping our clients create and preserve wealth

A highly valued partner and advisor to our clients

High net worth and high-income private clients

Corporate, private equity, government and institutional clients

Private Banking	*Corporate and Investment Banking*	*Investment activities*
– Lending – Private Capital – Transactional banking – Savings – Foreign exchange	– Lending – Treasury and risk management solutions – Advisory – Institutional research, sales and trading	– Principal investments – Property investment and fund management
UK and Europe	**UK and Europe** **Australia** **Hong Kong** **India** **USA**	**UK and Europe** **Australia** **Hong Kong**
Our high-tech and high-touch private client offering provides transactional banking, lending, savings and foreign exchange tailored to suit our clients' needs. Our target market includes high net worth (HNW) and high-income active wealth creators (with > £300k annual income and £3 million NAV). Our savings offering targets primarily UK retail savers.	Our Corporate and Investment Banking division is a client-centric solution-driven offering providing Corporate Banking and Investment Banking services to small to medium enterprises (SMEs), medium to large corporates, institutions and private equity sponsors. In addition, we provide niche, specialist solutions in aviation, fund finance, power and infrastructure finance and resource finance.	Our Investment activities are focused on providing capital to entrepreneurs and management teams to further their growth ambitions as well as leveraging third party capital into funds that are relevant to our client base.

Natural linkages between the private client and corporate business

Wealth & Investment

A leading private client investment manager in the UK

We provide wealth management services for a wide range of clients on a bespoke basis, seeking optimal returns on their capital at all times

With 15 offices across the UK, together with offices in the Channel Islands and Switzerland, combined we employ over 1,400 people with funds under management of £33.1bn.

What makes us distinct?

We demonstrate a deeper insight and a more empathetic approach to the range of financial considerations our clients need to make, when managing their wealth.

Our client groups

- Private clients – domestic and international
- Clients of professional advisors
- Charities
- Trusts

Distribution channels

- Direct
- Intermediaries
- Investec Private Bank
- Investec internationally

We exist to free our clients from the burden of having to look after their financial affairs on their own. We strive to do this every day, via the quality of our professional advice, the excellence of the service we deliver and through the preservation and growth of our client's wealth.

Our service offering

Investments and savings

- Discretionary portfolio management services for private clients
- Specialist investment management services for charities and trusts
- Specialist portfolio management services for international clients.

Financial planning

- Bespoke independent financial reviews
- Retirement planning
- Succession planning.

Pensions

- Discretionary investment management for company pension and Self Invested Personal Pensions (SIPPs)
- Advice and guidance on pension schemes.

Where we operate

USA

Established a presence in 1998

US Power and Infrastructure Finance, Fund Solutions and Securities

UK and Europe

Established a presence in 1992

Brand well established

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers

Sustainable diversified banking business focused on solutions for corporate, institutional and private clients

India

Established a presence in 2010

Institutional equities business providing research, sales and trading activities

Merchant banking business connecting Indian companies with domestic and international investors

Hong Kong

Established a presence in 1992

Private equity fund solutions

Australia

Established a presence in 1997

Lending, treasury solutions, capital and advisory to target market clients, also manages third party funds in Property

Our client franchises showed resilience

Adjusted operating profit◆ decreased 36.8%

£173.6 million

(2019^: £274.8 million)

Operating costs decreased 10.9%

£705.6 million

(2019^: £792.4 million)

- The financial year was characterised by weak economic fundamentals, including Brexit related uncertainties and geo-political tensions. This was exacerbated by the sudden and extreme COVID-19 related dislocation in global markets during the last quarter of the financial year, impacting our trading income, investment income (through fair value adjustments) and expected credit loss (ECL) charges.
- Against this challenging backdrop, the Specialist Banking business delivered loan book and deposit growth, and Wealth & Investment reported net inflows; underpinning client-driven revenues.
- In the Specialist Banking business, the Corporate and Investment Banking and Specialist International Lending franchises saw reasonable levels of origination and sell-down activity with good fee generation. The Private Banking business had good traction in target client acquisition, retail funding and mortgage book growth (up 36% since 31 March 2019). Earnings were impacted by lower equity capital markets fees due to persistent market uncertainty throughout the year under review as well as the impact of the COVID-19 pandemic.
- The Wealth & Investment business' positive net organic growth in funds under management underpinned steady operating income. This was despite challenging industry trading conditions where clients remained cautious, resulting in lower growth rates in net new funds across the industry. Overall fee income was impacted by the sale of the Irish Wealth business in October 2019.
- Operating costs reduced year on year, reflecting a strong focus on cost discipline and normalised premises charges. In addition, variable remuneration was reduced as a consequence of a weaker performance, including the impact on performance from the COVID-19 pandemic.
- Overall, Investec Bank plc reported an adjusted operating profit◆ of £173.6 million for the year ended 31 March 2020 (2019^: £274.8 million).
- The overall financial impact of COVID-19 on adjusted operating profit◆ was £55 million.
- Earnings attributable to shareholders decreased to £57.8 million (2019^: £161.9 million), impacted by the costs associated with strategic actions taken to close, sell and restructure certain non-core and subscale businesses (as detailed on page 295).

^ *Restated as detailed on page 295.*

Financial performance

Adjusted operating profit◆ decreased 36.8%	**2020** **£173.6mn** 2019^ £274.8mn
Annuity income◆ as a % of total operating income	**2020** **72.0%** 2019^ 61.9%
Cost to income ratio◆	**2020** **73.9%** 2019^ 72.6%
Credit loss ratio◆	**2020** **0.69%** 2019 0.38%

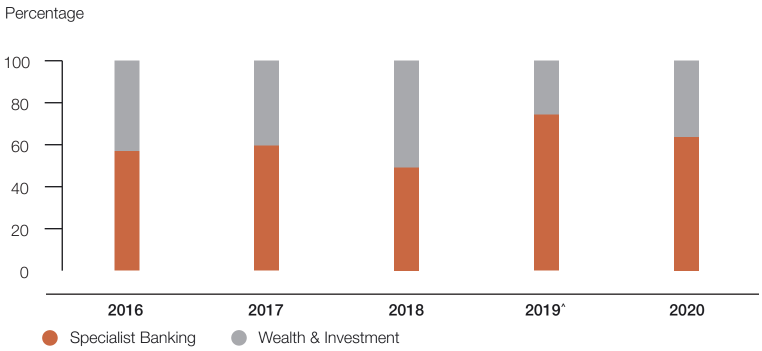
^ *Restated as detailed on page 295.*

Prior financial years include funds under management in respect of the Irish Wealth & Investment business, which was sold during the year (£2.4 billion funds under management at 31 March 2019).

* *As at 31 March 2020, certain Investec structured products amounting to £823 million have been reclassified from Debt securities in issue to Customer accounts (deposits) in order to better reflect the underlying characteristics, contractual terms and liquidity of these products. The prior year balance of £825 million has not been restated. The increase in customer deposits during the year of 14.9% would have been 8.8% excluding this reclassification.*

Diversified business model

% contribution of adjusted operating profit◆

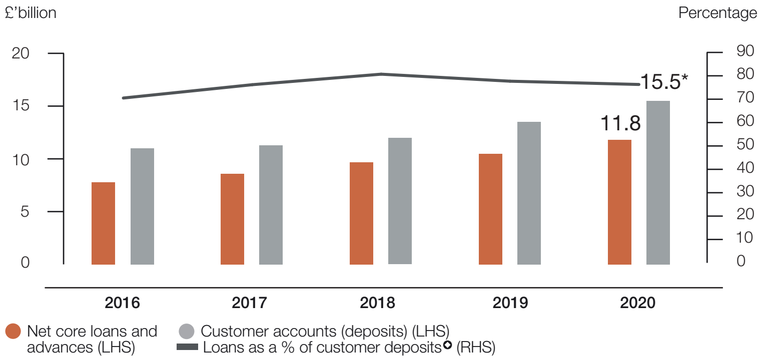


Continued growth of our key earnings drivers

Customer accounts (deposits) increased 14.9% to £15.5 billion*

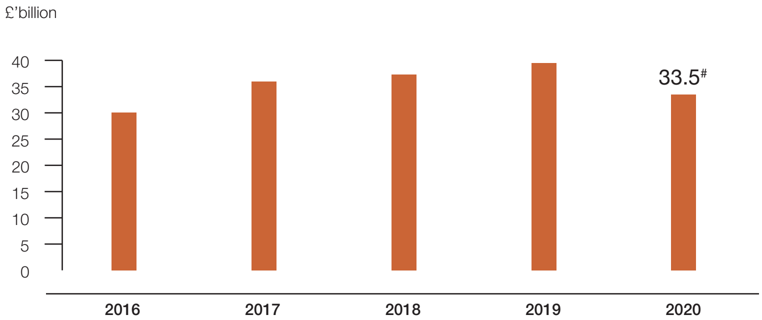
Core loans and advances increased 12.8% to £11.8 billion

Customer accounts (deposits) and loans



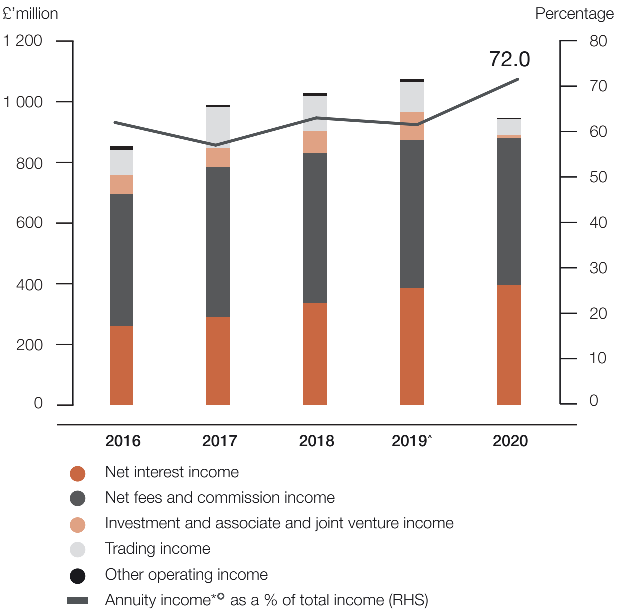
Funds under management decreased 15.2% to £33.5 billion, impacted by market volatility in March 2020

Funds under management#



Revenue and credit losses impacted in current year by tough economic backdrop exacerbated by COVID-19

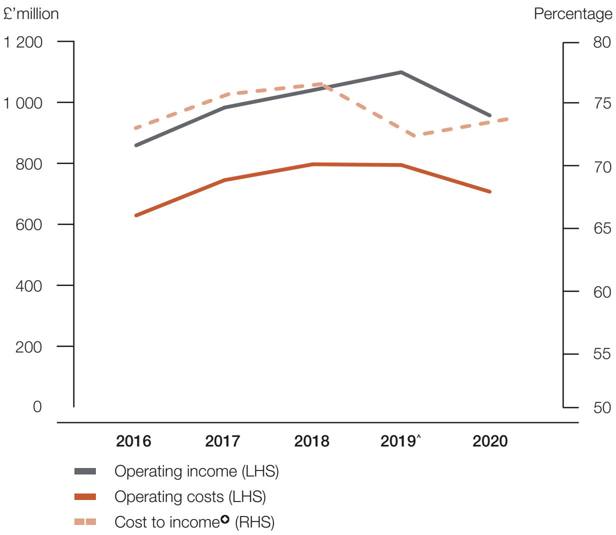
Total operating income



* Where annuity income is net interest income and annuity fees.
^ Restated as detailed on page 295.

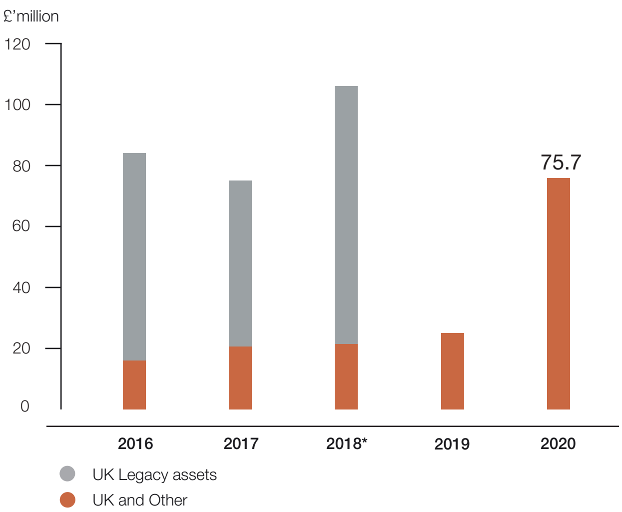
Growth in net interest income and lending fees was offset by lower equity capital markets fees, investment income and trading income

Jaws ratio°

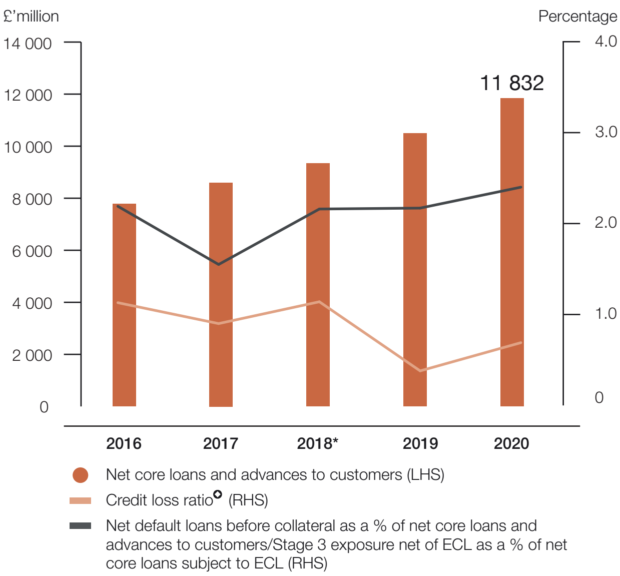


Progress was made in reducing operating costs in line with our strategic priority. The cost to income ratio was impacted by lower operating income

Expected credit loss (ECL) impairment charges



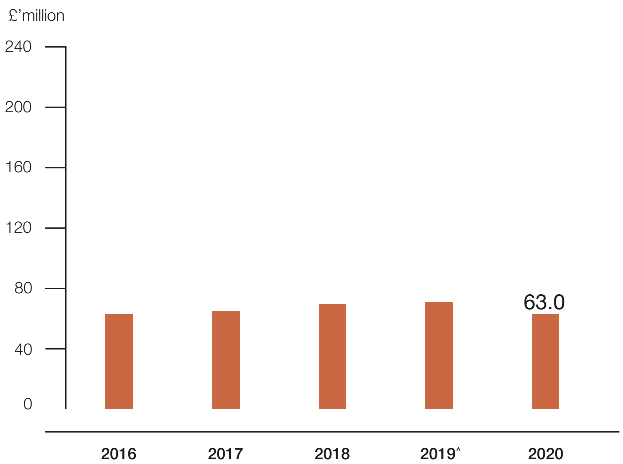
Default and core loans



* On adoption of IFRS 9 there was a move from an incurred loss model to an expected loss methodology. Expected credit loss impairment charges for the 2019 and 2020 financial years have been calculated on an IFRS 9 basis, and prior years have been calculated on an IAS 39 incurred loss basis.

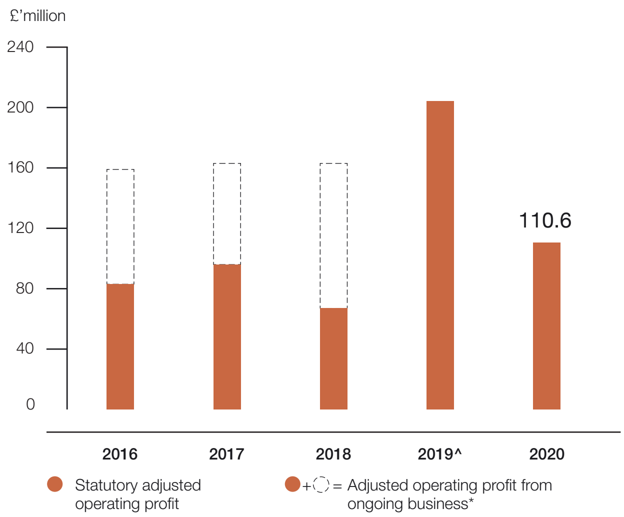
Adjusted operating profit° from our businesses

Adjusted operating profit° – Wealth & Investment



^ *Restated as detailed on page 295.*

Adjusted operating profit° – Specialist Banking



* *Ongoing business excludes Legacy, which comprises pre-2008 assets held on balance sheet, that had low/negative margins and assets relating to businesses we are no longer undertaking.*

Maintained a sound balance sheet

The intimate involvement of executive management ensures stringent management of risk, capital and liquidity as set out below.

Capital management

Capital and leverage ratios remain sound, ahead of internal targets and regulatory requirements.

Investec Bank plc calculates capital requirements using the standardised approach under the Basel III framework, thus our risk-weighted assets represent a large portion of our total assets.

We are comfortable with our common equity tier 1 (CET1) ratio target at 10.0% given our solid capital light revenues, and with our current leverage ratio at 8.0%.

Capital ratios

	31 March 2020	31 March 2019
Total capital ratio – as reported*	16.5%	17.0%
Tier 1 ratio – as reported*	13.1%	12.9%
Common equity tier 1 ratio – as reported*	11.5%	11.2%
Common equity tier 1 ratio - 'fully loaded'	11.1%	10.8%
Leverage ratio – current	8.0%	7.9%
Leverage ratio – 'fully loaded'	7.7%	7.7%
Leverage ratio – current UK leverage ratio framework**	9.1%	10.0%

* *The reported CET1, tier 1 and total capital adequacy ratios are calculated applying the IFRS 9 transitional arrangements.*

** *Investec Bank 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.*

Note: Refer to pages 90 and 95 for further details.

A well-established liquidity management philosophy remains in place

Continued to focus on:

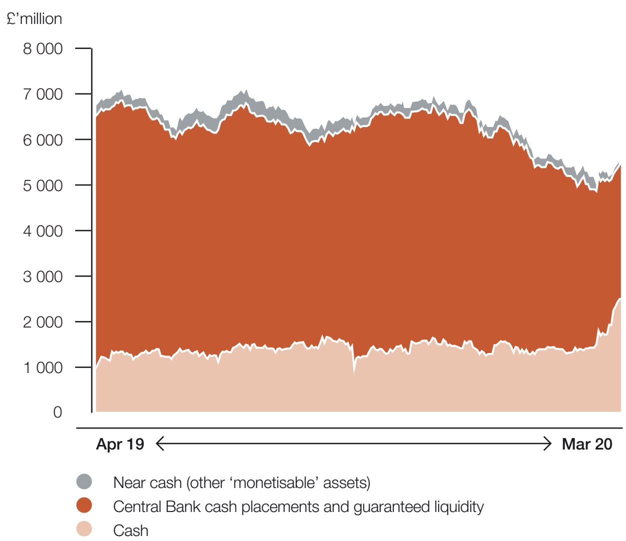
- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio° of 25%, with the year-end ratio° at 39.0%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- Maintaining low reliance on wholesale funding
- Continuing to benefit from a growing retail deposit franchise and recorded an increase in customer deposits.

Liquidity remains strong with cash and near cash balances amounting to £6.0 billion (2019: £6.8 billion). The higher balance at the start of the year reflects additional liquidity raised to prefund the repayment of Irish deposits, ahead of the closure of our Irish deposit raising business as a result of Brexit.

We exceed the minimum regulatory requirements for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

The bank's loan to deposit ratio° was: 76.3% (2019: 77.7%).

Cash and near cash trend



Specialist Banking

Ruth Leas

Chief executive officer (CEO) of Investec Bank plc

Q *How did the operating environment impact your business over the past financial year?*

Brexit, heightened UK political uncertainty, and geopolitical tensions sparked by US trade wars adversely impacted activity levels in the UK over the past year, making the UK operating environment very challenging. Against this backdrop, the UK Specialist Bank delivered a good performance from our core client franchise businesses; our private banking activities, corporate and investment banking lending activities as well as our international specialist sector client franchises. The COVID-19 global pandemic combined with an oil price shock struck global markets with material impacts during late February and March of our financial year. The sudden imposition of lockdown in the UK as well as many countries across the world, together with the unprecedented speed and magnitude of market movements following the COVID-19 outbreak, heavily impacted full year performance of the UK Specialist Bank.

Prior to the COVID-19 and oil price shock, the UK Specialist Bank was on track to deliver a performance similar to that of the first half of the financial year. Costs were managed very tightly and significantly reduced over the financial year while the business focused on growing scale in our client franchises, with a firm strategic focus on meeting the bank's medium-term targets. Loan book growth was strong at 13% comprising well diversified growth across the corporate loan book as well as significant targeted growth in our High Net Worth mortgage book.

As in the first half of the financial year, business confidence in the UK continued to be materially impacted by Brexit and political uncertainty, and even post the December 2019 UK election, there was still limited appetite for equity capital market activities which resulted in significantly lower fees and commissions from this business, continuing the trend we had seen in the first half of the financial year. The Corporate and Investment Banking lending franchises and International Specialist franchises delivered strong fees and loan growth, demonstrating Investec's well established client franchises and relationships developed over many years in these areas. We continued to apply strong credit discipline while selectively growing the loan book. Our Corporate Banking business saw reasonable activity across all business areas, including corporate hedging and risk management solutions which benefited from the volatility in exchange rates during the year.

The Private Banking business delivered a strong operating performance evidenced by robust loan book growth and client acquisition ahead of budget. Productivity remained high with the Private Banking business able to increase scale whilst simultaneously managing costs.

The sharp economic shock from the COVID-19 pandemic and oil price plunge towards the end of the financial year, where we experienced the fastest market setback on record, significantly impacted full year results.

The impact is a combination of increased COVID-19 related specific and general credit impairment provisions, negative fair value adjustments across various exposures and certain investments, as well as losses arising from the hedging of structured products due to the extraordinary market dislocation. We have actively taken steps to reduce variable costs to reflect the impact of this exceptional change in environment on our business.

The pandemic has had a substantial impact on people, economies and markets across the globe and the full impact remains to be seen and understood. We entered this period of extreme uncertainty and very low interest rates with strong financial and operational resilience and continue to maintain elevated levels of liquidity and a strong capital position, while being lowly geared (maintaining a high leverage ratio). We successfully and rapidly transitioned our operations to working from home and our focus has been on supporting our people, our clients and our communities through the unexpected uncertainty and disruption. We have put in place a number of client support measures over this time, staying close to our clients as they adjust to rapidly changing circumstances. We remain focused on balancing our commitment to support clients whilst carefully managing portfolio risks and remaining alert to potential opportunities as and when they arise.

Q *What progress was made in the past financial year in respect of the group's key strategic objectives?*

Capital discipline

The Corporate and Investment Banking business remained focused on disciplined capital allocation and delivering appropriate returns on capital at a client level. Our institutional sales syndication strategy remains a key part of optimising our capital and balance sheet, enabling us to reduce capital commitment and to enhance returns via syndication fees, as well as creating a capital-light fee stream.

We have reduced our investment portfolio exposure substantially, in line with our objective of reducing income volatility, optimising capital allocation, and redirecting capital to our core client franchises.

During the year we implemented a branch structure in Australia that has driven some capital, cost and funding efficiencies.

We continue to meet the group's capital and leverage ratio targets. In addition, as part of the Prudential Regulation Authority's (PRA) most recent Internal Capital Adequacy Assessment Process (ICAAP), the Pillar 2A capital requirement for Investec plc, IBP's parent company, was reduced from 1.51% to 1.12%. This, together with the reduction in the UK Countercyclical Capital Buffer (CCyB) (which was reduced by the Financial Policy Committee (FPC) in light of the current economic environment), has resulted in a lower CET1 regulatory minimum for IBP and Investec plc, substantially increasing our regulatory capital surplus.

Growth initiatives

We continued to gain good traction in Private Banking in growing our loan book, retail funding and client base in line with targets. Our mortgage book grew 36% since 31 March 2019 and we are ahead of our targets in respect of client acquisition in our banking proposition, having on-boarded approximately 1 100 new high net worth (HNW) clients over the period (to c.5 000 clients at 31 March 2020) moving us closer to our target of at least 6 500 HNW clients by March 2022. We have also successfully grown our client base in our Private Capital business.

Our Corporate and Investment Banking business implemented a number of growth initiatives over the past year in pursuit of our strategic objectives:

- Created a single relationship management coverage team across Corporate Banking, which has considerably improved our ability to engage with and deliver our full 'One Investec' offering to existing and target clients
- Continued to invest in our Corporate Banking franchise to enhance our offering to corporates and larger SMEs, following the £15 million award in July 2019 from the Banking Competition Remedies Limited (BCR) Capability and Innovation Fund
- Grew our corporate lending book by 7.6% since 31 March 2019
- Acquired a market-leading specialist closed-end fund team to complement our advisory business, and delivered a top ranking in the Investment Companies small-to-mid cap space
- The Power and Infrastructure Finance teams focused on expanding into new sectors and adding additional products where we can leverage our existing expertise and clients and connect to new clients
- Expanded our Fund Solutions (formerly named Fund Finance) business to include offerings which will boost overall returns without tying up excessive capital.

Cost management

There has been an ongoing strategic review of our cost infrastructure with a view to effecting cost efficiencies.

There was a substantial reduction in costs year on year, driven by no repeat of double premises charges as well as a strong focus on cost discipline, particularly in light of tougher market conditions. We have contained costs by focusing on productivity and automation across the businesses without impacting on activity levels. We are focused on building smart systems to support growth and we have delivered significant improvements in a number of areas such as client lifecycle optimisation over the past year.

In addition to the substantial reduction in the overall fixed cost base, we have also significantly reduced variable remuneration to adjust for the impact on our business from the severely disrupted economic and market conditions surrounding the COVID-19 pandemic.

Connectivity

The Private Banking and Wealth & Investment businesses have identified areas of overlap both in clients and cost synergies. Collaboration has been enhanced through the implementation of an integrated Client Relationship Management (CRM) system as well as a dedicated team focusing on collaboration. Specific client segments have been identified as key common areas and as such prioritised, each requiring a different strategy and each providing an opportunity to increase connectivity and reduce costs over time.

We now have a fully embedded client-centric operating model, joining up our existing franchises to deliver a 'One Investec' offering. For example, the creation of Corporate Banking and Private Banking sales teams. This is helping to increase the level of referrals to the Wealth & investment business.

We have also created a Funds client group, encompassing the Fund Solutions lending business, Fund Solutions Hedging team and the Private Banking team focused on offering mortgages, bank accounts and other products to the funds community to enhance our ability to serve this important client group.

There are also ongoing efforts across the private banking ecosystem to continue offering South African clients a unique international proposition.

Digitalisation

We continue to invest in the modernisation of our businesses leveraging new technologies to enable flexibility, improve efficiencies and accelerate the launch of innovative products and services.

From a client perspective, during the year we launched Investec IX, our corporate digital platform. This included the launch of an online Business Savings account which enables seamless account opening and the ability to self-service reinvestment of our fixed term product online. The launch of these platforms has greatly enhanced our corporate retail deposits capability.

We made good progress in modernising our internal technology. The build out of our open banking platform as a channel has enabled seamless integration with Fintechs, other banks and investment managers. Clients of Monzo, Flagstone, MoneyBox and others are now benefiting from our high quality cash savings suite through this new channel. This new collaborative method of distributing our retail deposit-taking capability is allowing Investec to access new clients and introduce the Investec brand to additional markets.

We are making targeted investments into our Artificial Intelligence (AI) capability, and ensuring we are using analytics and data capabilities to deliver differentiated and personalised solutions. Security and the protection of our clients' data remains a top priority. Progress made in this regard includes enhancements of security features on Investec's online and mobile app, such as multi-factor authentication, face bio-metrics, and 3D secure payments technology.

We have delivered efficiencies and cost savings through a simplification of our operating model, leveraging shared platforms and capabilities across our infrastructure globally. This includes embedding new robotic process automation technologies (RPA) to optimise some of our core operations, reducing operational risk and containing costs.

For our colleagues, our digital workplace initiatives allowed our people to increase connectivity and productivity with new communication and collaboration tools, leading to new ways of agile working and innovation. The focus on our digital workplace strategy enabled us to rapidly respond to the COVID-19 crisis, allowing us to transition to remote working whilst still being able to meet our operational needs and best serve our clients.

Q *How do you incorporate climate, environmental and social considerations into your business?*

The integration of environmental and social considerations into daily business operations and strategy is continually evolving. Climate-related shareholder resolutions are increasing across the banking sector, which together with the increased focus from the PRA in the UK, has brought climate issues to the fore of many stakeholder discussions.

Recognising our responsibility to help finance a cleaner world, we were the eighth bank in the UK to publicly announce our support for the Task Force on Climate-related Financial Disclosures (TCFD). In the past year, we have evaluated our balance sheet to better understand the physical and transitional climate risks we may have in our portfolios and enhanced our disclosures in our 2020 group sustainability and ESG supplementary report. We look forward to the proposals due to be released by the UK Financial Conduct Authority (FCA) with further clarity on climate scenarios.

In line with our international peers, we have published a fossil fuel policy affirming our commitment to working with our clients and stakeholders to reduce and limit our exposures to fossil fuels and continue our deliberate focus on promoting renewable and clean energy solutions. For example, our power and infrastructure business plays a leading role in financing clean energy and our asset finance business has launched a sustainable energy finance arm to fund renewable energy assets.

We continue to advocate responsible behaviour to manage our own operational footprint by avoiding, minimising and limiting our emissions. We attained net-zero carbon emissions status in February 2020, committing to ongoing carbon neutrality. We won our 16th Platinum Award in the City of London's Clean City Award Scheme for best practice in waste management.

Q *What were the key challenges in your business over the past year?*

The key challenges were presented predominantly by markets; with market uncertainty impacting deal volumes, equity capital market fees, valuations and trading revenue. In addition, the impact of COVID-19 has been very challenging given the extremely fast and sharp movements in markets witnessed towards the end of our financial year. At this stage, it is unclear how long these effects will continue for.

The pandemic and related social containment measures posed challenges across our supply-chain, clients and our staff, all of whom have had to adapt to a new way of operating in a short space of time. Keeping our people focused and positive has been crucial.

The real economy impacts of COVID-19 and the oil price shock remain to be seen and understood, meaning uncertainty remains a challenge.

Q *What are your strategic objectives in the coming financial year?*

At the time of writing, the UK and other economies are experiencing a sharp contraction in growth together with sharply increasing levels of unemployment. The highly uncertain outlook ahead and very low interest rate environment, is further exacerbated by the elevated geopolitical tension between the US and China, particularly ahead of the US presidential election in November. The ability to execute and deliver on all our strategic objectives will be challenging during 2020. Nevertheless, we remain committed to our strategy which is to focus on building scale in our core client franchises, which have delivered good performance even under difficult conditions, and to reduce activities causing income volatility. We are also keenly focused on simplifying our operating model and effecting cost efficiencies following an ongoing strategic review of our cost infrastructure.

The Private Banking business continues to focus on four key objectives namely; growing clients, growing lending to these clients, driving down the cost-of-funds in our retail savings channel and improving productivity through scale and reducing costs. In the coming year, supporting our existing clients, preserving our loan book, as well as actively looking to further reduce our cost-base will be key.

An overarching key ambition is to improve connectivity between the Specialist Bank and Wealth & Investment by developing a clear client approach to enhance the client's 'One Investec' experience and drive bottom line growth.

Our Corporate and Investment Banking business remains focused on its key strategies:

- Continuing to develop a Corporate Banking business that offers small to mid-sized companies the breadth of products and level of service that reflects their importance to the UK economy. We have a clear investment programme to achieve an enhancement of our offering, supported in part by the £15 million funding from the BCR Capability and Innovation Fund. We remain on track to deliver this plan, which includes enhancements to existing business areas (motor finance, asset finance, foreign exchange), diversification in income (renewables finance and wider strategic opportunities) and significant development of our digital capability
- Converting our unique Investment Banking proposition, a full-service UK Investment Bank with international reach and a client-partnership model, into pre-eminence in the mid-market. This includes meaningfully increasing our corporate client base and growing our business sustainably in the listed space, and making Investec the "first call" for those operating in the Private Equity mid-market
- Strengthening the reputation of our International Specialist Franchises by being at the cutting edge of constantly changing industries.

We will also continue to drive our high-tech, high touch offering by building smart digital systems to support growth.

We embrace the role that the financial sector must play in achieving the United Nations Sustainable Development Goals (SDGs). We have established a working group tasked with identifying commercial opportunities to enhance socio-economic and environmental impacts and to incorporate sustainability into our specialist banking franchise.

Our export and agency finance team play a leading role in the fast-developing impact and SDG finance market. They were a founder member and deputy chair of the International Chamber of Commerce (ICC) Export Finance Sustainability Working Group of banks to engage with stakeholders on the role of sustainability in export finance. The team is also working with a new Impact Debt Fund, Acre Capital, which is grant supported by The Rockefeller Foundation. This US$300 million initial fund is due to launch in the second quarter of 2020 and is focused on co-financing projects which meet SDG objectives alongside export credit agencies.

Our 2020 group sustainability and ESG supplementary report provides further detail on the many initiatives we support and fund as part of our commitment to the SDGs.

At Investec we know that diversity of thought is critical to increasing our ability to innovate, adapt and perform, and therefore we are focused on attracting, developing and retaining a diverse and representative workforce. We believe that more diverse groups will give rise to a more inclusive environment where we value the differences in who we all are, encourage challenge and welcome the unique perspective that each individual brings. At Investec our vision for Belonging, Inclusion and Diversity (BID) is for everyone to find it easy to be themselves, and to feel they belong. Our commitment to BID builds on our diversity principles, which include specific strategic objectives to increase our female representation in general and in senior leadership in particular.

Q *What is your outlook for the coming financial year?*

In light of significant dislocation in the external market due to the COVID-19 pandemic it is unclear how the economy and our clients will adjust over the coming months and years, and we therefore cannot provide specific forward looking guidance at this stage. We are focused on taking care of our employees, ensuring business continuity and support for our clients, and backing our CSI partners and helping the communities around us particularly regarding food security. We have responded quickly to the operational and client impacts resulting from COVID-19 and our intention is to leverage this wherever possible to improve our business for the long term. At the moment we are working through a range of different scenarios to position ourselves to both manage the risks and take advantage of opportunities. Given the uncertainty around the evolving economic downturn, and the very low interest rate environment, the year ahead will be challenging. We entered this crisis with experience from the Global Financial Crisis to navigate through challenging circumstances, as well as considerable strength with respect to our high levels of liquidity, strong capital and low level of gearing (maintaining a high leverage ratio).

We have clear strategic focus areas, well established client franchises which have been developed over many years, and we continue to see scope to develop opportunities with both existing and new clients.

Wealth & Investment

Jonathan Wragg *Ciaran Whelan*

Business leaders

Q How did the operating environment impact your business over the past financial year?

The events of the last quarter and the sudden market contraction in March, as a result of growing concerns regarding COVID-19, continue to dominate the current operating environment and did somewhat impact business performance in the last part of the year.

In the UK, prior to the onset of COVID-19, equity indices had already exhibited a degree of volatility during the period. Most of the year was characterised by uncertainty over the outcome of Brexit discussions and the heightened level of geo-political risks. Given this backdrop, UK private clients and intermediaries exercised caution, resulting in lower rates of growth in net new funds across the industry.

Following the conclusive election result in the UK in December, markets rose in anticipation of a future trade agreement and with greater confidence in the outcome. This resulted in a short-term increase in private client activity prior to the onset of COVID-19. It is notable that our business continued to achieve positive net organic growth in funds under management in the UK for the financial year.

We have long-standing relationships with the majority of our clients who have been with us through previous periods of extreme market volatility and who have shown considerable trust, resilience and understanding, with net inflows being experienced in the month of March. Our key focus has been on providing the advice and expertise which they expect and deserve, especially at times like these.

Q What progress was made in the past financial year in respect of the group's key strategic objectives?

Over the past year, we focused on the group's key strategic commitments to ensure progress and delivery of our 2022 targets, while continuing to focus on maintaining and building the resilience of the business.

Capital allocation

We retained our disciplined approach to capital allocation – the decision to close the UK Click & Invest digital service in May 2019 demonstrated our commitment to this objective. In addition, and in light of changes to Investec's Irish business model brought about by Brexit planning, we sold our Irish wealth management business during the period.

With the onset of COVID-19, we reinforced this focus on capital stewardship. We have always maintained a high degree of liquidity and balance sheet strength, which stand us in good stead for the current, and any future, stress.

Growth initiatives

During the year, we established a new strategic transformation team to drive growth and implement our initiatives at speed. A key priority was the development of a new service offering to address future wealth planning needs of both existing and new clients. A pilot launch will commence in May 2020.

At a regional level, we have continued the strategy of hiring individuals to support growth and we have established a new office in Bristol, a strategic location in the South West, migrating the existing office in Bath.

Within our intermediaries division, a key source of growth, we took the decision to expand our offering and are launching a new Managed Portfolio Service for Independent Financial Advisers (IFAs), available on leading platforms, to complement our successful and award winning Discretionary Fund Management (DFM) service.

Cost management

We faced upward cost pressures in the industry and specifically an unanticipated significant increase in the Financial Services Compensation Scheme (FSCS) levy, of almost double the prior year. In light of this and the current operating environment, management has had to strike a balance between effective cost management and the need to invest in the business for the future.

The latter included the recruitment of additional client facing staff in pursuit of long-term growth and expansion of our advice capability. In addition, planned increases in technology headcount peaked in the first half of the year to support specific regulatory and business driven projects, however, this has since been managed down, with this trend expected to continue into the next financial year.

On a company wide basis, in the second half of the year we launched a targeted programme to realise savings across a number of business areas.

Connectivity

Connectivity between the Specialist Banking and Wealth & Investment businesses remains a key focus and we identified specific client segments as priority for collaboration.

We have strengthened our international wealth proposition which will be led out of the UK, but will draw together all the relevant services of Investec across the Specialist Banking and Wealth & Investment businesses internationally.

Between the UK and South African businesses, our Global Investment Strategy integrates our investment process across the regions, thus leveraging our expertise in South Africa and the UK. In addition, during the course of the year we strengthened our environmental, social and governance (ESG) research process, in line with a greater consciousness for ethical, sustainable and sound governance-based investments.

Digitalisation

We have accelerated our investment in our critical technology and digital programmes.

In September, we launched a new platform to streamline and enhance client documentation and investment proposals. A further development was to reduce the amount of paperwork for clients, with an increased number of clients subscribing to our online services. We also completed the migration to the new Investec online portal and the roll out of our upgraded electronic filing systems.

As a result of COVID-19, the vast majority of our staff have been working from home and keeping in regular contact with clients remotely. Our systems have proven robust and the transition to remote working has been relatively seamless.

Q *What were the key challenges in your business over the past year?*

In the first part of the year we navigated a challenging operating environment; managing the uncertainty caused by Brexit and the US/China trade tensions. Clients were naturally unsettled during that period and our priority was to ensure that they were well serviced and well prepared.

Clearly the most significant challenge has come at the end of the financial year and has been the impact on clients, staff and other stakeholders from COVID-19. We are extremely proud of the way that our people have risen to this challenge and the flexibility shown in finding ways to engage clients and to meet their responsibilities.

Q *What are your strategic objectives in the coming financial year?*

Our purpose is to help relieve clients from the burden (and potential anxiety) of looking after their financial affairs and we believe this role will be even more important in the recovery period following COVID-19.

Whilst it is not possible to predict exactly how we may need to navigate the post-COVID-19 environment, our fundamental objectives remain unchanged:

- Commitment to delivering 'One Investec', through enhanced collaboration across the global Wealth & Investment business as well as with the wider Investec group.
- Acceleration of our Financial Planning and Advice capabilities as the demand for wider advice continues to grow.
- Delivering excellent client service and increasing the scope of our offering for intermediary clients, which should accelerate our growth in this segment.
- Continued enhancements to our digital and technology platforms in order to ensure that we are fit for the future, not just the present.
- Vigilance regarding cost control.

Q *How do you incorporate climate, environmental and social considerations into your business?*

Investec Wealth & Investment is committed to managing its portfolios in a prudent and responsible manner to ensure the long-term health and stability of the market as a whole. Our investment process has long taken into consideration a number of key factors such as financial and non-financial performance and risk, capital structure and corporate governance metrics. We believe that failing to adhere to sound business practices will harm a company from a financial point of view, or in terms of reputation, with a consequent negative impact on investment returns. This is bolstered by input from third party service providers who score each of the companies in our core research universe on a variety of ESG metrics including environmental credentials, business ethics and human rights issues. This allows us to add a quantitative ESG overlay to our normal assessment of a company's investment appeal in the broadest sense.

Further to this, the charities business has always had a key focus on responsible investing. ESG factors are incorporated into our standard investment process, from which all clients benefit. We also have the ability to add specific additional restrictions on a client-by-client basis, which is a key benefit of our bespoke approach. We have been working with charities in the UK for more than 80 years and currently manage £2.9 billion on behalf of nearly 1 169 charities. We work closely with each charity client to create an investment portfolio that is tailored to their needs, aims and ethical considerations.

Q *What is your outlook for the coming financial year?*

Much of the future outlook is clearly dependent on the development of the COVID-19 virus and progress in controlling the pandemic. The outcome of this effort and the consequent impact on financial markets, will be the largest determinant of the impact on performance of the business in the coming financial year.

Nevertheless, we approach the future confident that we have the skills and experience to navigate these unprecedented circumstances. The business has strong foundations, honed over many years and the support of a very loyal client franchise, both direct and via intermediaries. The balance sheet is resilient and liquidity robust.

We also expect that there will be opportunities emerging from the pandemic – increasing demand for advice and more rapid digitalisation, for example – and we are positioning ourselves to capitalise on those.

The new financial year has started with a leadership transition; after more than 20 years with Investec, including the past decade as CEO of the UK Wealth & Investment business, Jonathan Wragg stepped down from his position as CEO on 1 April 2020. He is succeeded by Ciaran Whelan (acting Investec group head of risk) subject to regulatory approval. Jonathan and Ciaran will be working together through a handover period to 30 June 2020. The group thanks Jonathan for his many years of dedication, commitment, and the work that he has done in helping to build the UK Wealth & Investment business.

To conclude, most importantly, our prime objective remains to support and stay close to our clients, to ensure we continue to deliver the excellence of service that they expect and value.

Principal risks relating to our operations

In our ordinary course of business we face a number of risks that could affect our business operations

These risks are summarised briefly in the table below. For additional information pertaining to these risks as well as information on the management and monitoring of these risks, see the page references provided. For further information on emerging risks and principal risk disclosure, refer to the principal risks section in the Investec plc 2020 annual report.

15 – 20 The **financial services industry** in which we operate is intensely competitive.	**15 – 20, 43 – 47** **Market, business and general economic conditions** and fluctuations could adversely affect our businesses in a number of ways.	**41** We may be exposed to **country risk,** i.e. the risk inherent in sovereign exposure and events in other countries.
48 – 66 **Credit and counterparty risk** exposes us to losses caused by an obligor's failure to meet the terms of any agreement.	**41, 88** Unintended **environmental (including climate risk), social and economic risks** could arise in our lending and investment activities.	**67 – 68** We may be exposed to **investment risk** in our unlisted and listed investment portfolios and property investment activities.
70 – 73 **Market risk** arising in our trading book could affect our operational performance.	**74 – 78** **Liquidity risk** may impair our ability to fund increases in assets or to meet our payment obligations as they fall due.	**79 – 81** Our net interest earnings and net asset value may be adversely affected by **interest rate risk.**
82 – 85 **Operational risk** from failures relating to internal processes, people, systems or from external events may disrupt our business or result in regulatory action.	**82 – 85** We may be **vulnerable to the failure of our systems** and breaches of our security systems (including cyber and information security).	**83** We may be exposed to **financial crime**, including money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting, and identity theft.
86 **Reputational, strategic and business risks** could impact our operational performance.	**87** **Compliance, legal and regulatory risks** may have an impact on our operations, business prospects, costs, liquidity and capital requirements.	**87** **Conduct risk** is the risk that inappropriate behaviours or business activities may be detrimental to our values, culture and ethical standards, or lead to reputational and/or financial damage.
89 – 95 **We may have insufficient capital** to meet regulatory requirements and may deploy capital inefficiently across the group.	**83** **Cyber risk** can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm.	We may be unable to **recruit, retain and motivate key personnel**. www ***See Investec group's 2020 group sustainability and ESG supplementary report on our website for further information.***

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

Building trust and credibility among our stakeholders is vital to good business

Section 172(1) statement

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018). This statement also provides details of how the directors have engaged with and had regard to the interests of our key stakeholders, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) regulations 2018).

The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them.

The board recognises that effective communication and stakeholder engagement are integral in building stakeholder value and the board is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders as highlighted below.

The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

In order to achieve these outcomes, the board promotes the presentation of a balanced and understandable assessment of the group's position by addressing material matters of significant interest and concern, highlighting key risks to which the group is exposed and responses to mitigate these risks.

Another objective is to show a balance between the positive and negative aspects of the group's activities in order to achieve a comprehensive and fair account of the group's performance.

Investec Bank plc is a wholly owned subsidiary of Investec plc (refer to operational structure on page 3) and as such has one shareholder. The IBP Board communicate regularly with the board of Investec plc. Certain IBP engagement with its stakeholders is performed on a group basis such as maintenance of its website, investor relations activity and ESG engagement.

The board of directors oversees the following engagement with our stakeholders:

Employees*

- Designated non-executive director overseeing workforce engagement
- Staff updates and discussions hosted by CEO, executive directors and/or senior management
- Regular CEO staff communication including via email and other digital channels
- Induction training for new employees including a welcome from the CEO and senior management
- Particular focus on employee well-being via regular digital communication in light of the COVID-19 impact
- Tailored internal investor relations presentations
- Dedicated comprehensive intranet
- IBP factsheets
- Quarterly magazine.

Clients

- Meetings with senior management
- Client relationship managers in each business
- Regular face-to-face, telephone and email communications
- Comprehensive website and app
- Industry relevant events
- Client marketing events.

Rating agencies

- Meetings with CEO, group risk management and investor relations
- Tailored rating agency booklet
- Tailored presentations
- Regular email and telephone communications
- Annual and interim results disclosure
- Comprehensive investor relations website.

Government and regulatory bodies

- Ongoing engagement with regulators, regular meetings are held between the chairman of the board, CEO, executive directors and the board with the UK Prudential Regulation Authority
- Active participation in a number of policy forums
- Engagement with industry consultative bodies.

* *Employees consists of permanent employees, temporary employees and contractors.*

Debt investors	**Communities and NGOs**
• Regular meetings with investor relations and executive management • Regular email and telephone communications • Annual and interim results disclosure • Comprehensive investor relations website.	• Engage regularly with our community partners via in-person meetings, telephone/conference calls and emails • Comprehensive community website and social media platforms to encourage participation • Community partners and NGOs invited to collaborate at conferences and events.
Suppliers	**ESG analysts, ESG and climate focused industry bodies and climate activists**
• Centralised negotiation process • Procurement questionnaires requesting information on suppliers' environmental, social and ethical policies • The board has a zero tolerance approach towards any form of slavery in our supply chain. Our modern slavery policy can be found on our website.	• Regular communications on *ad hoc* topics • Annual sustainability report • Comprehensive sustainability website • Comprehensive ESG disclosures • Sustainability factsheets • The Investec group CEO is a member of the UN Global Investors for sustainable development alliance • Regular and active participation in a number of ESG and climate forums • Commitment to industry standards including TCFDs and PCAF.

Topical discussions with our stakeholders

Impact of the political and economic environment and the COVID-19 pandemic

Key for stakeholders is the resilience of our business model through varied economic cycles and through a crisis. Consequently stakeholders have wanted to understand the impact of the COVID-19 pandemic and the economic environment on the group. The 2020 financial year was characterised by a challenging operating environment in the UK, ending with the sudden and extreme market dislocation resulting from COVID-19. Brexit, heightened UK political uncertainty, geopolitical tensions sparked by US trade wars, and finally the recent ongoing public health and economic effects of COVID-19, adversely impacted activity levels and financial performance over the past year.

Our businesses displayed resilience, delivering loan book growth, deposit growth and net inflows of funds under management; all underpinning client-driven revenues. However, this was offset by significantly lower investment and trading revenues, and higher than expected credit loss charges given the economic backdrop. We have disclosed the impact on our loan book and the changes to our macro-economic scenarios on pages 34 to 36 and 42 to 47.

The COVID-19 pandemic has had wide reaching impacts affecting our colleagues, our clients and our communities in various ways.

Our people have adapted quickly to the challenges and changes that have arisen from the prevailing conditions. The operational response of our business to the disruptions caused by COVID-19 was a robust, agile transition into remote working, enabling a seamless continuation of service to our clients. At the close of the financial year, approximately 95% of our employees across the world were working from home. An extensive wellbeing offering was implemented providing online support for staff across physical, mental, emotional, social and financial wellbeing. Weekly engagement with staff was conducted to measure productivity, ability to cope and extent of feeling supported.

Our focus has also been on engaging with clients to ensure they receive the support they need and have come to expect from Investec. To meet the challenges faced by our clients, we mobilised our balance sheet and expertise to assist in finding the financial solutions or restructuring advice to help them through this period. At the time of reporting our results, we had provided COVID-19 relief to approximately 16 000 client cases in the UK.

Senior leaders and staff donated via salary deductions to various community initiatives focused on food security, economic continuity, healthcare and education. Refer to the Investec group 2020 integrated annual report for further information on how the Investec group of which we are a part has supported our communities.

As part of the Investec group, we acted decisively to support our employees, clients and communities through this crisis, reaffirming Investec's position that "we live in society, not off it".

Our risk appetite framework as set out on page 38 is assessed regularly in light of market conditions and group strategy. Our stress testing framework regularly tests our key vulnerabilities under stress and we are comfortable that we have robust risk management processes and systems in place. The group has always had a long-term strategy of building a diversified portfolio of businesses to support clients through varying markets and economic cycles and we remain confident with the resilience of our businesses. IBP's viability statement can be found on pages 132 to 134.

Strategy execution

Stakeholders have been particularly focused on the progress IBP is making in respect of the strategic objectives presented at the Investec group's capital markets day in February 2019. As such this has been a key focus area of the board over the past year. The board has overseen various strategic decisions taken to progress the Investec group's strategy to simplify and focus the business in pursuit of disciplined growth in the long term. Over the past year, the group executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses (refer to page 295 for a detailed breakdown), reduced operating costs and delivered loan book growth and client acquisition ahead of budget in the Private Banking business. These strategic objectives and our ability to execute on them has been a key topic of discussion with stakeholders since the Investec group presented them at the capital markets day in February 2019.

In this regard it has also been communicated to stakeholders that in light of the COVID-19 pandemic, the longer-term impacts of which are hard to judge at present, a review of the performance targets that were set for achievement in 2022 may be necessary. The board and senior management are strategising for a "new normal" and will communicate further with stakeholders when in a position to do so. In the meantime, we remain focused on delivering our strategy and achieving a sustained improvement in our key financial metrics and outcomes for all our stakeholders.

For further detail on the group's strategic focus and objectives refer to pages 4 to 5.

General ESG engagement

We engage regularly with a range of stakeholders on a number of ESG topics that are relevant for our business.

In the past year:

- There was a specific interest in our approach to climate change and climate disclosures, as detailed below
- Fani Titi, the Investec group CEO and a member of our board, was appointed to the UN Global Investors for sustainable development alliance, made up of 30 leading corporates and financial institutions across the world. The alliance aims to accelerate action to better integrate the SDGs into core business; to scale up sustainable investments globally, especially to countries most in need; and to align investment with sustainable development objectives
- The Investec group signed up to support the Partnership for Carbon Accounting Financials (PCAF) and will have access to international best practice and be actively involved in the formulation of financial carbon reporting methodology.

www ***Further information on our ESG initiatives and progress can be found in the Investec group's sustainability and ESG supplementary report available on our website.***

Gender and Diversity

Stakeholders remain interested in the progress made by Investec on a number of diversity issues, including workplace representation and board diversity. In this regard a number of actions have been taken by IBP.

IBP has a board diversity policy, setting out the targets for board composition in terms of gender and race. The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by the end of 2020, or as soon as possible thereafter. As at 31 March 2020 there was a 33% representation of women on the board. In terms of ethnic diversity, as at 31 March 2020, there were 3 (25%) persons of colour (as defined by the Parker Review) on the board. The group is also a signatory of the Women in Finance Charter in the UK, pledging to promote gender diversity by having a senior executive team member responsible and accountable for gender diversity and inclusion, setting internal targets for gender diversity at senior management levels, publishing progress annually against these targets, and linking the pay of senior executives to delivery against these gender diversity targets. We are also a member of the 30% Club in the UK.

In addition, IBP reported on its gender pay gap. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to further promote diversity.

Further information on our gender and diversity initiatives and progress can be found in the Investec group's 2020 integrated annual report as well as in the Investec group's sustainability and ESG supplementary report available on our website.

Non-financial reporting

The recommendations of the Financial Stability Board's TCFDs continue to gain traction with the PRA releasing a supervisory statement requesting banks and insurers to enhance their climate disclosures. The BOE published a discussion paper with proposals to test the resilience of the largest banks, insurers and the financial system to different possible climate pathways. The Australian Prudential Regulation Authority (APRA) is also developing a climate change financial risk prudential practice guide and will be seeking to undertake a climate change financial risk vulnerability assessment.

As a signatory of the TCFDs, we have included a summary of our climate risk position on page 88 in the risk section of this report and detailed TCFD disclosure is available on our website. This is a long-term process; we will continue to enhance our disclosure over time in line with industry guidelines, and best practice.

We have seen a heightened awareness of the SDGs with various internal and external stakeholders. Investec remains committed to building a more resilient and inclusive world and finding opportunities within our businesses to maximise our impact. The Investec group CEO, Fani Titi, signed up to the United Nations (UN) CEO Alliance on Global Investment for Sustainable Development (GISD) in April 2019. The GISD, convened by the UN, aims to secure investment from the private sector to finance the goals. The Investec group reports on progress and performance in terms of the global goals in the Investec group's sustainability and ESG supplementary report on our website.

Climate engagement

Stakeholders have been increasingly concerned as to how banks are managing and mitigating climate consequences and if those risks are quantified within their disclosures. We have also seen pressure from many regulatory authorities including the PRA and the BOE to move climate disclosures from voluntary to mandatory reporting. Investec proactively engaged with over 50 stakeholders across all jurisdictions to ascertain expectations and views on climate issues. The broad concerns were around board responsibility, climate related policies, transparency of climate disclosures and the impact of transitioning to a low carbon economy. This feedback was consolidated and a number of actions taken:

- The DLC board takes ultimate responsibility for Investec group climate related issues, supported by a DLC board approved Social and Ethics committee (SEC). This structure has been in place for many years and was strengthened to include senior executive responsibility for identifying and managing climate-related risks
- Tanya dos Santos was appointed as Investec's Global Head of Sustainability on 4 June 2020. Tanya has been leading the Investec group's efforts with regard to climate change for many years and brings extensive expertise and experience to this area
- In accordance with PRA guidance, IBP has nominated a senior manager who is responsible for identifying and managing financial risks from climate change
- The Investec group strengthened its climate change statement to clarify alignment with the Paris Agreement goals and acknowledge the urgency and need to accelerate action
- The Investec group made its group fossil fuel policy public
- The Investec group's fossil fuel exposures (including IBP's fossil fuel exposures) are disclosed in volume one of the Investec group's integrated annual report as well as in the Investec group's sustainability and ESG supplementary report on our website. An analysis of the Investec group's project finance related transactions in terms of the Equator Principles is also included for the first time in the Investec group's sustainability and ESG supplementary report. In addition, the Investec group's position in terms of ESG classifications is disclosed in the Investec group's TCFD report available on our website
- Within our businesses, we are actively engaging with our clients to assist in transitioning to a low carbon economy
- Looking forward, our risk teams are analysing our climate positions across portfolios and will be assessing our exposure as the relevant climate scenarios and methodologies become available.

FINANCIAL REVIEW

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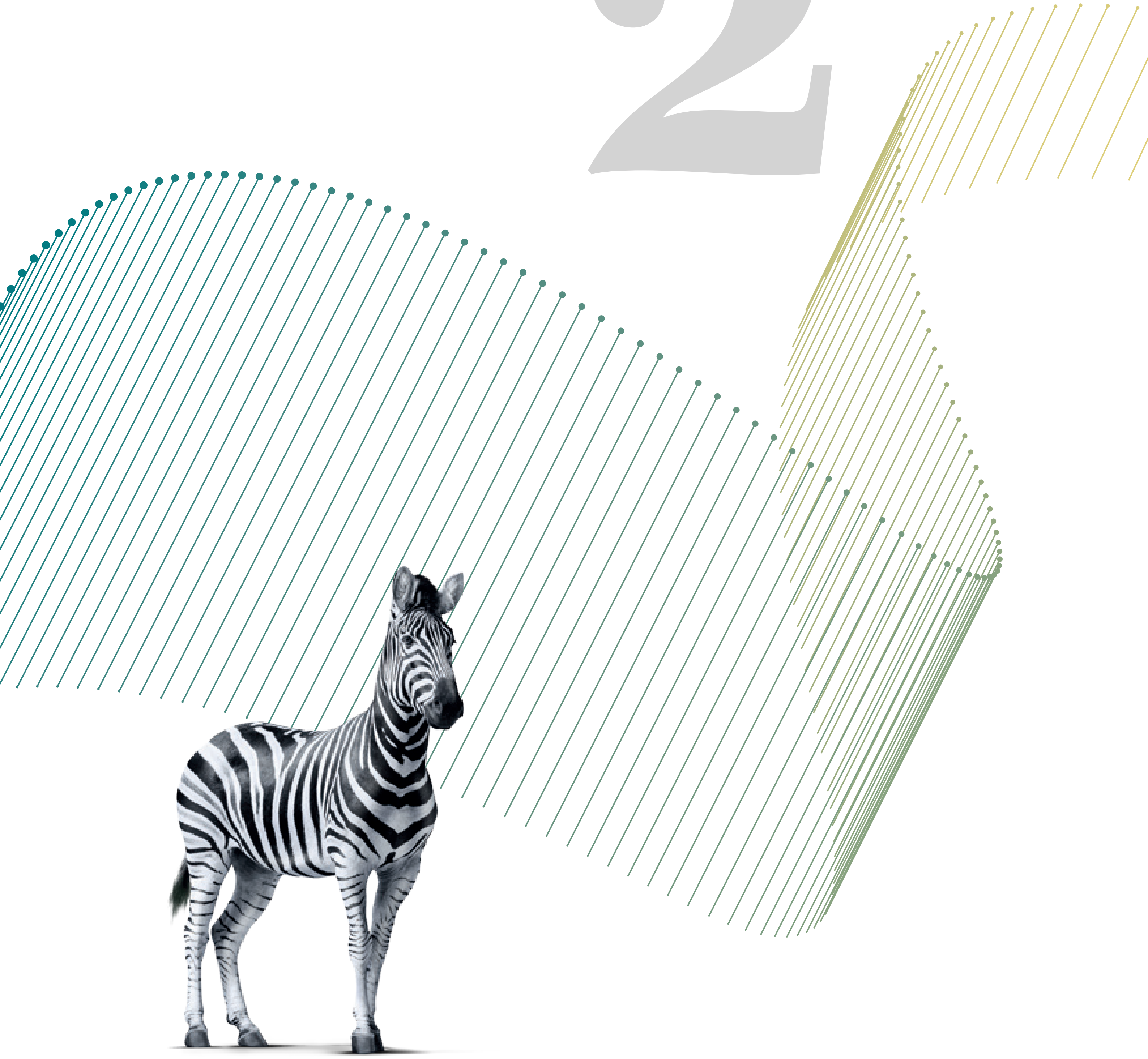


Key income drivers

We provide a wide range of financial products and services to a select client base, principally in the UK

There are a number of key income drivers for our business which are discussed below and alongside.

We have a number of other distribution and origination channels which support our underlying core businesses, for example, in Australia, Channel Islands, Hong Kong, India, Republic of Ireland, Switzerland and the USA.

Investec Bank plc's structure comprises two principal business divisions: Wealth & Investment and Specialist Banking.

Wealth & Investment

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Fees earned for executing transactions for clients.

Income impacted primarily by

- Movement in the value of assets underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.

Income statement – primarily reflected as

- Fees and commissions.

Specialist Banking

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Lending activities.	• Size of loan portfolio • Clients' capital and infrastructural investments • Client activity • Credit spreads • Interest rate environment.	• Net interest income • Fees and commissions • Investment income.
• Cash and near cash balances.	• Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements • Credit spreads • Interest rate environment.	• Net interest income • Trading income arising from balance sheet management activities.
• Deposit and product structuring and distribution.	• Distribution channels • Client numbers • Ability to create innovative products • Regulatory requirements • Credit spreads • Interest rate environment.	• Net interest income • Fees and commissions.
• Investments (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received.	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities • Credit spreads • Interest rate environment.	• Net interest income • Investment income • Share of post-taxation profit of associates and joint venture holdings.
• Advisory services.	• The demand for our specialised advisory services, which, in turn, is affected by applicable regulatory and other macro- and micro-economic fundamentals.	• Fees and commissions.
• Derivative sales, trading and hedging.	• Client activity, including lending activity • Client numbers • Market conditions/volatility • Asset and liability creation • Product innovation.	• Fees and commissions • Trading income arising from customer flow.
• Transactional banking services.	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure • Interest rate environment.	• Net interest income • Fees and commissions.

Overview

Investec Bank plc reported an adjusted operating profit of £173.6 million for the year ended 31 March 2020 (2019^: £274.8 million). The balance sheet remains strong, supported by sound capital, leverage and liquidity ratios.

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the restated statutory results for the year ended 31 March 2019^.

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Total operating income

Total operating income before expected credit loss impairment charges of £957.2 million was 12.2% lower than the prior year. The various components of total operating income are analysed below.

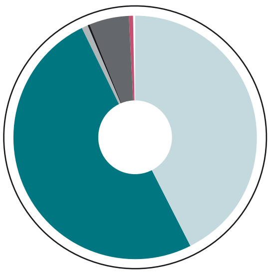
£'000	**31 March 2020**	**% of total income**	31 March 2019^	% of total income	% change
Net interest income	409 549	42.8%	398 284	36.5%	2.8%
Net fee and commission income	482 023	50.4%	486 888	44.7%	(1.0%)
Investment income	6 591	0.7%	92 095	8.4%	(92.8%)
Share of post-taxation profit of associates and joint venture holdings	2 128	0.2%	2 680	0.2%	(20.6%)
Trading income/(loss) arising from					
– customer flow	50 980	5.3%	86 766	8.0%	(41.2%)
– balance sheet management and other trading activities	(528)	(0.1%)	12 653	1.2%	(104.2%)
Other operating income	6 464	0.7%	10 476	1.0%	(38.3%)
Total operating income before expected credit loss impairment charges	**957 207**	**100.0%**	**1 089 842**	**100.0%**	**(12.2%)**

The following table sets out information on total operating income before expected credit losses/impairment losses on loans and advances by division for the year under review:

£'000	**31 March 2020**	**% of total income**	31 March 2019^	% of total income	% change
Wealth & Investment	317 731	33.2%	316 854	29.1%	0.3%
Specialist Banking	639 476	66.8%	772 988	70.9%	(17.3%)
Total operating income before expected credit loss impairment charges	**957 207**	**100.0%**	**1 089 842**	**100.0%**	**(12.2%)**

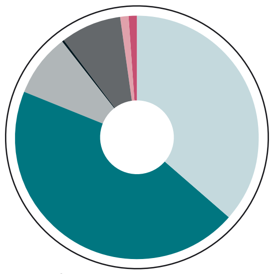
^ *Restated as detailed on page 295.*

% of total operating income before expected credit loss impairment charges



31 MARCH 2020
£957.2 million total operating income before expected credit loss impairment charges

42.8%	Net interest income
50.4%	Net fee and commission income
0.7%	Investment income
0.2%	Share of post-taxation profit of associates and joint venture holdings
5.3%	Trading income arising from customer flow
(0.1)%	Trading income arising from balance sheet management and other trading activities
0.7%	Other operating income



31 MARCH 2019^
£1 089.8 million total operating income before expected credit loss impairment charges

36.5%	Net interest income
44.7%	Net fee and commission income
8.4%	Investment income
0.2% 8.0%	Share of post-taxation profit of associates and joint venture holdings
1.2%	Trading income arising from customer flow
1.0%	Trading income arising from balance sheet management and other trading activities
	Other operating income

Net interest income

Net interest income increased by 2.8% to £409.5 million (2019^: £398.3 million) underpinned by private client activity and loan book growth.

For a further analysis of interest received and interest paid refer to page 199.

Net fee and commission income

Net fee and commission income decreased by 1.0% to £482.0 million (2019^: £486.9 million). The Wealth & Investment business reported an increase in annuity fees. Overall fees from the Wealth & Investment business were impacted by the sale of the Irish Wealth business in October 2019. Within the Specialist Bank, the lending businesses saw reasonable levels of origination and sell-down activity with good fee generation. This was offset by lower equity capital markets fees resulting from persistent market uncertainty.

For a further analysis of net fee and commission income refer to page 200.

Investment income

Investment income decreased to £6.6 million (2019^: £92.1 million) reflecting the challenging macroeconomic backdrop during the year under review and the sudden extreme market dislocation in March 2020.

For a further analysis of investment income refer to page 200.

Trading income

Trading income from customer flow decreased to £51.0 million (2019^: £86.8 million). Reasonable activity levels were offset by losses arising from hedging of structured products driven by the COVID-19 related sudden and sharp fall in global markets in March 2020.

Trading income from balance sheet management and other trading activities decreased to a loss of £0.5 million (2019^: £12.7 million gain) primarily due to prior year asset sales and COVID-19 related market volatility in the current year.

Other operating income

Other operating income includes income earned on operating lease rentals.

Expected credit loss impairment charges

Total ECL impairment charges amounted to £75.7 million (2019: £25.0 million). The main contributors to the increase in impairment charges were: book growth, a COVID-19 related provision overlay and specific impairment provision, and the prior year release of provisions on non-core assets sold. The credit loss ratio increased to 0.69% (2019: 0.38%), with the ECL coverage ratio of our Stage 1 loan book also increasing to 0.4% from 0.2% in the prior year. Pre COVID-19, the credit loss ratio was calculated at 0.34% for 31 March 2020.

Stage 3 gross core loans and advances subject to ECL increased to £379 million (3.3% of gross core loans subject to ECL) at 31 March 2020 (31 March 2019: £319 million equating to 3.2% of gross core loans subject to ECL).

Refer to pages 59 to 66 for further information on asset quality and page 201 for a breakdown of the expected credit loss impairment charges.

^ *Restated as detailed on page 295.*

Operating costs

Operating costs decreased by 10.9% to £705.6 million (2019^: £792.4 million) driven by cost containment across the business (fixed costs and variable remuneration) and normalised premises costs. The cost to income ratio (net of non-controlling interests) amounted to 73.9% (2019^: 72.6%), impacted by lower revenues.

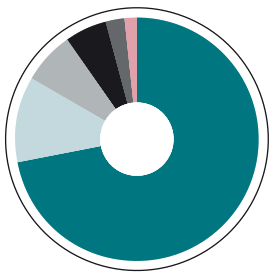
The various components of operating costs are analysed below:

£'000	31 March 2020	% of operating costs	31 March 2019^	% of operating costs	% change
Staff costs (including directors' remuneration)	509 029	72.1%	584 197	73.8%	(12.9%)
Premises expenses (including depreciation)*	39 886	5.7%	50 176	6.3%	(20.5%)
Equipment expenses (excluding depreciation)	47 840	6.8%	42 634	5.4%	12.2%
Business expenses	81 384	11.5%	84 929	10.7%	(4.2%)
Marketing expenses	17 766	2.5%	22 434	2.8%	(20.8%)
Depreciation, amortisation and impairment of equipment and intangibles	9 721	1.4%	8 010	1.0%	21.4%
Operating costs	**705 626**	**100.0%**	**792 380**	**100.0%**	**(10.9%)**

The following table sets out information on operating costs by division for the year under review:

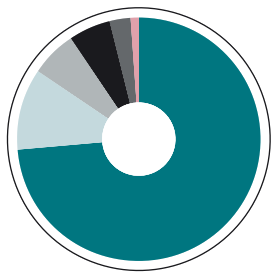
£'000	31 March 2020	% of operating costs	31 March 2019^	% of operating costs	% change
Wealth & Investment	254 714	36.1%	246 201	31.1%	3.5%
Specialist Banking	450 912	63.9%	546 179	68.9%	(17.4%)
Operating costs	**705 626**	**100.0%**	**792 380**	**100.0%**	**(10.9%)**

% of operating costs



31 MARCH 2020
£705.6 million operating costs

72.1%	Staff costs
11.5%	Business expenses
6.8%	Equipment expenses (excluding depreciation)
5.7%	Premises expenses (including depreciation)
2.5%	Marketing expenses
1.4%	Depreciation, amortisation and impairment of equipment and intangibles



31 MARCH 2019^
£792.4 million operating costs

73.8%	Staff costs
10.7%	Business expenses
6.3%	Premises expenses (including depreciation)
5.4%	Equipment expenses (excluding depreciation)
2.8%	Marketing expenses
1.0%	Depreciation, amortisation and impairment of equipment and intangibles

^ *Restated as detailed on page 295.*

* *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by £17.2 million as a result of recognising a right-of-use asset and to reduce the premises expense in the year to 31 March 2020. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability. Further detail is provided on page 202.*

Adjusted operating profit

As a result of the foregoing factors, adjusted operating profit decreased by 36.8% from £274.8 million^ to £173.6 million.

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £12.9 million largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Financial impact of strategic actions

In pursuit of the group's objective to simplify, focus and grow the business, a number of strategic actions were effected during the year. Material actions included the closure of Click & Invest which formed part of the Wealth & Investment business, sale of the Irish Wealth & Investment business, restructure of the Irish branch, and the closure and rundown of the Hong Kong direct investments business. These strategic actions resulted in a loss of £116.2 million (2019: £80.2 million) (refer to page 297 for detailed breakdown).

Taxation on operating profit before acquired intangibles and strategic actions

The effective operational tax rate amounted to 4.4% (2019^: 14.0%), below the prior year largely due to the release of provisions associated with the settlement of a tax case.

£'000	**2020**	**2019^**	**31 March 2020 £'000**	31 March 2019^ £'000	% change
Taxation on operating profit before acquired intangibles and strategic actions	**4.4%**	14.0%	**7 638**	37 353	(79.6%)

Balance sheet analysis

Since 31 March 2019:

- Total equity increased by 7.8% to £2.3 billion primarily as a result of the issue of ordinary shares to Investec plc, the parent company of Investec Bank plc.
- Total assets increased by 11.5% to £24.7 billion (2019: £22.1 billion), largely as a result of loan book growth.
- Total liabilities increased by 11.9% to £22.3 billion (2019: £20.0 billion) primarily driven by growth in customer accounts (deposits).

^ *Restated as detailed on page 295.*

3

RISK MANAGEMENT AND CORPORATE GOVERNANCE

Overview of disclosure requirements

The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 40 to 95 with further disclosures provided in the annual financial statements section on pages 164 to 306.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. Where applicable, definitions can be found in the definitions section of this report.

Information provided in this section of the annual report is prepared on an Investec Bank plc (IBP) consolidated basis unless otherwise stated.

www ***IBP also publishes a separate Pillar III disclosure report as required under Part 8 of the Capital Requirements Regulation pertaining to banks in the United Kingdom (UK). This can be found on the Investec group's website.***

Philosophy and approach to risk management

The IBP Board Risk and Capital Committee (IBP BRCC) (comprising both executive and non-executive directors) meets at least six times per annum and recommends the overall risk appetite for the bank to the IBP board for approval. The risk appetite statement sets broad parameters relating to the IBP board's expectations around performance, business stability and risk management. The IBP board ensures that there are appropriate resources to manage the risks arising from running the bank.

The board has closely monitored developments as a result of the COVID-19 pandemic and receives regular updates. There has been enhanced governance and additional oversight on areas that have been most exposed to the pandemic to date.

Our comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of our businesses to ensure the risks remain within the stated risk appetite.

The bank has a strong and embedded risk and capital management culture. Risk awareness, control and compliance are embedded in all our day-to-day activities through a levels of defence model.

We monitor and control risk exposure through independent credit, market, liquidity, operational, legal risk, internal audit, capital and compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Risk management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the bank. There are specialist divisions in the UK and smaller risk divisions in other regions tasked with promoting sound risk management practices.

Risk management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives and we are continually seeking new ways to enhance risk management techniques.

We believe that the risk management systems and processes we have in place are adequate to support the bank's strategy and allow the bank to operate within its risk appetite tolerance as set out on page 38.

This section of our annual report explains in detail our approach to managing our business within our risk appetite tolerance, across all principal aspects of risk.

A summary of the year in review from a risk perspective

The executive management is integrally involved in ensuring stringent management of risk, liquidity, capital and conduct through our risk appetite framework which continues to be assessed in light of prevailing market conditions and overall Investec group strategy. The primary aim is to achieve a suitable balance between risk and reward in our business. Although the current macro-environment due to the COVID-19 pandemic continues to present significant challenges, the bank was able to maintain generally sound asset performance and risk metrics throughout the year in review. Our risk appetite framework is set out on page 38.

Brexit heightened UK political uncertainty and geopolitical tensions sparked by US trade wars adversely impacted activity levels in the UK over the past year, making the UK operating environment very challenging. Against this backdrop, in the first quarter of 2020, the COVID-19 pandemic combined with an oil price shock stunned global markets resulting in unprecedented market dislocations. The sudden imposition of social containment measures in the UK, as well as many countries across the world, led to a synchronised slowdown of economic activity, mounting financial pressure on our clients. We are closely monitoring political developments with respect to Brexit and have continued to evaluate any changes we may need to make to adapt to the new legal and regulatory landscape that emerges.

IBP's ratings are in line with the prior year. IBP's long-term Moody's deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ on Rating Watch Negative. Fitch took a number of negative rating actions on 18 UK banking groups in April 2020 to reflect the heightened risk from the global COVID-19 pandemic. IBP's outlook was changed from Stable to Rating Watch Negative but the rating was maintained at BBB+. At 31 March 2019, IBP had been on Rating Watch Negative by Fitch along with a number of other UK banks due to Brexit uncertainty.

The bank's net core loan book growth since 31 March 2019 was 12.8% to £11.8 billion at 31 March 2020. Growth in net core loans was driven by the residential owner-occupied mortgage portfolio as we gained good traction in our Private Banking strategy, as well as diversified growth in other private client and corporate client lending portfolios together with selective lending collateralised by property, with loan to values at conservative levels. Credit exposures are focused on secured lending to a select target market, comprising high income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised with credit risk taken over a short to medium term.

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending, and maintaining lending collateralised by property as a smaller proportion of net core loans. The bank's net core loan exposures remain well-diversified with commercial rent producing property loans comprising approximately 8.8% of net core loans, other lending collateralised by property 7.7%, high net worth and private client lending 26.4% and corporate and other lending 57.1% (with most industry concentrations well below 5%).

Our exposure to sectors considered vulnerable to COVID-19 totalled £1.8 billion as at 31 March 2020 or 14.6% of gross core loans and advances predominantly through our aviation finance (4.0%) and small ticket asset finance (5.6%) businesses, however, we remain confident that we have a well diversified portfolio across sectors. Government stimulus and support measures are expected to mitigate the impact on vulnerable sectors but it remains too early to assess the full impact of this.

Asset quality metrics before the COVID-19 pandemic reflected the solid performance of core loans. Pre COVID-19, IBP's credit loss ratio was calculated at 0.34% for 31 March 2020 (31 March 2019: 0.38%), however, after taking into account the impacts of COVID-19 the overall credit loss ratio was 0.69%, largely reflecting a deterioration in macro-economic scenario forecasts modelled by applying a £19 million expected credit loss (ECL) overlay as well as an amount that relates to a single name transaction impacted by the COVID-19 pandemic.

Assessing the expected impact from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The basis for the management overlay was a weighted consideration of two macro-economic scenarios, which were developed by Investec's economists to take account of the COVID-19 pandemic as at 31 March 2020, a COVID-19 short scenario and a COVID-19 long scenario characterised by a 9.4% contraction in gross domestic product (GDP). In addition, management considered the extent of the expected impact from government measures not captured in the scenarios as well as the expected trajectory of the recovery in applying the £19 million ECL overlay across the performing portfolio to capture risks not yet identified in the models. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgements. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. The bank applies the IFRS 9 transitional arrangements to regulatory capital calculations to absorb the full impact permissable of IFRS 9.

Stage 2 exposures totalled £576 million and remained low as a proportion of gross core loans subject to ECL at 5.1% at 31 March 2020, reduced from 5.8% at 31 March 2019. Stage 3 totalled £379 million at 31 March 2020 or 3.3% of gross core loans subject to ECL (31 March 2019: 3.2%). Stage 3 exposures are well covered by ECLs. The percentage of Stage 3 loans (net of ECL but before taking collateral into account) to net core loans and advances subject to ECL amounted to 2.4% (31 March 2019: 2.2%). Stage 3 in the Ongoing book (excluding Legacy) totalled £249 million or 2.2% of gross core loans subject to ECL at 31 March 2020 (31 March 2019: 1.5%) driven by a small number of idiosyncratic movements into Stage 3. These exposures are adequately provisioned.

Legacy exposures have reduced by 15% since 31 March 2019 to £111 million (net of ECL) at 31 March 2020 and comprised only 0.9% of net core loans and advances. These assets were substantially impaired and are largely reported under Stage 3.

In line with regulatory and accounting bodies guidance, 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. At 31 March 2020, £399 million or 3.3% of gross core loans and advances had been granted some form of relief measures, of which £385 million are assets reported in Stage 1.

We have reduced our investment portfolio exposure substantially, in line with our objective of optimising capital allocation, reducing income volatility, and aligning the business with our client franchises. The investment portfolio, per the balance sheet, reduced by 28% or £135 million over the year under review to £351 million at 31 March 2020. The connected exposure in the Hong Kong direct investments portfolio (as disclosed on page 297) was fully written off to £nil at 31 March 2020.

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses. Trading revenue was adversely affected by the losses arising from the hedging of structured products due to the extraordinary market dislocation, increased hedging costs and dividend cancellation. At 31 March 2020, the 95% one-day VaR measure was £1.5 million as a result of increased market volatility in March, up from an average 95% one-day value at risk (VaR) during the year to 31 March 2020 of £0.6million.

We remain highly focused on managing conduct, reputational, operational, recovery and resolution risks. Financial and cyber crime are high priorities, and the bank continually aims to strengthen systems and controls in order to manage cyber risk as well as meet regulatory obligations to combat money laundering, fraud and corruption. The bank operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the bank is involved in disputes and legal proceedings which arise in the ordinary course of business. The bank evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

The bank continued to maintain a sound balance sheet with a low gearing ratio of 10.6 times and a core loans to equity ratio of 5.1 times at 31 March 2020. The bank's current leverage ratio was 8.0% ahead of the minimum 6% target level.

The bank has always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. During the year there was positive capital generation and risk-weighted asset (RWA) growth remained measured. Following the demerger of Investec Asset Management, Investec plc subscribed for further capital in the bank.

We maintain an Investec group target common equity tier 1 (CET1) ratio in excess of 10% which is currently considered appropriate for our business and given our sound leverage ratios and significant capital light revenues. The bank is on the standardised approach for capital. The CET1 ratio was 11.5% at 31 March 2020 in excess of regulatory minimums and ahead of our Investec group target.

In January 2020, the Bank of England (BoE) re-confirmed the preferred resolution strategy for the bank as the bank insolvency (special administration) procedure under the Investment Bank Special Administration Regulations 2011 – otherwise known as 'modified insolvency'. As the resolution strategy is 'modified insolvency', the BoE has therefore set IBP's minimum requirement for own funds and eligible liabilities (MREL) requirement as equal to its total regulatory capital requirements.

In addition, as part of the Prudential Regulation Authority (PRA)'s most recent Internal Capital Adequacy Assessment Process (ICAAP), the Investec plc Pillar IIA capital requirement was reduced from 1.51% to 1.12%. This together with the reduction in the UK

Countercyclical Capital Buffer (CCyB) (which was reduced by the Financial Policy Committee (FPC) in light of the current economic environment) has resulted in a lower CET1 regulatory minimum for Investec plc and IBP, substantially increasing our regulatory capital surplus.

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth.

A strong liquidity position continued to be maintained throughout the year primarily supported by growth in fixed term and notice retail customer deposits. Cash and near cash balances amounted to £6.0 billion at 31 March 2020 (31 March 2019: £6.8 billion). Average cash balances were significantly surplus to usual levels, largely driven by prefunding ahead of the closure of our Irish deposit raising business as a result of Brexit, as well as the decision to hold higher levels of cash balances due to the onset of the COVID-19 pandemic. The bank raised a substantial amount of deposits over the year. Customer accounts (deposits) totalled £15.5 billion at 31 March 2020. Loans and advances to customers as a % of customer deposits ratio remained conservative at 76.3%. For IBP (solo basis) the Liquidity Coverage Ratio (LCR) is calculated using our own interpretations of the EU Delegated Act. The LCR reported to the PRA at 31 March 2020 was 411%. Ahead of the implementation of the final Net Stable Funding Ratio (NSFR) rules, the bank has applied its own interpretations of regulatory guidance and definitions from the Basel Committee on Banking Standards (BCBS) final guidelines to calculate the NSFR which was 120% for IBP (solo basis). The reported NSFR and LCR may change over time with regulatory developments and guidance.

Looking forward, the focus remains on maintaining a strong liquidity position in light of the impact of the COVID-19 pandemic. Funding continues to be actively raised, particularly in the retail market, in line with the bank's strategic objectives and to insulate the bank from further ongoing market uncertainty. We expect to participate in the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME).

The bank's stress testing framework is well embedded in its operations and is designed to identify and regularly test the bank's key vulnerabilities under stress'. A fundamental part of the stress testing process is a full and comprehensive analysis of all the bank's material business activities, incorporating views from risk, the business units and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the IBP specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed.

These IBP specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to proactively identify underlying risks and manage them accordingly. During the year, a number of stress scenarios were considered and incorporated into our processes including for assessing the impact of COVID-19. We continue to assess the potential impact from the current uncertain environment and its potential impacts on the bank.

The IBP board, through its respective risk and capital committees, continued to assess the impact of its principal risks and the above mentioned stress scenarios on its business. The IBP board has concluded that the bank has robust systems and processes in place to manage these risks and that, while under a severe stress scenario business activity would be very subdued, the bank would continue to maintain adequate liquidity and capital balances to support the continued operation of the bank.

In light of significant dislocation in the external market due to the COVID-19 pandemic it is unclear how the economy and our clients will adjust over the coming months and years. We entered this crisis with experience from the global financial crisis on how to navigate through challenging circumstances, as well as with considerable strength with regard to our high levels of liquidity, strong capital and low leverage. We have responded quickly to the operational and client impacts resulting from COVID-19 and we are comfortable that we have well established risk management processes and systems in place.

Given the unusual and unprecedented economic and market conditions as a result of the COVID-19 pandemic, the risk outlook remains uncertain and it is unclear how our clients will adjust over the coming months. As the pandemic evolves, management is focused on maintaining the integrity of our balance sheet through continuous oversight of credit, liquidity and capital risk with ongoing stress testing, scenario modelling and client engagement, ensuring the business remains operational through resilience strategies implemented, as we continue to support our clients during this period. We are comfortable that we have a strong balance sheet with regard to the high levels of liquidity, strong capital and low leverage as well as established risk management processes and systems in place to navigate through this period of uncertainty.

Salient features

A summary of key risk indicators is provided in the tables below.

	31 March 2020	31 March 2019
Net core loans and advances (£'million)	11 832	10 487
Total assets (£'million)	24 670	22 121
Total risk-weighted assets (£'million)	15 808	14 631
Total equity (£'million)	2 331	2 163
Cash and near cash (£'million)	6 040	6 792
Customer accounts (deposits) (£'million)	15 506	13 499
Loans and advances to customers to customer deposits	76.3%	77.7%
Structured credit as a % of total assets	2.1%	2.1%
Banking book investment and equity risk exposures as a % of total assets	1.6%	2.6%
Traded market risk: 95% one-day value at risk (£'million)	1.5	0.4
Core loans to equity ratio	5.1x	4.8x
Total gearing ratio*	10.6x	10.2x
Return on average assets#	0.64%	1.06%
Return on average risk weighted assets#	0.98%	1.58%
Stage 3 exposure as a % of gross core loans and advances subject to ECL	3.3%	3.2%
of which Ongoing (excluding Legacy) Stage 3##	*2.2%*	*1.5%*
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	2.4%	2.2%
Credit loss ratio	0.69%	0.38%
Level 3 (fair value assets) as a % of total assets	6.9%	8.5%
Total capital ratio^	16.5%	17.0%
Tier 1 ratio^	13.1%	12.9%
Common equity tier 1 ratio^	11.5%	11.2%
Leverage ratio – current^	8.0%	7.9%
Leverage ratio – 'Fully loaded'^	7.7%	7.7%

* *Total assets to total equity.*
^ *As defined on page 95.*
\# *Where return represents adjusted earnings, restated for March 2019 as detailed on page 296 and defined on page 307. Average balances are calculated on a straight-line average.*
\## *Refer to definitions of page 308.*

Risk appetite

The bank has board-approved risk appetite statements and policy documents covering our risk tolerance and approach to our principal aspects of risk. The risk appetite framework acts as a guide to determine the acceptable risk profile of the bank and ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities whilst keeping in line with the Investec group's risk appetite parameters. The risk appetite statement is a high-level, strategic framework that supplements and does not replace the detailed risk policy documents at each entity and geographic level. The risk appetite framework is a function of business strategy, budget and capital processes, our stress testing reviews and the regulatory and economic environment in which the bank is operating. The risk appetite framework is reviewed (in light of the above aspects) and approved at least annually or as business needs dictate. A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the IBP BRCC and IBP board as well as DLC BRCC and DLC board.

The table below provides a high-level summary of the bank's risk tolerance.

Risk appetite and tolerance metrics	*Positioning at 31 March 2020*
We seek to maintain an appropriate balance between revenue earned from capital light and balance sheet driven activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions	Capital light activities contributed 51.0% to total operating income and balance sheet driven activities contributed 49.0%
We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%	Annuity income amounted to 72.0% of total operating income
We seek to maintain strict control over fixed costs and target a cost to income ratio of below 70%*	The cost to income ratio amounted to 73.9%. Refer to page 31 for further information
We are a lowly leveraged firm and target a leverage ratio in excess of 6%	The current leverage ratio amounted to 8.0%. Refer to page 95 for further information
We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital ratio range of between 14% and 17% on a consolidated basis for the bank and we target a minimum tier 1 ratio of 11% and a CET1 ratio above 10%	We met these targets; our total capital ratio amounted to 16.5% and our CET1 ratio amounted to 11.5%. Refer to page 95 for further information
We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to £120 million. We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
We have a preference for primary exposure in the bank's main operating geography (i.e. the UK). We will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client	Refer to page 41 for further information
We take a cautious approach with respect to industries that are known to damage the environment. Financial risk from climate change is a highly important topic which helps to inform credit decisions. We acknowledge that our approach is still work in progress and we will continue to develop this over time.	Refer to pages 41 and 88 for further information
We target a credit loss ratio of less than 0.5% (less than 1.75% under weak economic environment/stressed scenario) and Stage 3 net of ECL as a % of net core loans and advances subject to ECL to be less than 2% (excluding the legacy portfolio less that 4% under a weak economic environment). We target Stage 3 net of ECL as a % of CET 1 less than 25%	We currently remain within all tolerance levels given the current weakened economic environment. Pre COVID-19, IBP's credit loss ratio was calculated at 0.34% for 31 March 2020 (31 March 2019: 0.38%), however, taking into account the impacts from COVID-19 the overall credit loss ratio was 0.69%. Stage 3 net of ECL as a percent of net core loans and advances subject to ECL was 1.7% (excluding the legacy portfolio). Stage 3 net of ECL as a % of CET 1 was 14.9%. Refer to page 59 for further information
We carry a high level of liquidity in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to £6.0 billion at year-end representing 39.0% of customer deposits. Refer to page 76 for further information
We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than £2.5 million	We met these internal limits; one-day 95% VaR was £1.5 million at 31 March 2020; refer to page 71 for further information
We have moderate appetite for investment risk, and set a risk tolerance of less than 27.5% of CET1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio amounted to £343 million representing 18.9% of CET1. Refer to page 68 for further information
We maintain sound operational risk practises to identify and manage operational risk. The bank has no appetite for failures in meeting our legal and ethical obligations to combat financial crime and for failures to meet regulatory rules or guidance.	Refer to pages 82 to 85 for further information
We have a number of policies and practices in place to mitigate reputational, legal, tax and conduct risks	Refer to pages 86 and 87 for further information

* *In light of the COVID-19 pandemic, the longer-term impacts of which are hard to judge at present, a review of the performance targets that were set for achievement in 2022 may be necessary.*

Risk management objectives are to:

- Ensure adherence to our risk management culture
- Ensure the business operates within the board-approved risk appetite
- Support the long-term sustainability of the group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk with good customer outcomes
- Set, approve and monitor adherence to risk parameters and limits across the bank and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Coordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the IBP board reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Resource risk teams suitably with the appropriate expertise and facilitate operating independence
- Run appropriate risk committees, as mandated by the relevant boards
- Maintain high levels of compliance in relation to regulatory requirements.

An overview of our principal risks

In our daily business activities, the bank takes on a number of risks that could have the potential to affect our business operations or financial performance and prospects.

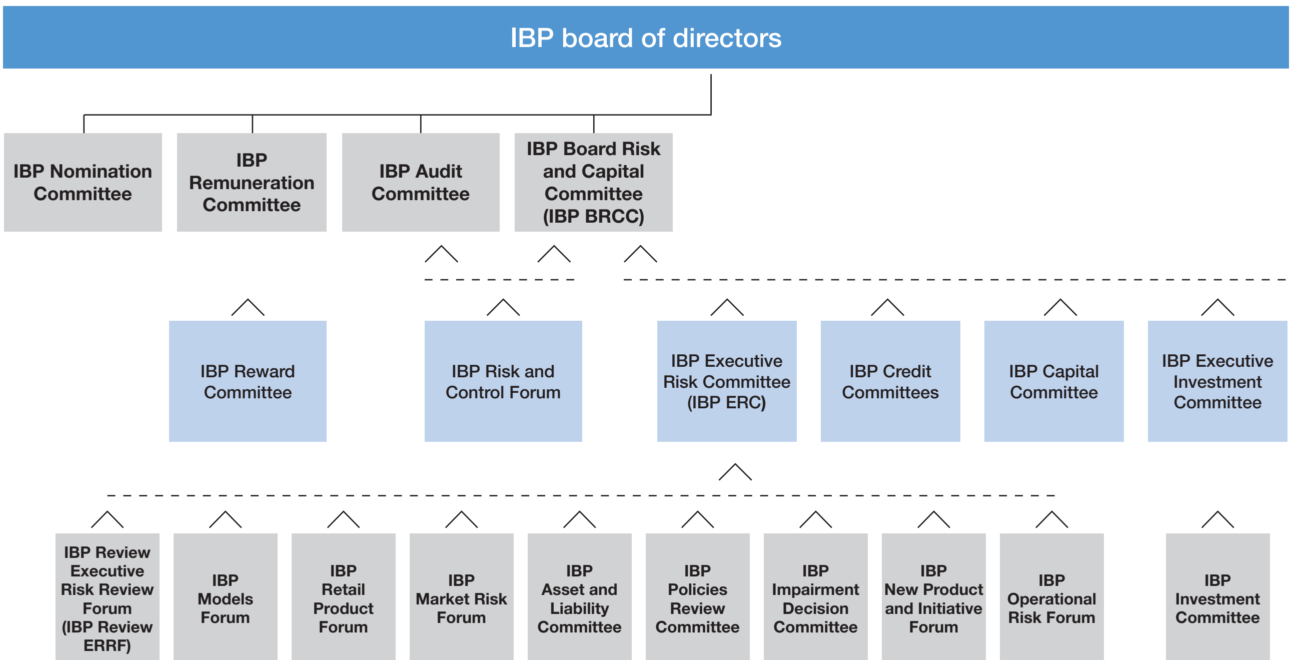
These principal risks have been highlighted on page 21.

The sections that follow provide information on a number of these risk areas and how the bank manages these risks.

Additional risks and uncertainties that are currently considered immaterial and not included in this report may in the future impact our business operations and financial performance.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at bank level, as shown in the diagram below. These committees and forums operate together with risk management and are mandated by the IBP board. Investec Wealth & Investment Limited, a Financial Conduct Authority (FCA) regulated subsidiary of the bank, maintains an independent governance structure, comprising an independent board, audit committee, nomination committee, remuneration committee and risk committee. The membership of the Investec Wealth & Investment board includes both executive and non-executive directors. The Investec Wealth & Investment board and the Investec Wealth & Investment board committees report to the DLC board and the DLC board committees. Any matters relevant to IBP are communicated to the bank, in part, through having one or more directors of Investec group as members of the board committees of the bank.



Credit and counterparty risk management

Credit and counterparty risk description

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, through loans and advances to clients and counterparties, creating the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Financial instrument transactions, producing credit risk where payments due from the issuer of a financial instrument may not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party making required settlements as they fall due but not receiving the performance to which they are entitled
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to fulfil the transaction.

The relevant credit committees will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as over-the-counter (OTC) derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the risk management functions and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk governance structure

To manage, measure, monitor and mitigate credit and counterparty risk, independent credit committees exist in the UK which also have oversight to regions where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. There is a high level of executive involvement and oversight in the credit decision-making forums depending on the size and complexity of the deal. It is our policy that all centralised credit committees comprise voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the credit committees, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist Forums review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision. These committees review ECL impairments and staging at an asset level as well as potential fair value adjustments to loans and advances to customers and provide recommendations for the appropriate staging and level of ECL impairment where appropriate
- Forbearance Forum reviews and monitors counterparties who have been granted forbearance measures
- Impairment Decision Committee reviews recommendations from underlying watchlist Forums and considers and approves the appropriate level of ECL impairments and staging
- Models Forum provides an internal screening and validation process for credit models. We have established an independent model validation team who review the models and provide feedback on the accuracy and operation of the models and note items for further development through this forum.

Credit committees and the processes above have incorporated considerations and decisions with respect to the COVID-19 pandemic and resulting relief measures, staging and ECL in line with the bank's existing governance.

Credit and counterparty risk appetite

The IBP board has set a risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is approved at least annually and monitored on an ongoing basis by IBP BRCC, DLC BRCC and IBP board. Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, and any remedial actions agreed.

Our assessment of our clients and counterparties includes consideration of their character, integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

Target clients include high net worth and/or high-income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates should demonstrate scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow. Direct exposures to cyclical industries and start-up ventures are generally avoided.

We are client-centric in our approach and originate loans mainly with the intent of holding these assets to maturity, thereby developing a 'hands-on' and longstanding relationship.

Interbank lending is largely reserved for those banks and institutions in the bank's core geographies of activity, which are systemic and highly rated.

Concentration risk

Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk. In order to manage concentration, we will consider a sell down of exposures to market participants.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level.

Country risk

Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

To mitigate country risk, there is a preference for primary exposure in the bank's main operating geographies. The bank will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography and where we have developed a local understanding and capability.

The bank's credit risk appetite with regard to country risk is characterised by the following principles:

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is little specific appetite for exposures outside of the bank's pre-existing core geographies or target markets
- The legal environment should be tested, have legal precedent in line with Organisation for Economic Co-operation and Development (OECD) standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties, where deemed necessary and where considered economic.

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees, IBP ERC and where necessary, Group Risk Review and Reserved Matters Forum (GRRRMF) will consider, analyse and assess the appropriate foreign jurisdiction limits to be recorded when required.

Sustainability considerations

The bank has a holistic approach to sustainability. Our commitment to sustainability recognises the interconnected nature of our business, the economy, the environment and society. We play an important role in funding (both lending and in investing) a sustainable economy that is cognisant of the world's limited natural resources and promotes carbon reduction. We integrate environmental, social and governance (ESG) considerations into our day-to-day operations and decision-making to support a sustainable, long-term vision. The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

We are committed to respecting human rights and support internationally recognised principles, guidelines and voluntary standards dealing with ESG aspects including (but not exclusively) the following:

- 2030 Agenda and the UN Sustainable Development Goals
- UN Global Compact
- International Finance Corporation (IFC) to assess high and medium risk industries
- OECD Guidelines for Multinational Enterprises and export credits
- CDP (Carbon Disclosure Project)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Bankers Association of South Africa (BASA) guidelines for social and environmental risk
- United for Wildlife Financial Taskforce.

We fully apply the key provisions of the Equator Principles (EP). All transactions in non-designated countries are EP monitored and compliant. We report on these in our sustainability and ESG supplementary report on our website.

We have a number of policies that also guide decision-making from a sustainability perspective and we made our fossil fuel policy public on 31 March 2020. A variety of ESG considerations are considered by the credit committee or investment committee when making lending or investment decisions. There is also oversight by the DLC Social and Ethics Committee (DLC SEC) on social and environmental issues including climate related risks and opportunities.

In particular, the following factors are taken into account when assessing a transaction based on the outcome of the group sustainability considerations:

- Environmental considerations (including animal welfare and climate-related impacts)
- Social considerations (including human rights)
- Macro-economic considerations (including poverty, growth and unemployment).

www ***Refer to our 2020 group sustainability and ESG supplementary information on our website.***

Stress testing and portfolio management

The bank's stress testing framework is designed to identify and assess vulnerabilities under stress. The process comprises a bottom-up analysis of the bank's material business activities, incorporating views from risk management teams, business and the executive. Stress scenarios are designed based on findings from the bottom-up process, taking into consideration the broader macroeconomic, political risk backdrop and impacts of COVID-19.

These Investec-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

The bank also performs *ad hoc* stress tests and reverse stress testing. *Ad hoc* stress tests are conducted in response to any type of material and/or emerging risks, with reviews undertaken of impacted portfolios to assess any migration in quality and highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures. Reverse stress tests are conducted to stress IBP's business plan to failure and consider a broad variety of extreme and remote events.

Reviews are also undertaken of all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our bank credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets subject to ECL, as defined on page 308, are as described below:

Stage 1

Financial assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Stage 1 financial assets have loss allowances measured at an amount equal to 12-month ECL.

In line with regulatory and accounting bodies guidance, 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. Where relief measures are granted, there is no change in expectation of amounts due. These exposures will remain reported in Stage 1 for the foreseeable future, and will not be required to hold a lifetime ECL. At 31 March 2020, £399 million of gross core loans and advances had been granted some form of relief measures, of which £385 million were assets reported in Stage 1.

Stage 2

Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. A loss allowance equivalent to a lifetime ECL is required to be held.

The bank's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from watchlist committees and are under management review.

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice. The total amount of exposure forborne within Stage 2 and Stage 3 at 31 March 2020 was 1.1% of the total gross credit and counterparty exposures (31 March 2019: 1.2%)

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested on both a relative and absolute basis to assess whether a significant deterioration in lifetime risk of default has occurred. Currently there is a common definition across all exposures regarding what constitutes a significant PD movement. The test involves both an absolute and relative movement threshold. An asset is considered to have been subjected to a significant increase in credit risk if the appropriate PD has doubled relative to the value at origination, and on an absolute basis has increased by more than 1%. Any asset with an original rating that is classified as investment grade will be judged to have had a significant movement if the new PD would classify it as sub-investment grade and the equivalent rating has moved by more than three notches.

The bank assumes that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

Exposures move back to Stage 1 once they no longer meet the criteria above for a significant increase in credit risk and as cure periods (specifically relating to forborne exposures) are met.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence of credit impairment. The bank assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or the client is in receivership. Forborne loans that are considered non-performing, for example if a loan is not expected to meet the original contractual obligations in a reasonable timeframe, the loan will be classified as Stage 3.

Loans which are more than 90 days past due are considered to be in default.

Definition of default

The bank has aligned the IFRS 9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be forward-looking and therefore, potentially volatile.

A management overlay of £8 million (£8 million at 31 March 2019) was maintained at 31 March 2020 in addition to the bank's calculated model-driven ECL. This management overlay was initially due to the UK bank's limited experience of utilising model output for reporting purposes and uncertainty over the models' predictive capability. The overlays were designed to capture specific areas of model uncertainty during the initial adoption of IFRS 9. The model overlay methodology was enhanced during the year to give a clearer mechanism for release over time as the bank reduces the level of model uncertainty. The bank will assess the appropriateness of this management overlay and expect that it will continue to be unwound as the uncertainty of the models predictive capability reduces.

In addition to the model overlay, a new management overlay of £19 million (£nil at 31 March 2019) was introduced at 31 March 2020 to capture the worsened economic environment due to COVID-19 not yet captured in the models. Given the lack of a clear consensus forecast at the end of March along with consideration of regulatory guidance and significant levels of government measures announced, the updated macro-economic scenarios were applied by way of a management overlay. We will continue to review and refine our approach to economic scenarios given the evolving situation and significant uncertainty faced with respect to the economic outlook.

The assessment of the impacts from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The basis for the management overlay was a weighted consideration of two macro-economic scenarios, which were developed by Investec's economists to take account of the COVID-19 pandemic as at 31 March 2020, a COVID-19 short scenario and a COVID-19 long scenario. In addition, management considered the extent of the expected impact from government measures not captured in the scenarios as well as the expected trajectory of the recovery in applying the £19 million ECL overlay across the performing portfolio to capture risks not yet identified in the current models. In line with our previous approach Stage 3 ECLs continue to be assessed using expert credit judgement.

Further detail can be found on page 45.

Write-offs

A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is considered on a case-by-case basis. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Internal credit rating models and ECL methodology

Internal credit rating models cover all material asset classes. These internal credit rating models are also used for IFRS 9 modelling after adjusting for key differences. Internal credit models calculate through the economic cycle losses whereas IFRS 9 requires 12-month or lifetime point-in-time losses based on conditions at the reporting date and multiple economic scenario forecasts of the future conditions over the expected lives.

Further information on internal credit ratings is provided on page 62.

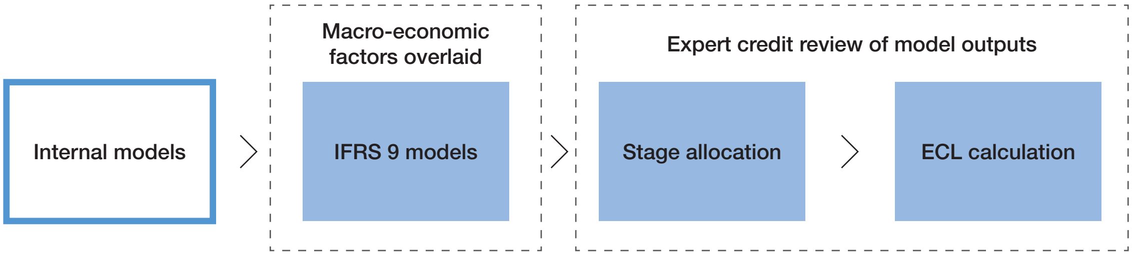
Key drivers of measurement uncertainty – subjective elements and inputs

The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:

- The assessment of a significant increase in credit risk;
- A range of forward-looking probability weighted macro-economic scenarios; and
- Estimations of probabilities of default, loss given default and exposures at default using models.

In addition to these drivers, some initial judgements and assumptions were required in the design and build of the bank's ECL methodology, which are not considered to have a material impact. This includes the use of income recognition effective interest rates (EIRs) in accordance with accounting standards, as the discount factor in the ECL calculation as well as the use of contractual maturity to assess behavioural lives. In addition, where we have experienced limitations on the availability of probability of default origination data for the historic book, a portfolio average has been used in some instances.

Process to determine ECL



ECLs are calculated using three main components:

- A probability of default (PD);
- A loss given default (LGD); and
- The exposure at default (EAD).

The 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The forecast value for the collateral is also affected by the range of forward-looking probability weighted macro-economic scenarios.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility.

The calculation of the 12-month ECL is based on the 12-month PD and LGD along with the EAD and effective interest rate (EIR) for the asset. Lifetime ECL is calculated using the lifetime PD curve, and the appropriate LGDs and EADs and discount rates derived from the EIR based on the remaining life of the financial asset.

Expert judgement models are also utilised for certain portfolios where the ECL is found to be minimal, either due to the portfolio's small relative size or the low default nature of these portfolios, such as cash and balances held at central banks.

Management adjustments are made to modelled output to account for situations where additional information and known or expected risk factors have not been captured in the modelling process.

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 IBP and DLC BRCC 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.

As we approached 31 March 2020 it was deemed appropriate to re-look at the macro-economic scenarios and revise our approach, given the significant deterioration in the economic environment due to the COVID-19 pandemic. Given the lack of a clear consensus forecast at the end of March along with consideration of regulatory guidance and significant levels of government measures announced, an additional set of updated macro-economic scenarios were applied resulting in a management overlay.

The COVID-19 pandemic is still in evolution, and while a better understanding of COVID-19 has been gained over the last few months from the experiences in other countries (particularly China), it is not yet certain how long it will take to contain the virus (flatten the curve globally), and how long the global economy will be negatively affected, with growing concerns that the negative impact of COVID-19 could continue into 2021.

A management overlay was considered the most appropriate way to capture the worsened economic environment given the significant levels of uncertainty and lack of supportable economic information to produce robust forecasts at this early stage of the pandemic as well as the unprecedented levels of government measures announced, which are not easily quantifiable in economic scenarios. We will continue to review and refine our approach to economic scenarios given the evolving situation and significant uncertainty faced with respect to the economic outlook. Determining the expected impact from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The basis for the management overlay was a weighted consideration of two macro-economic scenarios, which were developed by Investec's economists to take account the COVID-19 pandemic as at 31 March 2020, a COVID-19 short scenario and a COVID-19 long scenario described in further detail below. In addition, management considered the extent of the expected impact from government measures not captured in the scenarios as well as the expected trajectory of the recovery in applying a £19 million ECL overlay across the performing portfolio to capture risks not yet identified in the current models. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

The COVID-19 short scenario as at 31 March 2020 forecasts a peak to trough GDP contraction in 2020 of c.9.4%. The impact on GDP is anticipated to exceed that of the 2008/09 global financial crisis, although over a much shorter time frame. In the period immediately afterwards GDP is seen to rebound by around 4% as COVID restrictions are lifted and recovery continues through the fourth quarter of 2020. After this, as disruption from the virus remains at bay, the recovery continues but at a more moderate pace. Unemployment reaches 8.5% at its peak and, over the full forecast period, growth is not seen as sufficient to bring unemployment back to pre-COVID levels. Monetary policy is assumed to remain exceptionally stimulative throughout, with the BoE maintaining the bank rate at 0.10%, QE and liquidity schemes such as the Term Funding Scheme also remaining in place. This is also considered to be the case globally with respect to monetary policy and real estate prices are also impacted, to a lesser extent than the COVID-19 long scenario. Exceptional policy action from both central banks and governments is expected to help limit possible second round effects on economic activity, but in the short-term, action is unlikely to prevent a sharp global contraction, with a significant share of the world's population under some form of restricted movement. The weighting applied to this scenario was 75% to reflect the bank's view at 31 March 2020 of the potential severity and duration of the shock.

The COVID-19 long scenario has a similar GDP contraction as the COVID-19 short scenario, however, despite the recovery the overall economic environment remains weaker for longer in this scenario and only returns to its pre-scenario level by the fourth quarter of 2024. Unemployment peaks and then flattens at 8.0%. The assumption is that working population growth is also 0.5% per annum and so the jobless rate only begins to come down when GDP growth speeds up in late 2023. Rising unemployment and tighter credit conditions negatively impact the housing market where national house prices fall 20%, the retracement in London prices is slightly more pronounced falling 25%.

The scenarios described below were designed before COVID-19 became a global pandemic and hence they do not take into account the evolving situation surrounding the global spread of COVID-19. These scenarios incorporate a base case, an upside case and two down cases.

The base case scenario, envisages a modest strengthening in economic activity as uncertainties related to Brexit were lifted following the December General Election and the UK's exit from the EU on 31 January 2020. Further it is assumed that the UK leaves the transition period at the end of 2020 as planned. Meanwhile the domestic labour market is expected to remain tight, inflation is assumed to trend around the BoE's 2% target and house prices are forecast to see modest annual growth. Amidst this backdrop the BoE is assumed to raise interest rates very gradually from 2020 onwards. On a more global scale it is assumed that the trade tensions of 2019 begin to recede, removing a major headwind to global economic activity. As such, global growth is assumed to return to trend levels over the forecast horizon.

Since 30 September 2019, the base case average UK GDP growth over the forecast horizon has remained unchanged at 1.5%. However, following the UK's general election result and the UK's formal exit from the European Union (EU), near-term uncertainty around Brexit has receded and hence the weighting on the base case increased to 55% from the 45% disclosed at 30 September 2019 but lower than the 60% weighting on the base case at 31 March 2019. In addition, the downside 2 (domestic) scenario was replaced with a scenario that reflects the risk of a prolonged period of weak global economic growth, rather than one that focuses purely on domestic risks. This was in response to recent UK events which reduced the risks around Brexit and the fact that risks around subdued global growth remained prominent.

The down case scenarios were severe but plausible scenarios created based on Investec specific bottom-up stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity.

Two downsides were designed for use in modelling ECL.

These include a severe global economic shock, which encompasses a sharp repricing in risk assets, stresses in corporate debt markets and a material tightening in credit conditions, which culminates in a global recession. The second downside scenario envisages a situation whereby trade tensions escalate, industrial sector weakness continues and a recovery in global growth does not materialise. Amidst numerous headwinds to economic activity and uncertainty, a period of economic stagnation is witnessed over the entire forecast horizon.

The upside scenario assumes a global recovery in productivity growth following the subdued levels witnessed in the years following the 2008/09 global financial crisis. GDP growth strengthens both domestically and globally to above trend levels over a five-year horizon.

The scenarios include the same key economic factors shown in the table below, which are relevant for most portfolios. GDP growth was used as an indicator growth variable in the scenarios for all other macro-economic variables.

The table below shows the key factors that formed part of the initial set of UK and Other macro-economic scenarios (prior to the COVID-19 pandemic) and their relative applied weightings.

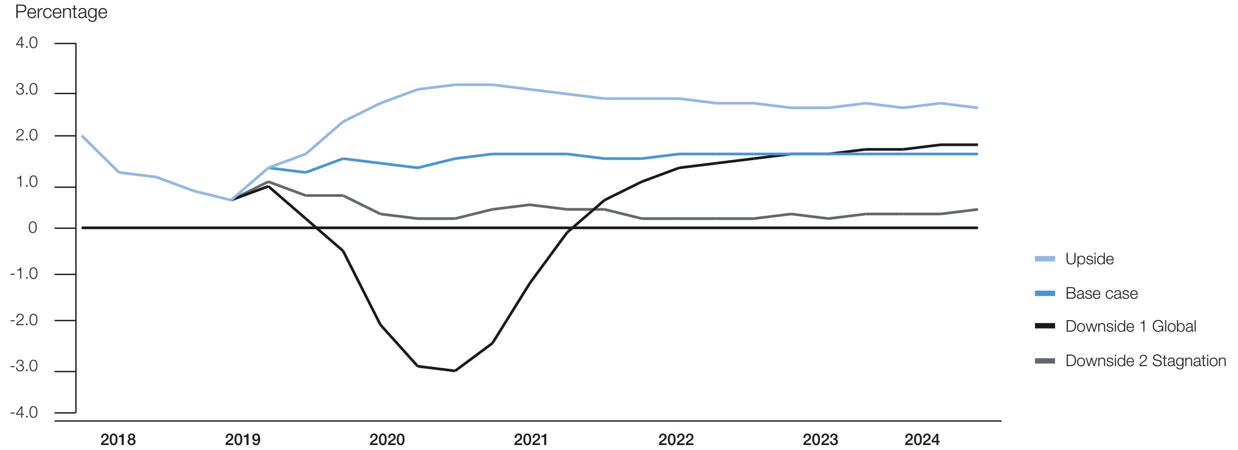
Macro-economic scenarios	**At 31 March 2020 average 2020 – 2025**				**At 31 March 2019 average 2019 – 2023**			
	Upside %	**Base case %**	**Downside 1 Global %**	**Downside 2 Stagnation %**	Upside %	Base case %	Downside 1 Global %	Downside 2 Domestic %
UK								
GDP growth	2.7	1.5	0.2	0.4	2.5	1.5	0.2	0.1
Unemployment rate	4.2	4.1	6.3	5.2	3.6	3.8	6.7	4.7
House price growth	2.8	2.5	(2.1)	(1.7)	3.4	3.3	(1.9)	(1.3)
Bank of England – Bank rate	2.3	1.2	0.2	0.0	2.7	1.9	0.1	0.2
Euro area								
GDP growth	2.7	1.4	0.3	0.2	2.1	1.6	0.2	1.4
US								
GDP growth	2.7	1.8	0.2	0.6	2.0	1.9	0.7	1.9
Scenario weightings	**10**	**55**	**15**	**20**	**13**	**60**	**14**	**13**

The following table shows annual averages of economic factors for the base case over a five-year forecast period.

	Financial years				
Base case %	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
UK					
GDP growth	1.4	1.5	1.6	1.6	1.6
Unemployment rate	3.9	4.1	4.1	4.2	4.2
House price growth	2.4	2.5	2.6	2.6	2.5
Bank of England – Bank rate	0.8	1.0	1.3	1.5	1.5
Euro area					
GDP growth	1.3	1.5	1.5	1.4	1.5
US					
GDP growth	1.8	2.1	1.7	1.8	1.8

The graph below shows the historic and Investec specific forecasted UK GDP under each scenarios.

Historic and forecast UK GDP growth Pre COVID-19 assumptions

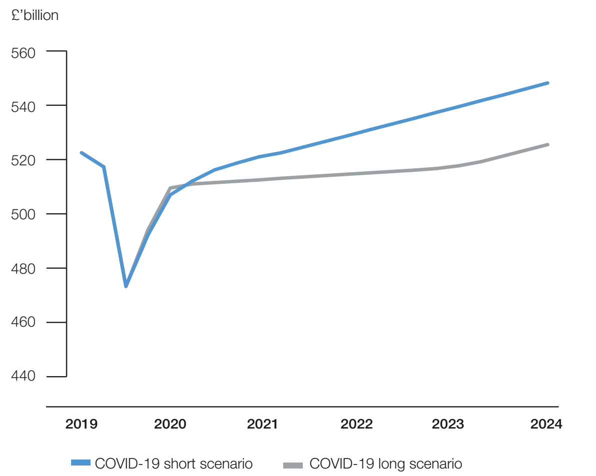


The tables below show the key macro-economic factors used in the COVID-19 scenarios and the relative weightings applied to each scenario which, taking into account government intervention, were used to apply an ECL overlay.

Macro-economic scenarios	At 31 March 2020 average 2020 – 2025	
	COVID-19 short scenario %	COVID-19 long scenario %
UK		
GDP growth	1.0	0.1
Unemployment rate	6.5	7.9
House price growth	0.5	(1.9)
Bank of England – Bank rate	0.1	0.1
Scenario weightings	**75**	**25**

March 2020 – 2025 Peak to trough %	COVID-19 short	COVID-19 long
GDP	(9.4)	(9.4)
Residential property prices	(14.6)	(20.0)
Commercial property prices	(21.8)	(32.2)

UK GDP forecast under COVID-19 assumptions



Macro-economic sensitivities (unaudited)

Pre COVID-19 the bank's most severe 100% scenario sensitivity was to the downside 1 global scenario, which would have resulted in an increase in ECLs, excluding credit assessed ECL and other management judgements, of approximately £15 million. Following the consideration of COVID-19 scenarios, an ECL overlay of £19 million was considered appropriate which is more severe than the 100% weighted scenarios in previous economic forecasts.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk include:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions are made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight
- Portfolio reviews and stress testing.

Within the credit approval process, internal and external ratings are included in the assessment of client quality.

A large proportion of the bank's portfolio is not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available to support our decision-making process.

Regular reporting of credit and counterparty risk exposures within our operating units are made to management, the executives, IBP BRCC and DLC BRCC. The IBP board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction.

Portfolio reviews and stress testing are undertaken on all material businesses, where the exposures are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk – nature of activities

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients as well as other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for the material ECL allowances across our portfolio, which are detailed on pages 58 to 66
- **Treasury function:** there are also certain exposures, outside of core loans and advances where we assume credit and counterparty risk. These arise primarily from treasury placements where the treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally and are typically investment grade rated. These counterparties are located in the UK, Western Europe, Asia, North America and Australia.

In addition, credit and counterparty risk arises through the following exposures:

- **Customer trading activities to facilitate hedging of client risk positions:** our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular, where they have an exposure to interest rates or foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked-to-market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default
- **Structured credit:** these are bonds secured against a pool of assets, mainly UK residential mortgages or European or US corporate leverage loans. The bonds are typically highly rated (single 'A' and above), which benefit from a high level of credit subordination and can withstand a significant level of portfolio default
- **Debt securities:** from time-to-time, we take on exposures by means of corporate debt securities rather than loan exposures. These transactions arise on the back of client relationships or knowledge of the corporate market and are based on our analysis of the credit fundamentals
- **Corporate advisory and investment banking activities:** counterparty risk in this area is modest. The business also trades shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security
- **Wealth & Investment:** primarily an agency business with a limited amount of principal risk. Its core business is discretionary investment management services. Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, monitored daily, and trades are usually settled within two to three days.

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which the bank seeks to decrease the credit risk associated with an exposure. The bank considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the bank has a charge over assets, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

As the bank has limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation.

Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued and assists the bank to recover outstanding exposures.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property; its location; and the ease with which the property could be relet and/or resold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum term of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business. Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at conservative loan-to-value ratios, after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. The primary market standard legal documents that govern this include the International Swaps and Derivatives Association (ISDA) Master Agreements, Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with market and trading counterparties in over-the-counter (OTC) derivatives, the credit committee may require a Credit Support Annex (CSA) to ensure that mark-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement.

Set-off has been applied between assets, subject to credit risk and related liabilities in the annual financial statements, where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/ counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason, there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

The bank places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the bank will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro-hedge against a group of exposures in one industry or geography. In these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2020 amounts to £1.5 million, of which all is used for credit mitigation purposes. Total protection bought amounts to £10.9 million and total protection sold amounts to £9.4 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 248.

The bank endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function of the bank ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which the bank operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

Credit and counterparty risk year in review

Net core loan book growth since 31 March 2019 was 12.8% to £11.8 billion at 31 March 2020. Growth in net core loans was driven by the residential owner-occupied mortgage portfolio, as well as diversified growth in other private client and corporate client lending portfolios together with selective lending collateralised by property, with loan to values at conservative levels.

Asset quality metrics before the COVID-19 pandemic reflected the solid performance of core loans. Pre COVID-19, the credit loss ratio was calculated at 0.34% for 31 March 2020 (31 March 2019: 0.38%), however, after taking into account the impacts from COVID-19 the overall credit loss ratio was 0.69%, largely reflecting a deterioration in macro-economic scenario forecasts modelled by applying £19 million ECL overlay as well as an amount related to a single name transaction impacted by the COVID-19 pandemic.

Stage 2 exposures totalled £576 million and remained low as a proportion of gross core loans subject to ECL at 5.1% at 31 March 2020, reduced from 5.8% at 31 March 2019.

Stage 3 totalled £379 million at 31 March 2020 or 3.3% of gross core loans subject to ECL (31 March 2019: 3.2%). Stage 3 exposures are well covered by ECLs. The percentage of Stage 3 loans (net of ECL but before taking collateral into account) to net core loans and advances subject to ECL amounted to 2.4% (31 March 2019: 2.2%). Stage 3 in the Ongoing book (excluding Legacy) totalled £249 million or 2.2% of gross core loans subject to ECL at 31 March 2020 (31 March 2019: 1.5%) driven by a small number of idiosyncratic movements into Stage 3. These exposures are adequately provisioned.

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £23.6 billion at 31 March 2020. Cash and near cash balances amounted to £6.0 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 99% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	31 March 2020	31 March 2019
Cash and balances at central banks	2 277	4 445
Loans and advances to banks	1 794	955
Reverse repurchase agreements and cash collateral on securities borrowed	1 627	633
Sovereign debt securities	1 689	1 299
Bank debt securities	51	52
Other debt securities	659	509
Derivative financial instruments	1 006	587
Securities arising from trading activities	498	530
Loans and advances to customers	12 007	10 636
Other loans and advances	197	216
Other securitised assets	8	8
Other assets	92	46
Total on-balance sheet exposures	**21 905**	**19 916**
Guarantees	77	85
Committed facilities related to loans and advances to customers	1 318	1 484
Contingent liabilities, letters of credit and other	269	412
Total off-balance sheet exposures	**1 664**	**1 981**
Total gross credit and counterparty exposures	**23 569**	**21 897**

A further analysis of gross credit and counterparty exposures

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

At 31 March 2020 £'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	2 277	–	2 277	–	–	2 277
Loans and advances to banks	1 794	–	1 794	–	–	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	1 627	84	1 543	–	–	1 627
Sovereign debt securities	1 689	604	1 085	–	–	1 689
Bank debt securities	51	51	–	–	–	51
Other debt securities	659	217	442	(1)	38	696
Derivative financial instruments	1 006	1 006	–	–	245	1 251
Securities arising from trading activities	498	498	–	–	85	583
Investment portfolio	–	–	–	–	351 *	351
Loans and advances to customers	12 007	653	11 354	(175)	–	11 832
Other loans and advances	197	–	197	–	70	267
Other securitised assets	8	8	–	–	98 ^^	106
Interest in associated undertakings and joint venture holdings	–	–	–	–	7	7
Deferred taxation assets	–	–	–	–	130	130
Other assets	92	–	92	–	1 370 **	1 462
Property and equipment	–	–	–	–	217	217
Investment properties	–	–	–	–	–	–
Goodwill	–	–	–	–	253	253
Intangible assets	–	–	–	–	75	75
Total on-balance sheet exposures	**21 905**	**3 121**	**18 784**	**(176)**	**2 939**	**24 668**
Guarantees	77	–	77	–	–	77
Committed facilities related to loans and advances to customers	1 318	48	1 270	(4)	–	1 314
Contingent liabilities, letters of credit and other	269	–	269	–	239	508
Total off-balance sheet exposures	**1 664**	**48**	**1 616**	**(4)**	**239**	**1 899**
Total exposures	**23 569**	**3 169**	**20 400**	**(180)**	**3 178**	**26 567**

^ *ECLs include £1.7 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.*

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

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

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

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

At 31 March 2019 £'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	4 445	–	4 445	–	–	4 445
Loans and advances to banks	955	–	955	–	–	955
Reverse repurchase agreements and cash collateral on securities borrowed	633	25	608	–	–	633
Sovereign debt securities	1 299	319	980	–	–	1 299
Bank debt securities	52	52	–	–	–	52
Other debt securities	509	275	234	(1)	–	508
Derivative financial instruments	587	587	–	–	56	643
Securities arising from trading activities	530	530	–	–	268	798
Investment portfolio	–	–	–	–	486 *	486
Loans and advances to customers	10 636	772	9 864	(149)	–	10 487
Other loans and advances	216	–	216	–	30	246
Other securitised assets	8	8	–	–	110 ^^	118
Interest in associated undertakings and joint venture holdings	–	–	–	–	9	9
Deferred taxation assets	–	–	–	–	133	133
Other assets	46	–	46	–	802 **	848
Property and equipment	–	–	–	–	95	95
Investment properties	–	–	–	–	15	15
Goodwill	–	–	–	–	261	261
Intangible assets	–	–	–	–	88	88
Total on-balance sheet exposures	**19 916**	**2 568**	**17 348**	**(150)**	**2 353**	**22 119**
Guarantees	85	–	85	–	–	85
Committed facilities related to loans and advances to customers	1 484	43	1 441	(2)	–	1 482
Contingent liabilities, letters of credit and other	412	–	412	–	28	440
Total off-balance sheet exposures	**1 981**	**43**	**1 938**	**(2)**	**28**	**2 007**
Total exposures	**21 897**	**2 611**	**19 286**	**(152)**	**2 381**	**24 126**

^ *ECLs include £1.4 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.*

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

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

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

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2020 £'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	2 277	–	–	–	–	–	2 277
Loans and advances to banks	1 720	–	54	20	–	–	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	1 467	110	–	50	–	–	1 627
Sovereign debt securities	760	80	76	207	77	489	1 689
Bank debt securities	–	–	51	–	–	–	51
Other debt securities	43	1	9	77	112	417	659
Derivative financial instruments	148	134	182	249	214	79	1 006
Securities arising from trading activities	1	–	1	56	73	367	498
Loans and advances to customers	1 081	927	1 243	6 607	1 478	671	12 007
Other loans and advances	30	–	–	–	48	119	197
Other securitised assets	–	–	–	–	–	8	8
Other assets	92	–	–	–	–	–	92
Total on-balance sheet exposures	**7 619**	**1 252**	**1 616**	**7 266**	**2 002**	**2 150**	**21 905**
Guarantees	7	–	6	44	20	–	77
Committed facilities related to loans and advances to customers	35	90	121	815	202	55	1 318
Contingent liabilities, letters of credit and other	29	32	24	138	46	–	269
Total off-balance sheet exposures	**71**	**122**	**151**	**997**	**268**	**55**	**1 664**
Total gross credit and counterparty exposures	**7 690**	**1 374**	**1 767**	**8 263**	**2 270**	**2 205**	**23 569**

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 2020 £'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
Cash and balances at central banks	–	–	–	–	2 277	–	–
Loans and advances to banks	–	–	–	–	–	–	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–	1 627
Sovereign debt securities	–	–	–	–	1 689	–	–
Bank debt securities	–	–	–	–	–	–	51
Other debt securities	–	–	–	44	7	8	344
Derivative financial instruments	1	6	–	120	2	16	542
Securities arising from trading activities	–	–	–	–	372	–	122
Loans and advances to customers	3 134	2 012	8	453	213	1 121	1 781
Other loans and advances	–	–	–	–	–	–	174
Other securitised assets	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	92
Total on-balance sheet exposures	**3 135**	**2 018**	**8**	**617**	**4 560**	**1 145**	**6 527**
Guarantees	15	–	–	1	–	–	53
Committed facilities related to loans and advances to customers	112	346	–	190	36	142	253
Contingent liabilities, letters of credit and other	18	–	–	182	–	4	49
Total off-balance sheet exposures	**145**	**346**	**–**	**373**	**36**	**146**	**355**
Total gross credit and counterparty exposures	**3 280**	**2 364**	**8**	**990**	**4 596**	**1 291**	**6 882**

Retailers and wholesalers	Manufac-turing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Com-munication	**Total**
–	–	–	–	–	–	–	–	–	2 277
–	–	–	–	–	–	–	–	–	1 794
–	–	–	–	–	–	–	–	–	1 627
–	–	–	–	–	–	–	–	–	1 689
–	–	–	–	–	–	–	–	–	51
–	–	–	163	–	–	–	85	8	659
23	26	1	–	12	50	–	205	2	1 006
4	–	–	–	–	–	–	–	–	498
293	876	120	–	144	237	192	1 194	229	12 007
–	–	–	23	–	–	–	–	–	197
–	–	–	8	–	–	–	–	–	8
–	–	–	–	–	–	–	–	–	92
320	**902**	**121**	**194**	**156**	**287**	**192**	**1 484**	**239**	**21 905**
1	–	–	–	1	–	–	6	–	77
22	34	6	–	41	94	–	21	21	1 318
5	1	–	–	–	10	–	–	–	269
28	**35**	**6**	**–**	**42**	**104**	**–**	**27**	**21**	**1 664**
348	**937**	**127**	**194**	**198**	**391**	**192**	**1 511**	**260**	**23 569**

Detailed analysis of gross credit and counterparty exposures by industry *(continued)*

At 31 March 2019 £'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
Cash and balances at central banks	–	–	–	–	4 445	–	–
Loans and advances to banks	–	–	–	–	–	–	955
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–	633
Sovereign debt securities	–	–	–	–	1 299	–	–
Bank debt securities	–	–	–	–	–	–	52
Other debt securities	–	–	–	29	7	29	172
Derivative financial instruments	12	1	1	54	8	10	393
Securities arising from trading activities	–	–	–	–	420	–	110
Loans and advances to customers	2 332	1 958	7	414	207	892	1 634
Other loans and advances	–	–	–	–	–	–	141
Other securitised assets	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	46
Total on-balance sheet exposures	**2 344**	**1 959**	**8**	**497**	**6 386**	**931**	**4 136**
Guarantees	18	3	–	–	–	–	58
Committed facilities related to loans and advances to customers	145	368	–	150	39	79	340
Contingent liabilities, letters of credit and other	–	–	–	296	–	–	35
Total off-balance sheet exposures	**163**	**371**	**–**	**446**	**39**	**79**	**433**
Total gross credit and counterparty exposures	**2 507**	**2 330**	**8**	**943**	**6 425**	**1 010**	**4 569**

Retailers and wholesalers	Manufac-turing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Com-munication	**Total**
–	–	–	–	–	–	–	–	–	4 445
–	–	–	–	–	–	–	–	–	955
–	–	–	–	–	–	–	–	–	633
–	–	–	–	–	–	–	–	–	1 299
–	–	–	–	–	–	–	–	–	52
–	–	19	167	–	–	–	79	7	509
18	20	3	–	9	12	1	45	–	587
–	–	–	–	–	–	–	–	–	530
331	815	99	–	177	175	242	1 132	221	10 636
–	–	–	75	–	–	–	–	–	216
–	–	–	8	–	–	–	–	–	8
–	–	–	–	–	–	–	–	–	46
349	**835**	**121**	**250**	**186**	**187**	**243**	**1 256**	**228**	**19 916**
–	–	–	–	–	–	–	6	–	85
53	81	–	–	59	121	15	16	18	1 484
3	46	–	–	–	28	4	–	–	412
56	**127**	**–**	**–**	**59**	**149**	**19**	**22**	**18**	**1 981**
405	**962**	**121**	**250**	**245**	**336**	**262**	**1 278**	**246**	**21 897**

The tables that follow provide information on gross core loans and advances.

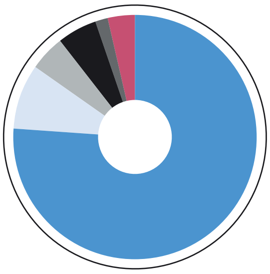
Composition of core loans and advances

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

£'million	31 March 2020	31 March 2019
Loans and advances to customers per the balance sheet	11 834	10 488
ECL held against FVOCI loans reported on the balance sheet within reserves	(2)	(1)
Net core loans and advances	**11 832**	**10 487**
of which subject to ECL*	11 179	9 715
of which FVPL	653	772
Add: ECL	175	149
Gross core loans and advances	**12 007**	**10 636**
of which subject to ECL*	11 354	9 864
of which FVPL	653	772

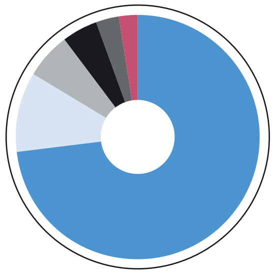
* *Refer to definitions on page 308.*

An analysis of gross core loans and advances by country of exposure



31 MARCH 2020
£12 007 million

76.2%	United Kingdom
8.6%	Europe (excluding UK)
4.8%	North America
5.3%	Australia
1.7%	Asia
3.4%	Other



31 MARCH 2019
£10 636 million

73.3%	United Kingdom
10.4%	Europe (excluding UK)
6.1%	North America
4.7%	Australia
3.1%	Asia
2.4%	Other

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

The tables that follow provide information with respect to the asset quality of our gross core loans and advances on a statutory basis. Our exposure (net of ECL) to the Legacy portfolio* has further reduced from £131 million at 31 March 2019 to £111 million at 31 March 2020. These assets are substantially impaired and are largely reported under Stage 3 indicated below.

An analysis of gross core loans and advances subject to ECL by stage

£'million	**31 March 2020**	31 March 2019
Gross core loans and advances subject to ECL	**11 354**	**9 864**
Stage 1	10 399	8 969
Stage 2	576	576
of which past due greater than 30 days	*31*	*13*
Stage 3	379	319
of which Ongoing (excluding Legacy) Stage 3*	*249*	*149*
Gross core loans and advances subject to ECL (%)		
Stage 1	91.6%	91.0%
Stage 2	5.1%	5.8%
Stage 3	3.3%	3.2%
of which Ongoing (excluding Legacy) Stage 3*	*2.2%*	*1.5%*

An analysis of ECL impairments on gross core loans and advances subject to ECL

£'million	**31 March 2020**	31 March 2019
ECL impairment charges on core loans and advances	(74)	(36)
Average gross core loans and advances subject to ECL	10 609	9 371
Credit loss ratio	**0.69%**	**0.38%**

£'million	**31 March 2020**	31 March 2019
ECL	**(175)**	**(149)**
Stage 1	(37)	(14)
Stage 2	(31)	(27)
Stage 3	(107)	(108)
of which Ongoing (excluding Legacy) Stage 3*	*(62)*	*(35)*
Coverage ratio (%)		
Stage 1	0.4%	0.2%
Stage 2	5.4%	4.7%
Stage 3	28.2%	33.9%
of which Ongoing (excluding Legacy) Stage 3*	*24.9%*	*23.5%*

* *Refer to definitions on page 308.*

A further analysis of Stage 3 gross core loans and advances subject to ECL

£'million	31 March 2020	31 March 2019
Stage 3 net of ECL	272	211
of which Ongoing (excluding Legacy) Stage 3*	187	*114*
Aggregate collateral and other credit enhancements on Stage 3	274	228
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	3.3%	3.2%
of which Ongoing (excluding Legacy) Stage 3*	*2.2%*	*1.5%*
Total ECL as a % of Stage 3 exposure	46.2%	46.7%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	2.4%	2.2%
of which Ongoing (excluding Legacy) Stage 3*	*1.7%*	*1.2%*

* *Refer to definitions on page 308.*

Stage 1: 91.6% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12-month expected loss. Coverage for these performing, non-deteriorated assets is 0.4%.

Stage 2: 5.1% of gross exposure is in Stage 2. These assets require a lifetime expected loss to be held. Only £31 million or 0.3% of gross core loans and advances subject to ECL are shown in Stage 2 as greater than 30 days past due. £129 million or 22.3% of Stage 2 assets have been categorised as such due to a significant model driven increase in credit risk since origination. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 3.3% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. This has increased slightly from 3.2% at 31 March 2019. Coverage ratio totals 28.2% and the remaining net exposure is considered well covered by collateral. The legacy portfolio is predominantly reported in Stage 3 and makes up 34.3% of Stage 3 gross loans. These assets have been significantly provided for and coverage for these assets remains high at 34.6%. Excluding Legacy, Ongoing Stage 3 exposure totals £249 million or 2.2% of gross core loans and advances subject to ECL.

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

The table below indicates underlying movements in gross core loans and advances subject to ECL from 31 March 2019 to 31 March 2020. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. There have been greater movements into Stage 2 and Stage 3 than in the previous year, in part due to small ticket asset finance, however, this has been offset by a significant amount of repayments in these stages. 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 bank's COVID-19 ECL overlay of £19 million as well as updated macro-economic scenarios and relative weightings prior to the COVID-19 pandemic. Foreign exchange and other category largely comprises impact on the closing balance as a result of movements in foreign exchange rates since the opening date, 31 March 2019. Further analysis as at 31 March 2020 of gross core loans and advances subject to ECL and their ECL balances is shown in 'An analysis of core loans and advances by risk category' on the following pages.

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 1 April 2018	**7 721**	**(15)**	**592**	**(40)**	**564**	**(192)**	**8 877**	**(247)**
Transfer from Stage 1	(210)	1	184	(1)	26	–	–	–
Transfer from Stage 2	124	(2)	(177)	9	53	(7)	–	–
Transfer from Stage 3	9	(1)	14	(2)	(23)	3	–	–
ECL remeasurement arising from transfer of stage	–	2	–	(3)	–	(12)	–	(13)
New lending net of repayments (includes assets written off)	1279	(6)	(42)	2	(303)	96	934	92
Changes to risk parameters and models	–	7	–	9	–	5	–	21
Foreign exchange and other	46	–	5	(1)	2	(1)	53	(2)
At 31 March 2019	**8 969**	**(14)**	**576**	**(27)**	**319**	**(108)**	**9 864**	**(149)**
Transfer from Stage 1	(298)	1	254	(1)	44	–	–	–
Transfer from Stage 2	69	(1)	(140)	2	71	(1)	–	–
Transfer from Stage 3	1	–	1	–	(2)	–	–	–
ECL remeasurement arising from transfer of stage	–	1	–	(2)	–	(14)	–	(15)
New lending net of repayments (includes assets written off)	1 630	(7)	(118)	2	(53)	18	1 459	13
Changes to risk parameters and models	–	(17)	–	(5)	–	(1)	–	(23)
Foreign exchange and other	28	–	3	–	–	(1)	31	(1)
At 31 March 2020	**10 399**	**(37)**	**576**	**(31)**	**379**	**(107)**	**11 354**	**(175)**

An analysis of credit quality by internal rating grade

The bank uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the bank to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to default probabilities (PDs) and can also be mapped to external rating agency scales.

Investec internal rating scale	Indicative external rating scale
IB01 – IB12	AAA to BBB-
IB13 – IB19	BB+ to B-
IB20 – IB25	B- and below
Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 31 March 2020 for gross core loans and advances subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 31 March 2020 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**5 782**	**5 022**	**171**	**379**	**11 354**
Stage 1	5 712	4 595	92	–	10 399
Stage 2	70	427	79	–	576
Stage 3	–	–	–	379	379
ECL	**(5)**	**(51)**	**(12)**	**(107)**	**(175)**
Stage 1	(4)	(32)	(1)	–	(37)
Stage 2	(1)	(19)	(11)	–	(31)
Stage 3	–	–	–	(107)	(107)
Coverage ratio	**0.1%**	**1.0%**	**7.0%**	**28.2%**	**1.5%**

At 31 March 2019 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**4 720**	**4 627**	**198**	**319**	**9 864**
Stage 1	4 668	4 183	118	–	8 969
Stage 2	52	444	80	–	576
Stage 3	–	–	–	319	319
ECL	**(3)**	**(32)**	**(6)**	**(108)**	**(149)**
Stage 1	(2)	(11)	(1)	–	(14)
Stage 2	(1)	(21)	(5)	–	(27)
Stage 3	–	–	–	(108)	(108)
Coverage ratio	**0.1%**	**0.7%**	**2.5%**	**33.9%**	**1.5%**

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

Client quality and expertise are at the core of our credit philosophy. We typically provide senior debt for property transactions, with a strong preference for income producing assets supported by an experienced sponsor providing a material level of cash equity investment into the asset. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality and income diversity for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan-to-security value ratios.

Year in review

Lending collateralised by property continued to reduce as a proportion of our net core loan exposures in line with risk appetite and totalled £1.9 billion or 16.5% at 31 March 2020. New lending is largely against income-producing commercial and residential properties at conservative loan-to-values. The bulk of property collateralised assets are located in the UK. The portfolio is well positioned to withstand COVID-19, with diverse underlying assets, limited direct exposure to retail and hotel and leisure properties and experienced sponsors behind the exposures. Underwriting criteria remains conservative and we are committed to following a client-centric approach to lending, only supporting counterparties with strong balance sheets and requisite expertise.

	Gross core loans and advances at amortised cost and FVOCI								**Gross core loans and advances at FVPL**	**Gross core loans and advances**
	Stage 1		**Stage 2**		**Stage 3**		**Total**			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Commercial real estate	**983**	**(1)**	**105**	**(12)**	**125**	**(12)**	**1 213**	**(25)**	**42**	**1 255**
Commercial real estate – investment	803	(1)	99	(11)	122	(12)	1 024	(24)	38	1 062
Commercial real estate – development	180	–	–	–	3	–	183	–	4	187
Commercial vacant land and planning	–	–	6	(1)	–	–	6	(1)	–	6
Residential real estate	**607**	**–**	**12**	**–**	**108**	**(39)**	**727**	**(39)**	**30**	**757**
Residential real estate – investment	253	–	8	–	36	(12)	297	(12)	28	325
Residential real estate – development	354	–	3	–	38	(8)	395	(8)	–	395
Residential vacant land and planning	–	–	1	–	34	(19)	35	(19)	2	37
Total lending collateralised by property	**1 590**	**(1)**	**117**	**(12)**	**233**	**(51)**	**1 940**	**(64)**	**72**	**2 012**
Coverage ratio	**0.06%**		**10.26%**		**21.89%**		**3.30%**			
At 31 March 2019										
Commercial real estate	**908**	**(1)**	**158**	**(11)**	**106**	**(22)**	**1 172**	**(34)**	**11**	**1 183**
Commercial real estate – investment	790	(1)	149	(10)	104	(22)	1 043	(33)	10	1 053
Commercial real estate – development	118	–	3	–	–	–	121	–	1	122
Commercial vacant land and planning	–	–	6	(1)	2	–	8	(1)	–	8
Residential real estate	**599**	**–**	**14**	**–**	**122**	**(53)**	**735**	**(53)**	**40**	**775**
Residential real estate – investment	330	–	9	–	29	(11)	368	(11)	35	403
Residential real estate – development	268	–	2	–	57	(24)	327	(24)	3	330
Residential vacant land and planning	1	–	3	–	36	(18)	40	(18)	2	42
Total lending collateralised by property	**1 507**	**(1)**	**172**	**(11)**	**228**	**(75)**	**1 907**	**(87)**	**51**	**1 958**
Coverage ratio	**0.07%**		**6.40%**		**32.89%**		**4.56%**			

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

Our private banking activities target high net worth individuals and high income active wealth creators. Lending products are tailored to meet the requirements of our clients and deliver solutions to enable target clients to create and manage their wealth. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been defined to include high net worth clients (who, through diversification of income streams, will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream, irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- **Mortgages:** provides residential mortgage loan facilities to high net worth individuals and high-income professionals tailored to their individual needs
- **High net worth and specialised lending:** provides tailored credit facilities to high net worth individuals and their controlled entities as well as portfolio loans to high net worth clients against their investment portfolio typically managed by Investec Wealth & Investment.

Year in review

High net worth and other private client lending increased by 34.4% year on year, driven by strong targeted growth in mortgages for the bank's high net worth target market clients, as we further leverage our UK private banking platform and franchise. Growth in this area has been achieved with strong adherence to our conservative lending appetite, which is expected to provide adequate protection through the weakened economic environment as a result of the COVID-19 pandemic.

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Mortgages	2 438	(2)	19	–	28	(1)	2 485	(3)	–	2 485
High net worth and specialised lending	620	–	11	(1)	4	(3)	635	(4)	14	649
Total high net worth and other private client lending	**3 058**	**(2)**	**30**	**(1)**	**32**	**(4)**	**3 120**	**(7)**	**14**	**3 134**
Coverage ratio	**0.07%**		**3.33%**		**12.50%**		**0.22%**			
At 31 March 2019										
Mortgages	1 778	–	22	(1)	25	(1)	1 825	(2)	–	1 825
High net worth and specialised lending	474	–	14	(1)	4	(3)	492	(4)	15	507
Total high net worth and other private client lending	**2 252**	**–**	**36**	**(2)**	**29**	**(4)**	**2 317**	**(6)**	**15**	**2 332**
Coverage ratio	**–**		**5.56%**		**13.79%**		**0.26%**			

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

We focus on traditional client-driven corporate lending activities. The credit risk management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, its business model and market positioning, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance, is taken where they are deemed appropriate.

The bank has limited appetite for unsecured credit risk and facilities are typically secured on the assets of the underlying borrower as well as shares in the borrower.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within our corporate lending business is provided below:

- **Corporate and acquisition finance:** provides senior secured loans to proven management teams and sponsors running mid-cap, as well as some large-cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business demonstrated by both historical and forecast information. We typically act as transaction lead arranger or on a club or bi-lateral basis, and have a close relationship with management and sponsors
- **Asset-based lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is the UK, Western Europe, North America and Australia where the bank can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities are typically to fund vehicles which are secured against undrawn limited partner commitments and/or the funds underlying assets
- **Other corporate and financial institutions and governments:** provides senior secured loans to mid-large cap companies where credit risk is typically considered with respect to robust cash generation from an underlying asset and supported by performance of the overall business based on both historical and forecast information
- **Small ticket asset finance:** provides funding to small- and medium-sized corporates to support asset purchases (including motor vehicles) and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed
- **Large ticket asset finance:** provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure
- **Power and infrastructure finance:** arranges and provides typically long-term financing for power and infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, typically against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is a requirement for a strong upfront equity contribution from an experienced sponsor
- **Resource finance:** arranges debt and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in the UK, Canada or Australia. All facilities are secured by the borrower's assets and repaid from mining cash flows.

Year in review

Corporate and other lending increased by 7.4% from £6.3 billion at 31 March 2019 to £6.8 billion at 31 March 2020. Growth has been well diversified across several asset classes and industries. We continue to remain client-focused in our approach, with good quality corporates exhibiting strong cash flows and balance sheets.

As a result of the COVID-19 pandemic, we continue to monitor developments closely, in particular in the sub-sectors most affected to date which includes the aviation portfolio due to the temporary shutdown of this industry and small ticket asset finance due to the nature of the underlying borrower.

The aviation portfolio, reported under both 'large ticket asset finance', and 'other corporate and financial institutions and governments', totalled £483 million of gross core loans at 31 March 2020. A large portion of this portfolio is reported under FVPL. There is no unsecured corporate exposure to the airline industry. The majority of the exposure is either senior secured on aircraft with conservative loan to value ratios, to flag carriers who are likely to be supported by their respective governments during this period or to lessors, rather than direct to airlines, where these companies have substantial balance sheets which are continuing to support debt service. We continue to closely monitor these exposures given the significant disruption to this industry as a result of COVID-19, albeit the underlying transactions are well structured and underpinned by good assets.

Small ticket asset finance borrowers are predominantly in the UK SME market and as a result have been affected by COVID-19, however, this business (average ticket size of £10 000 – £25 000) covers a broad range of sectors and actively seeks to avoid concentration to any particular industry. In addition, there are diversified underlying assets including office equipment, business critical hardware and software, mechanised materials handling as well as motor vehicles/light commercial vehicles with a focus on hard assets. The government schemes announced are expected to directly support the clients within this business as well as in other areas of corporate and other lending.

Corporate and other lending

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Corporate and acquisition finance	1 524	(17)	147	(6)	40	(21)	1 711	(44)	91	1 802
Asset-based lending	367	(2)	36	(1)	–	–	403	(3)	20	423
Fund finance	1 293	(2)	–	–	–	–	1 293	(2)	21	1 314
Other corporate and financial institutions and governments	574	(2)	4	–	13	(1)	591	(3)	170	761
Asset finance	1 603	(11)	165	(8)	53	(30)	1 821	(49)	185	2 006
Small ticket asset finance	1 578	(11)	143	(7)	28	(15)	1 749	(33)	–	1 749
Large ticket asset finance	25	–	22	(1)	25	(15)	72	(16)	185	257
Power and infrastructure finance	339	–	77	(3)	8	–	424	(3)	80	504
Resource finance	51	–	–	–	–	–	51	–	–	51
Total corporate and other lending	**5 751**	**(34)**	**429**	**(18)**	**114**	**(52)**	**6 294**	**(104)**	**567**	**6 861**
Coverage ratio	**0.59%**		**4.20%**		**45.61%**		**1.65%**			
At 31 March 2019										
Corporate and acquisition finance	1 328	(5)	125	(3)	–	–	1 453	(8)	212	1 665
Asset-based lending	314	–	53	(1)	–	–	367	(1)	–	367
Fund finance	1 156	(1)	–	–	–	–	1 156	(1)	55	1 211
Other corporate and financial institutions and governments	396	(1)	27	(1)	–	–	423	(2)	219	642
Asset finance	1 599	(6)	108	(6)	56	(28)	1 763	(40)	171	1 934
Small ticket asset finance	1 451	(6)	86	(5)	26	(14)	1 563	(25)	–	1 563
Large ticket asset finance	148	–	22	(1)	30	(14)	200	(15)	171	371
Power and infrastructure finance	404	–	55	(3)	6	(1)	465	(4)	37	502
Resource finance	13	–	–	–	–	–	13	–	12	25
Total corporate and other lending	**5 210**	**(13)**	**368**	**(14)**	**62**	**(29)**	**5 640**	**(56)**	**706**	**6 346**
Coverage ratio	**0.25%**		**3.80%**		**46.77%**		**0.99%**			

Investment risk in the banking book

Investment risk description

Investment risk in the banking book comprises 1.6% of total assets at 31 March 2020 and arises primarily from the following activities conducted within the bank:

- **Principal investments:** Principal Investments focusses on providing capital to entrepreneurs and management teams to further their growth ambitions and leveraging third party capital into funds that are relevant to our client base. This is achieved through working together with our franchise businesses. Investments are selected based on:
  - The track record of management;
  - Attractiveness of the industry and the positioning therein;
  - Valuation/pricing fundamentals;
  - Environmental and sustainability analyses;
  - Exit possibilities and timing thereof; and
  - The ability to build value by implementing an agreed strategy.

  Investments in listed shares may arise on an IPO, or sale of an investment to a listed company. There is limited appetite for listed investments
- **Lending transactions:** The manner in which certain transactions are structured results in equity, warrants or profit shares being held, predominantly within unlisted companies
- **Property activities:** We undertake development, investment and trading opportunities in support of clients to create value within agreed risk parameters.

Management of investment risk

As investment risk arises from a variety of activities conducted by the bank, the monitoring and measurement thereof varies across transactions and/or type of activity. Independent investment committees exist in the UK which provide oversight to the regions where we assume investment risk.

Risk appetite limits and targets are set to manage our exposure to equity and investment risk and reported to IBP BRCC. An assessment of exposures against limits and targets as well as stress testing scenario analyses are performed and reported to IBP BRCC. As a matter of course, concentration risk is avoided and investments are spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 191 to 195 and pages 222 to 236 for factors taken into consideration in determining fair value.

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 200. In addition, revaluations of certain assets reported below relating to the Hong Kong direct investments business can be found on page 297. The balance sheet value of investments is indicated in the table below.

£'million **Category**	**On-balance sheet value of investments 31 March 2020**	**Valuation change stress test 31 March 2020***	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*
Unlisted investments	343	51	465	70
Listed equities	8	2	21	5
Total investment portfolio	**351**	**53**	**486**	**75**
Investment and trading properties	36	7	70	13
Warrants and profit shares	2	1	19	6
Total	**389**	**61**	**575**	**94**

* *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%
Investment properties	10%
Warrants and profit shares	35%

Stress testing summary

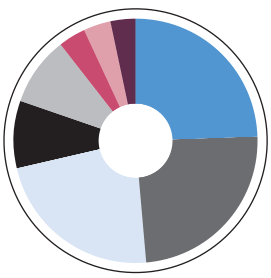
Based on the information at 31 March 2020, as reflected above, we could have a £61 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the bank to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is low, although the probability of listed equities being negatively impacted at the same time is high. To date our experience through the COVID-19 pandemic has been that certain exposures have been negatively impacted for idiosyncratic reasons, albeit the small listed equities book at 31 March 2020 was impacted substantially due to the significant global share price falls during March 2020.

Capital requirements

In terms of Capital Requirements Directive IV (CRD IV) capital requirements for the bank, unlisted and listed equities within the banking book, investment properties, warrants and profit shares are all considered in the calculation of capital required for credit risk.

Refer to page 94 for further detail.

An analysis of the investment portfolio, warrants and profit shares



31 MARCH 2020
£353 million

24.6%	Finance and insurance
24.2%	Real estate
22.6%	Manufacturing and commerce
9.1%	Communication
9.0%	Retailers and wholesalers
3.8%	Business services
3.6%	Transport
3.1%	Other

Securitisation/structured credit activities exposures

Overview

Securitisation transactions provide the bank with a cost effective, alternative source of financing.

The bank's definition of securitisation/structured credit activities is wider than the definition as applied for regulatory purposes in that it groups all related activities in order for the reviewer to obtain a full picture of the exposures in this space. Some of the information provided below overlaps with the bank's credit and counterparty exposure information.

For regulatory purposes, the securitisation definition focuses on positions we hold in an investor capacity and also includes securitisation positions we have retained in transactions in which the bank has achieved significant risk transfer.

The new securitisation framework was adopted in the EU in December 2017 and applied from 1 January 2019. Assets securitised prior to 1 January 2019 remained subject to the original standards until the end of December 2019. From 1 January 2020 the bank has been applying the new securitisation framework to all securitisation positions.

During the year we did not undertake any new securitisation transactions. We hold rated structured credit instruments. These exposures are UK and US exposures and amounted to £522 million at 31 March 2020 (31 March 2019: £462 million) with 98.7% being AA and AAA rated and 1.1% being A rated.

Accounting policies

Refer to page 193.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with approval required from credit. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes since the bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the bank's appetite for such exposures, and each exposure is considered relative to its overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the bank prefers to address and manage these risks by only approving exposures to which the bank has explicit appetite through the constant and consistent application of the risk appetite policy.

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 31 March 2020 £'million**	Exposure 31 March 2019 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	528	469	Other debt securities and other loans and advances
Rated	522	462	
Unrated	6	7	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	**Total**
US corporate loans	278	56	–	–	–	–	334	–	334
UK RMBS	97	84	6	1	–	–	188	6	194
Total at 31 March 2020	**375**	**140**	**6**	**1**	**–**	**–**	**522**	**6**	**528**
Total at 31 March 2019	**192**	**224**	**44**	**–**	**2**	**–**	**462**	**7**	**469**

Market risk in the trading book

Traded market risk description

Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, exchange rates, commodity prices, credit spreads and their underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses.

Traded market risk profile

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.

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have independent market risk teams to identify, measure, monitor and manage market risk.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight. The Market Risk Forum, mandated by the IBP BRCC, manages market risk in accordance with approved principles, policies and risk appetite. Trading desk risk limits are reviewed by the Market Risk Forum and IBP ERC in accordance with the risk appetite defined by the IBP board. Any significant changes in risk limits would then be taken to GRRRMF for review and approval. The appropriateness of limits is continually re-assessed, with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

Measurement of traded market risk

A number of quantitative measures are used to monitor and limit exposure to traded market risk. These measures include:

- Value at Risk (VaR) and Expected Shortfall (ES) as portfolio measures of market risk exposure
- Scenario analysis, stress tests and tools based on extreme value theory (EVT) that measure the potential impact on portfolio values of extreme moves in markets
- Sensitivity analysis that measures the impact of individual market risk factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices. We use sensitivity measures to monitor and limit exposure across portfolios, products and risk types.

Stress and scenario analyses are used to add insight into the possible outcomes under severe market disruptions. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk. Stress scenarios based on historical experience as well as hypothetical scenarios are considered and are reviewed regularly for relevance in ever-changing market environments. Stress scenarios are run daily with analysis presented to IBP Review ERRF weekly and IBP BRCC when this committee meets or more often should market conditions require this.

Traded market risk management, monitoring and control

Market risk limits are set according to guidelines set out in our risk appetite policy. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Current market conditions as well as stressed market conditions are taken into account when setting and reviewing these limits.

Market risk teams review the market risks in the trading book with detailed risk reports produced daily for each trading desk and for the aggregate risk of the trading book. The material risks identified are summarised in daily reports that are distributed to, and discussed with senior management when required.
The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Documented policies and procedures are in place to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

The risk management software is fully integrated with source trading systems, allowing valuation in risk and trading systems to be fully aligned. All valuation models are subject to independent validation by market risk ensuring models used for valuation and risk are validated independently of the front office.

Value at Risk

VaR is a technique that estimates the potential losses as a result of movements in market rates and prices over a specified time horizon at a given level of confidence. The VaR model derives future scenarios from past time series of market rates and prices, taking into account inter-relationships between the different markets such as interest rates and foreign exchange rates. The VaR model used is based on full revaluation historical simulation and incorporates the following features:

- Two-year historical period based on an unweighted time series
- Daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available, and the resultant one-day VaR is scaled up using the square root of time method for regulatory purposes
- Risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

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.

	31 March 2020				31 March 2019			
95% one-day VaR £'000	**Year end**	Average	High	Low	**Year end**	Average	High	Low
Equities	1 549	571	1 549	286	415	490	748	327
Foreign exchange	33	11	68	1	20	13	117	1
Interest rates	82	107	132	67	133	94	156	70
Credit	438	32	509	1	1	55	123	1
Consolidated*	**1 478**	**574**	**1 478**	**301**	**417**	**484**	**739**	**350**

* *The consolidated VaR 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	**31 March 2020 Year end**	31 March 2019 Year end
Equities	1 966	638
Foreign exchange	47	29
Interest rates	107	179
Credit	723	1
Consolidated*	**1 837**	**618**

* *The consolidated ES 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	**31 March 2020 Year end**	31 March 2019 Year end
99% one-day sVaR	**2 878**	**2 594**

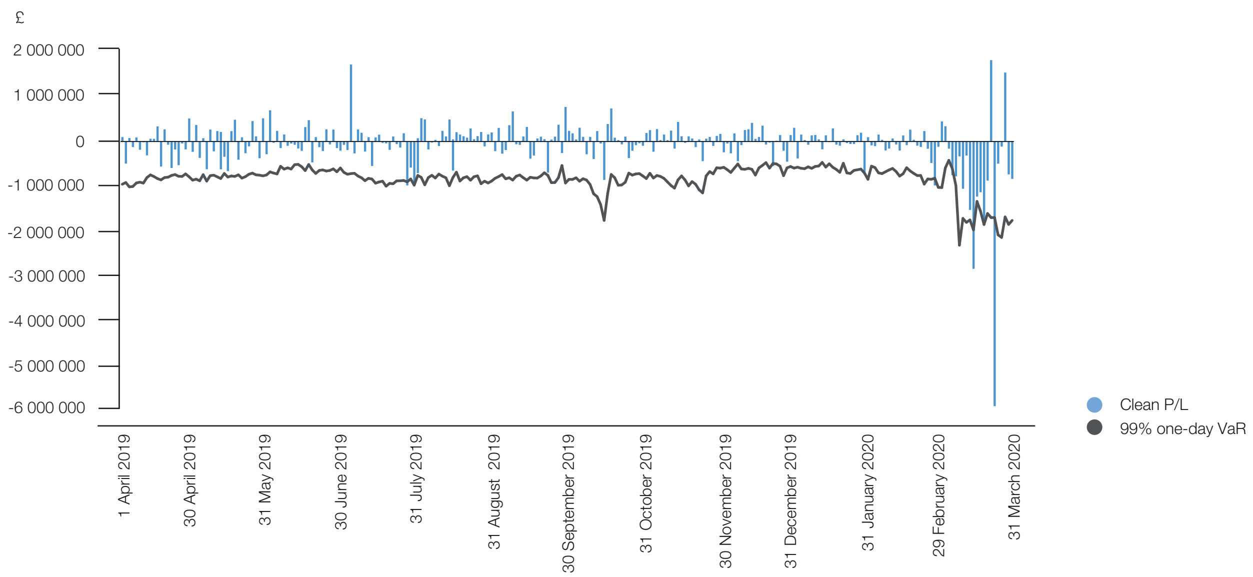
Backtesting

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 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 figures 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.

The average VaR for the year ended March 2020 was higher than the previous year. Using clean profit and loss data for backtesting resulted in seven exceptions over the year at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is more than expected at this confidence level and is attributable to the severe stress experienced in the markets due to the COVID-19 pandemic during February and March 2020, which resulted in lack of liquidity and pricing dislocations particularly in equity derivative markets.

99% one-day VaR backtesting



Stress testing

The table below indicates the potential losses that could arise in the trading book portfolio per extreme value theory (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	**31 March 2020 Year end**	31 March 2019 Year end
Equities	3 433	1 114
Foreign exchange	133	77
Interest rates	201	339
Credit	2 359	3
Consolidated*	**3 235**	**1 190**

* *The consolidated stress testing is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes.*

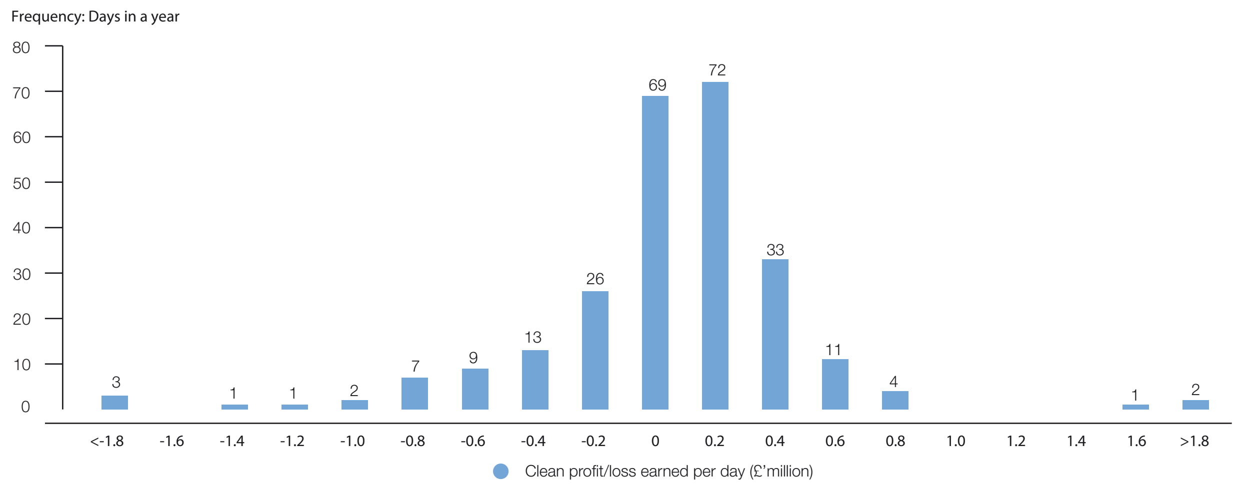
Capital

The market risk capital requirement is calculated using the standardised approach. For certain options, the bank has an article 329 permission from the PRA to use an internal model to calculate the delta for these positions. In addition, the bank has an article 331 permission which allows sensitivity models to be used when calculating the market risk position for certain instruments.

Clean profit and loss histogram

The histogram below illustrates the distribution of hypothetical profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 123 days out of a total of 254 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2020 was -£75 809 (31 March 2019: £25 196).

Clean profit and loss (excluding fees and hedge costs included in new trade revenue)



Traded market risk year in review

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses. Trading revenue was adversely affected by the losses arising from the hedging of structured products due to extraordinary market dislocation, increased hedging costs and dividend cancellation. The primary focus of the trading desks remains to manage and hedge the market risk arising from all client related activity. The elevated levels of market risk exposure at year end reflect the increased market volatility experienced during the last few weeks of the year following the fastest decline in equity markets on record.

Utilisation of risk limits have remained moderate and the desks have remained prudent during the year with no risk appetite breaches observed.

Market risk – derivatives

The bank enters into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, interest rates, commodity, equity and credit exposures and to a small extent as principal for trading purposes. These include financial futures, options, swaps and forward rate agreements.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 248 and 249.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year-end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

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.

Balance sheet risk governance structure and risk mitigation

Investec plc (and its subsidiaries, including IBP) are ring-fenced from Investec Limited (and its subsidiaries), and vice versa. Both legal entities (and their subsidiaries) are therefore required to be self-funded, and manage their funding and liquidity as separate entities.

Risk appetite limits are set at the relevant board level and reviewed at least on an annual basis. The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each relevant region. Specific regulatory requirements may further dictate additional restrictions to be adopted in a region.

Under delegated authority of the respective boards, the group has established Asset and Liability Committees (ALCOs) within each banking entity, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within the risk appetite.

ALCOs meet on at least a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Treasury function within each banking entity is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis.

The Treasury function, by banking entity, is required to exercise tight control of liquidity, funding, concentration, encumbrance and non-trading interest rate risk within the board-approved risk appetite limits. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the Treasury function.

The Treasury function, by banking entity, directs pricing for all deposit products, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

Balance sheet risk management teams are based within risk management in their relevant regions, and are responsible for identifying, quantifying and monitoring risks; providing daily independent governance and oversight of the treasury activities and the execution of the bank's policies.

There is a regular audit of the balance sheet risk management function, the frequency of which is determined by the relevant Audit Committees.

Daily, weekly and monthly reports are independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, Treasury, IBP Review ERRF, IBP ERC and IBP BRCC as well as summarised reports for board meetings.

Liquidity risk

Liquidity risk description

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 bank will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without vadversely affecting its solvency, financial position or its reputation
- Market liquidity: this relates to the risk that the bank 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.

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. As such, the bank considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk:

- Our liquidity management processes encompass requirements set out within BCBS guidelines and by the regulatory authorities in each jurisdiction, namely the PRA, EBA, GFSC and FINMA
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix

- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The bank maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. These include:

- Internal 'survival horizon' metric which models how many days it takes before the bank's cash position turns negative under an internally defined worst-case liquidity stress;
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR); and
  - Net Stable Funding Ratio (NSFR).
- An array of further liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the bank's balance sheet;
- Additional internally defined funding and balance sheet ratios; and
- Any other local regulatory requirements.

This suite of metrics ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand a range of liquidity stresses or market disruptions.

The parameters used in stress scenarios are reviewed at least annually, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of an economic event on the bank's balance sheet so as to maintain sufficient liquidity and to continue to operate for a minimum period as detailed in the board-approved risk appetite.

We further carry out reverse stress tests to identify business model vulnerabilities which tests 'tail risks' that can be missed in normal stress tests. The bank has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the bank's strong liquidity position, as it requires an extreme withdrawal of deposits combined with the inability to take any management actions to breach liquidity minima that threatens the bank's liquidity position.

The bank operates an industry-recognised third party risk modelling system in addition to custom-built management information systems designed to measure and monitor liquidity risk on both a current and forward-looking basis.

Funding strategy

We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. As a result, we are able to generate funding from a broad range of sources in each geographic location, which ensures a varied overall funding mix to support loan growth.

We acknowledge the importance of our retail deposit client base as the principal source of stable and well diversified funding. We continue to develop products to attract and service the investment needs of our client base.

The bank actively participates in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business.

The bank's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the bank's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, including operating environment, business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

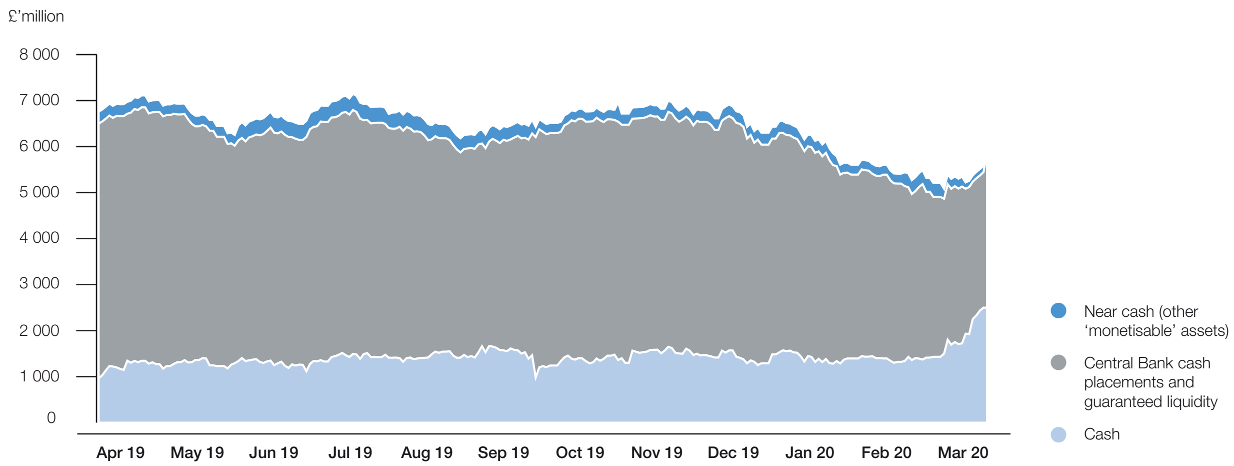
We remain confident in our ability to raise funding appropriate to our needs.

Liquidity buffer

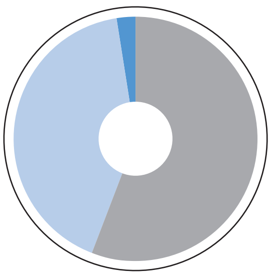
To protect against potential shocks, we hold a liquidity buffer in the form of cash, unencumbered high quality liquid assets (typically in the form of government or rated securities eligible for repurchase with the central bank), and near cash, well in excess of the regulatory requirements as protection against disruptions in cash flows. These portfolios are managed within board-approved targets, and as well as providing a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. The bank remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on overnight interbank deposits to fund term lending.

From 1 April 2019 to 31 March 2020 average cash and near cash balances over the period amounted to £6.5 billion. Average cash balances were significantly surplus to usual levels, largely driven by prefunding ahead of the closure of our Irish deposit raising business as a result of Brexit, as well as the decision to hold higher levels of cash balances due to the onset of the COVID-19 pandemic.

Cash and near cash trend



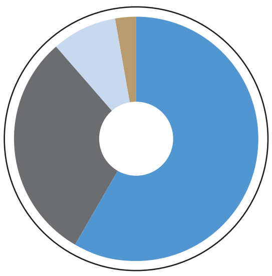
An analysis of cash and near cash at 31 March 2020



£6 040 million

56.1%	Central Bank cash placements and guaranteed liquidity
41.4%	Cash
2.5%	Near cash (other 'monetisable' assets)

Bank and non-bank depositor concentration by type at 31 March 2020



£16 956 million

58.6%	Individuals
30.2%	Other financial institutions and corporates
8.6%	Banks
2.6%	Small business

The liquidity position of the bank remained sound with total cash and near cash balances amounting to £6.0 billion at year end.

Contingency planning

We maintain a contingency funding plan which details the course of actions that can be taken in the event of a liquidity stress. The plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business. The plans include:

- Details on the required daily monitoring of the liquidity position;
- Description of the early warning indicators to be monitored, and process of escalation if required;
- Liquidity stress scenarios to be modelled for Contingency Funding Plan (CFP) purposes (over and above daily stress testing scenarios);
- Funding and management actions available for use in a stress situation;
- Roles and responsibilities;
- Details of specific escalation bodies and key contacts; and
- Internal and external communication plans.

The plan has been tested via an externally facilitated liquidity crisis simulation exercise which assessed its suitability and ability to adequately contain a liquidity stress.

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

Risk management monitors and manages total balance sheet encumbrance within a board-approved risk appetite limit. Asset encumbrance is one of the factors considered in the discussion of new products or new funding structures, and the impact on risk appetite is assessed.

The bank uses secured transactions to manage short-term cash and collateral needs, and utilises securitisations in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the bank which are eligible for the Bank of England's Single Collateral Pool to support central bank liquidity facilities.

Encumbered assets are identified in accordance with the definitions under European Capital Requirements Regulation (CRR), and regular reporting is provided to the EBA and PRA.

On page 245 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Liquidity mismatch

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

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

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

- *Liquidity buffer:* the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the bank would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- *Customer deposits:* the contractual repayments of many deposits are on demand, or at notice, but behaviourally 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 31 March 2020

£'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	3 606	222	156	1	66	20	–	4 071
Investment/trading assets	990	1 123	376	245	231	933	2 356	6 254
Securitised assets	–	3	–	1	–	13	89	106
Advances	182	451	611	777	1 193	6 624	2 263	12 101
Other assets	190	846	46	12	91	207	745	2 137
Assets	**4 968**	**2 645**	**1 189**	**1 036**	**1 581**	**7 797**	**5 453**	**24 669**
Deposits – banks	(121)	–	(10)	–	(77)	(1 242)	–	(1 450)
Deposits – non-banks	(4 714)	(471)	(3 272)	(3 023)	(1 303)	(2 183)	(540)	(15 506)
Negotiable paper	(2)	–	(6)	(4)	(31)	(705)	(278)	(1 026)
Securitised liabilities	–	–	(3)	(3)	(5)	(34)	(66)	(111)
Investment/trading liabilities	(277)	(76)	(360)	(70)	(121)	(385)	(473)	(1 762)
Subordinated liabilities	–	–	–	–	–	(343)	(444)	(787)
Other liabilities	(88)	(894)	(109)	(32)	(165)	(259)	(149)	(1 696)
Liabilities	**(5 202)**	**(1 441)**	**(3 760)**	**(3 132)**	**(1 702)**	**(5 151)**	**(1 950)**	**(22 338)**
Total equity	–	–	–	–	–	–	(2 331)	(2 331)
Contractual liquidity gap	**(234)**	**1 204**	**(2 571)**	**(2 096)**	**(121)**	**2 646**	**1 172**	**–**
Cumulative liquidity gap	(234)	970	(1 601)	(3 697)	(3 818)	(1 172)	–	

Behavioural liquidity at 31 March 2020

As discussed on page 77.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**3 740**	**740**	**(1 828)**	**(1 319)**	**(197)**	**(2 007)**	**871**	**–**
Cumulative	3 740	4 480	2 652	1 333	1 136	(871)	–	

Non-trading interest rate risk

Non-trading interest rate risk description

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

Sources of interest rate risk in the banking book include:

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

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

Measurement and management of non-trading interest rate risk

Non-trading interest rate risk is an inherent consequence of conducting banking activities, and arises from the provision of non-trading banking products and services. The bank considers the management of banking margin of vital importance, and our non-trading interest rate risk philosophy is reflected in our day-to-day practices.

The aim of non-trading interest rate risk management is to protect and enhance net interest income and economic value of equity in accordance with the board-approved risk appetite, and to ensure a high degree of stability of the net interest margin over an interest rate cycle. Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors:

- Income metrics capture the change in accruals expected over a specified time horizon in response to a change in interest rates
- Economic value metrics capture all future cash flows in order to calculate the bank's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering:

- Interest rate expectations and perceived risks to the central view;
- Standard shocks to levels and shapes of interest rates and yield curves; and
- Historically-based yield curve changes.

The repricing gap provides a simple representation of the balance sheet, with the sensitivity of fair values and earnings to changes to interest rates calculated off the repricing gap. This also allows for the detection of interest rate risk concentration in specific repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, while economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon.

Each geographic entity has its own board-approved non-trading interest rate risk appetite, which is clearly defined in relation to both income risk and economic value risk. The bank has limited appetite for non-trading interest rate risk.

Operationally, daily management of interest rate risk is centralised within the Treasury of each geographic entity and is subject to local independent risk and ALCO review. Treasury mitigates any residual undesirable risk where possible, by changing the duration of the banking book's discretionary liquid asset portfolio, or through derivative transactions. The Treasury mandate allows for a tactical response to market volatility which may arise during changing interest rate cycles, in order to hedge residual exposures. Any resultant interest rate position is managed under the market risk limits. Balance sheet risk management independently monitors a broad range of interest rate risk metrics to changes in interest rate risk factors, detailing the sources of interest rate exposure.

Automatic optionality arising from variable rate products with an embedded minimum lending rate serves as an income protection mechanism for the bank against falling interest rates, while behavioural optionality risk from customers of fixed rate products is mitigated by early repayment charges.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2020. These exposures affect the interest rate margin realised between lending income and borrowing costs 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	4 071	–	–	–	–	–	4 071
Investment/trading assets	4 286	132	85	205	15	356	5 079
Securitised assets	106	–	–	–	–	–	106
Advances	8 284	696	530	2 330	261	–	12 101
Other assets	–	–	–	–	–	1 550	1 550
Assets	**16 747**	**828**	**615**	**2 535**	**276**	**1 906**	**22 907**
Deposits – banks	(1 101)	–	–	–	–	–	(1 101)
Deposits – non-banks	(12 623)	(612)	(1 220)	(1 034)	(17)	–	(15 506)
Negotiable paper	(1 026)	–	–	–	–	–	(1 026)
Securitised liabilities	(111)	–	–	–	–	–	(111)
Investment/trading liabilities	(349)	–	–	–	–	–	(349)
Subordinated liabilities	(59)	–	–	(728)	–	–	(787)
Other liabilities	–	–	–	–	–	(1 696)	(1 696)
Liabilities	**(15 269)**	**(612)**	**(1 220)**	**(1 762)**	**(17)**	**(1 696)**	**(20 576)**
Total equity	–	–	–	–	–	(2 331)	(2 331)
Balance sheet	**1 478**	**216**	**(605)**	**773**	**259**	**(2 121)**	**–**
Off-balance sheet	1 073	197	(34)	(1 096)	(140)	–	–
Repricing gap	**2 551**	**413**	**(639)**	**(323)**	**119**	**(2 121)**	**–**
Cumulative repricing gap	2 551	2 964	2 325	2 002	2 121	–	

Economic value sensitivity at 31 March 2020

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 does not have a significant direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	**All (GBP)**
200bps down	(17.3)	12.8	1.4	0.3	(0.5)	0.6	(5.1)
200bps up	19.7	(14.6)	(1.6)	(0.4)	0.6	(0.7)	5.8

Regulatory requirements

Liquidity Risk

In response to the 2008/09 global financial crisis, the BCBS introduced a series of reforms designed to both strengthen and harmonise global liquidity standards to ensure strong financial risk management and a safer global economy.

Two minimum standards for funding liquidity were introduced:

- The LCR is designed to ensure that banks have sufficient high quality liquid assets to meet their liquidity needs throughout a 30-calendar day severe stress
- The NSFR is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

Banks are required to maintain a minimum LCR ratio of 100%. The LCR is calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. The reported LCR may change over time with updates to our methodologies and interpretations. As at 31 March 2020 the LCR reported to the PRA was 411% for IBP (solo basis).

In June 2019, the CRRII/CRDV package was published in the EU Official Journal, including finalised rules for the calculation of the NSFR. This will become a binding metric in June 2021, at which point banks will be required to maintain a minimum NSFR of 100%. The internally calculated NSFR for IBP (solo basis) is based upon these rules, but is subject to change in response to any further clarifications or guidelines. The NSFR at 31 March 2020 was 120% for IBP (solo basis).

Investec plc undertakes an annual Internal Liquidity Adequacy Assessment Process (ILAAP) which documents the approach to liquidity management across the firm. This document is reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC boards before being provided to the PRA for use, alongside the Liquidity Supervisory Review and Evaluation Process, to determine the bank's Individual Liquidity Guidance, also known as a Pillar II requirement.

Non-trading interest rate risk

In 2016, the BCBS finalised their standards for non-trading interest rate risk which recommended the risk is assessed as part of the bank's capital requirements, outlined six prescribed shock scenarios, and recommended enhanced disclosure requirements for supervisors to implement.

Within the UK, BCBS standards are implemented via the EBA and PRA. The regulatory framework requires banks to assess their Pillar II requirements, including those related to non-trading interest rate risk, as part of their ICAAP. This is reviewed on at least an annual basis and reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC boards. In June 2019, the CRRII/CRDV package was published in the EU Official Journal, including mandatory disclosure requirements for non-trading interest rate risk. This will become a requirement from June 2021.

Balance sheet risk year in review

- The bank maintained its strong liquidity position and continued to hold high levels of surplus liquid assets
- Our liquidity risk management process remains robust and comprehensive.

Funding continues to be raised through a diverse mix of customer liabilities by customer type, currency, channel and tenor, avoiding reliance on any particular channel and ensuring continued access to a wide range of deposits.

Prior to the COVID-19 pandemic, overall liability growth had been managed in line to support asset growth whilst also seeking to better optimise the balance sheet position, which has resulted in a reduction of cash and near cash balances. The primary growth in the year has been in deposits across a diverse retail and non-retail client base.

The bank's activity in the wholesale markets over the financial year has been limited but we continue to look to opportunities to raise low cost, currency funding where appropriate and refinance any maturing funds ahead of contractual requirements. We have limited reliance on wholesale funding, therefore we have not been materially affected by the COVID-19 impacts on this market.

This overall approach has still enabled the bank to maintain a strong liquidity position at the year end across a range of metrics in line with our conservative approach to balance sheet risk management and despite the considerable uncertainty to the UK and global economy as a result of the COVID-19 global pandemic.

Cash and near cash balances at 31 March 2020 amounted to £6.0 billion (31 March 2019: £6.8 billion). Total UK and Other customer deposits was £15.5 billion at 31 March 2020 (31 March 2019: £13.5 billion).

Looking forward, the focus remains on maintaining a strong liquidity position in light of the impact of the COVID-19 global pandemic. Funding continues to be actively raised, particularly in the retail market, in line with the bank's strategy and to insulate the bank from further ongoing market uncertainty. We expect to participate in the BoE TFSME.

IBP's ratings are in line with the prior year. IBP's long-term Moody's deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ on Rating Watch Negative. Fitch took a number of negative rating actions on 18 UK banking groups in April 2020 to reflect the heightened risk from the global COVID-19 pandemic. IBP's outlook was changed from Stable to Rating Watch Negative but the rating was maintained at BBB+. At 31 March 2019, IBP had been on Rating Watch Negative by Fitch along with a number of other UK banks due to Brexit uncertainty.

Operational risk

Operational risk description

Operational risk is defined as the potential or actual impact as a result of failures relating to internal processes, people, systems, or from external events. The impact could be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk is an inherent risk in the ordinary course of business activity. The bank aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are fit for purpose.

Risk appetite

Operational risk appetite is defined as the level of risk exposure that is acceptable to the IBP board in order to achieve its business and strategic objectives. The IBP board is responsible for setting and regularly reviewing the risk appetite. The operational risk appetite policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the bank is willing to accept.

Operational risks are managed in accordance with the approved risk appetite. Any breaches of limits are escalated to IBP BRCC.

Management and measurement of operational risk

Regulatory capital

The bank applies the standardised approach for the assessment of regulatory capital.

As part of the Basel III Reforms, the BCBS has announced revisions to the calculations of capital requirements for operational risk. A single standardised approach will replace all existing approaches for the calculation of regulatory capital.

The bank will continue to work closely with regulators and industry bodies on the implementation of the revisions.

Operational risk management framework and governance

The operational risk management framework is embedded at all levels of the bank, supported by the risk culture and enhanced on a continual basis in line with regulatory developments. Included in the framework are policies, practices and processes which facilitate the identification, assessment, mitigation, monitoring and reporting of operational risk.

The bank's approach to managing operational risk operates in terms of a levels of defence model which reinforces accountability by allocating roles and responsibilities.

The levels of defence model is applied as follows:

- Level 1 – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable
- Level 2 – Independent operational risk function: responsible for building and embedding the operational risk framework, challenging the business lines inputs to, and outputs from, the bank's risk management, risk measurement and reporting activities
- Level 3 – Independent review and challenge: responsible for reviewing and testing the application and effectiveness of operational risk management procedures and practices.

The bank's operational risk profile is reported on a regular basis to various operational risk forums and governance committees responsible for oversight.

Risk reports are used for ongoing monitoring of the operational risk profile which contributes to sound risk management and decision-making by the IBP board and management.

Operational risk practices consist of the following:

	Risk and control assessments	*Internal risk events*	*External risk events*	*Key risk indicators*	*Scenarios analysis and capital calculation*
Description	Forward-looking qualitative assessments performed on key business processes. These assessments allow business units to identify, manage and monitor operational risks and controls	Internal risk events are analysed to enable business to identify and monitor trends in addition to addressing control weaknesses	An external data service is used to provide operational risk events from other organisations. These events are analysed to enhance our control environment. The external risk events also inform operational risk scenarios	Indicators are used to monitor risk exposures against identified thresholds. The output provides predictive capability in assessing the risk profile of the business	Extreme, unexpected, but plausible scenarios are assessed to identify and manage significant operational risk exposures. The results of this evaluation provide input to determine internal operational risk capital requirements

Operational risk year in review

The bank continued to enhance its operational risk framework in line with regulatory developments and sound practices. Regular interaction with regulators promotes an understanding of regulatory expectations and informs the approach to regulatory developments and requirements. The awareness of sound practice is achieved through interaction with industry counterparts at formal industry forums.

In response to the global COVID-19 pandemic, the bank has implemented all official and medical guidance as advised by the authorities. Our priority is the safety of our staff whilst remaining fully operational in supporting a business-as-usual environment and in servicing our client base whilst maintaining robust processes and controls. To this end all staff, including core operational and non-critical teams, have working-from-home capability. Where critical staff or teams are required in the office, this is managed on a case-by-case basis. As part of the switch to remote working caused by the COVID-19 pandemic, the bank upgraded and improved the robustness of its technology infrastructure through increased capacity and security measures so as to facilitate a safe and durable global working environment.

Operational risk events

The bank manages all risk events within the agreed operational risk appetite. The majority of internal risks events for the year under review were categorised as execution and process failures and external fraud. Root cause analyses are performed on risk events to understand the weaknesses in the control environment and to determine the mitigating actions needed to prevent the failure from reoccurring.

Looking forward

Key operational risk considerations for the year ahead:

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Anti-money laundering (AML), terrorist financing and sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Implementation and continuous enhancement of AML and combating the financing of terrorism (CFT), sanctions, anti-bribery and corruption (ABC) policies and sanctions control systems across the bank • Increased sophistication of risk management methodology with the aim to allow more efficient allocation of resources toward higher risk areas • Continuous enhancement and automation of transaction monitoring capabilities, increasing detection of AML related activities • Increasing the role of the UK bank in oversight of financial crime risks across IBP subsidiaries and branches to include increased monitoring and assimilation of local and international legislative and best practice developments • AML knowledge is a key component of the control environment. The knowledge is supported by mandatory training for all staff and specialist training for AML roles • Industry participation to manage legislative requirements through engagement with regulators.
Conduct	
Risk associated with inappropriate behaviour or business activities may lead to either a client, counterparty or market detriment and/or reputational and/or financial damage to the bank	• Strong organisational culture of entrenched values, which form the cornerstone of Investec's behaviour towards our stakeholders, including clients • Appropriate controls and processes that deliver fair customer outcomes are in place • Monitoring of the bank's delivery of fair customer outcomes through conduct governance structures • Surveillance arrangements are in place across all trading activity and related communications • Continued cooperation with regulatory authorities and other stakeholders which include industry bodies on conduct risk issues • Promoting awareness of conduct related matters across the bank through appropriate employee training and communication to drive responsible behaviour.
Cyber security	
Risk associated with cyber attacks which can result in data compromise, interruption to business processes or client services, financial losses, or reputational harm	• Maintaining of a risk-based strategy integrating prediction, prevention, detection and response capabilities • Enhancement of the security architecture using advanced technology, research and threat intelligence, to protect against evolving threats and sophisticated attacks • Improving cyber resilience through ongoing coordination across cyber, incident response, business continuity and crisis management processes • Stress-testing of cyber controls through security assessments, red team exercises and attack simulations, run both internally and in conjunction with independent specialists • Embedding secure software development and testing practices to ensure IT systems are secure by design • Provision of ongoing security training to staff to ensure high levels of awareness and vigilance.

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Data management	
Risk associated with poor governance in acquiring, processing, storing, and protecting data	• Establishing consistent mechanisms for unified data consolidation, storage and reporting • Automating data flows and streamline integration between systems to reduce the need for manual tasks, minimise data processing delays and eliminate single points of failure • Monitoring, reporting on, and enhancing data quality and aggregation, in line with business needs and regulatory principles • Obtaining predictive intelligence through data analytics to support proactive risk management • Maintaining data retention and destruction processes to meet business needs and comply with applicable legal obligations.
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhancing the bank's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintaining an independent integrity (whistleblowing) line to ensure staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Conducting fraud risk assessments to proactively identify and map existing preventative and detective controls to the relevant fraud risks, and evaluate whether the identified controls are operating effectively • Increasing fraud detection and prevention controls in response to the continued upward trend in operational losses due to fraud attempts • Maintaining collaboration with other financial institutions in fraud prevention to recover funds that have been paid away • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continuing to create awareness by focusing on training staff, educating clients and intermediaries on fraud prevention and detection • Participating in industry working groups to gain an understanding of current trends in order to enhance the control environment.
Information security	
Risk associated with the unauthorised access, use, disclosure, modification or destruction of data, which can impact their confidentiality, integrity, or availability	• Identifying and classify high-value information assets based on confidentiality and business criticality • Implementing intelligent data loss prevention controls to protect information against unauthorised access or disclosure • Managing role-based access to systems and data and controlled privileged IT access, supported by risk-based access and activity monitoring • Protecting internal and external information flows to ensure data completeness and integrity • Maintaining safeguards to protect confidential physical documents and facilitate secure destruction • Continually improving data breach monitoring and response in line with relevant privacy laws.
Operational resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintaining business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establishing fit-for-purpose resilience strategies including, but not limited to, relocating impacted businesses to alternate processing sites, implementation of high availability technology solutions, and ensuring physical resilience for critical infrastructure components • Conducting validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhancing the bank's global resilience capability through a team of dedicated resources and robust governance processes • Participating in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks.

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Process failure	
Risk associated with inadequate internal processes, including human error and control failure within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to identify and implement adequate and effective controls including the management of change • Addressing human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls.
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Compliance and Legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Aligning and effecting regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures (e.g. transitioning from IBOR to Risk-Free Rates) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensuring that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk.
Technology	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Implementing strategic road maps that leverage new technologies to enhance capacity, scalability, security, resilience and robustness and reduce reliance on legacy IT systems • Future-proofing IT development and implementation in support of innovation and delivery at pace • Driving automation to reduce human error whilst enhancing efficiency • Continuing to align IT architecture and standards across the group, to reduce technical complexity and leverage common functions and services • Enhancing proactive monitoring of the IT environment, for continual visibility of health and performance • Maintaining and testing IT resilience capabilities to withstand failure and minimise service disruption.
Third party	
Risk associated with the reliance on, and use of a service provider to provide services to the bank	• Appropriate due diligence in place to appropriately assess and approve third party arrangements (including intra-group outsourcing) • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of third party service providers • Continuing to strengthen governance processes and relevant policies relating to how to identify, assess, mitigate and manage risks across the range of third party service providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced.

Insurance

The bank maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the group insurance risk manager. Regular interaction between operational risk management and insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risk.

Recovery and resolution planning

Recovery Planning

The purpose of the recovery plan is to document how the Investec plc board and senior management plan for Investec plc, with a focus on IBP, to recover from extreme financial stress to avoid liquidity and capital difficulties. In line with PRA and EU requirements, this document outlines the recovery plan for Investec plc which includes, IBP. The focus of the plan is the recovery of IBP and the protection of its depositors and other clients.

The plan is reviewed and approved by the Investec plc board on an annual basis.

The recovery plan outlines a diverse and credible range of recovery options available to the Investec plc board and/or the IBP board in order to address a severe stress scenario impact which can be caused by either idiosyncratic problems, a larger financial system failure or a combination of the two.

The recovery plan:

- Identifies the recovery trigger levels and early warning indicators;
- Presents a valuable mix of recovery options across execution time-line horizons, including the updated asset portfolio and business unit disposal valuations under stress;
- Sets out the range of impacts each recovery option will have on capital, liquidity and leverage;
- Includes potential recovery actions available to the Investec plc board and management to respond to the situation, including immediate, intermediate and strategic actions; and
- Includes the Contingency Funding Plan (CFP).

Resolution Planning

A significant addition to the EU legislative framework for financial institutions has been the Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms.

As implemented, the BRRD gives resolution authorities powers to intervene in and resolve a financial institution that is no longer viable. This is achieved through the use of various resolution tools, including the transfer of business and, when implemented in relevant member states, creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency.

The latter resolution tool (bail-in) will affect the rights of unsecured creditors subject to any bail-in in the event of a resolution of a failing bank. Thus, to facilitate its exercise, the BRRD requires competent authorities to impose a MREL on financial institutions.

The BRRD also requires the development of recovery and resolution plans at group and institution level, in order to allow the national competent authorities to determine the appropriate resolution tools for each credit institution. The PRA has made rules that require authorised institutions to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery options that authorised institutions could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the services provided, as well as the structure and operation of the authorised institution in question which will be used to develop resolution strategies for that specific institution, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

The BoE, the UK resolution authority, confirmed in January 2020 the preferred resolution strategy for IBP remains Modified Insolvency and the MREL requirement is set as equal to IBP's Total Capital Requirement (Pillar I plus Pillar IIA).

Due to COVID-19 the PRA have asked firms to focus recovery planning work on understanding which recovery options would be appropriate and available in the current stress and to understand their financial and non-financial impacts. This analysis will be shared with the PRA through normal supervisory dialogue. Although Investec plc will not be required to submit the full recovery plan to the PRA this year, the recovery plan and resolution pack will still be subject to the required annual update and review to ensure any material changes to legal, organisation structure, business or financial positon have been made and considered.

Reputational and strategic risk

Reputational risk is damage to our reputation, name or brand and is often associated with strategic decisions. It also arises as a result of other risks manifesting and not being appropriately mitigated.

The bank aspires to maintain an excellent reputation for entrepreneurship, strong risk management discipline, a client-centric approach and an ability to be flexible and innovative. The bank recognises the serious consequences of any adverse publicity or damage to reputation, whatever the underlying cause.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles. We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The bank's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices. As one of our core values and philosophies we demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Strategic and reputational risk is mitigated as much as possible through these detailed processes and governance/escalation procedures from business units to the IBP board, and from regular, clear communication with customers, the Investec group's shareholders and all stakeholders. In addition, Investec group's policy is to avoid any transaction, service or association which may bring with it the risk of potential damage to our reputation. Transaction approval governance structures such as credit, engagement and new product committees have therefore been tasked with this responsibility in relation to all new business undertaken. A disclosure and public communications policy has also been approved by the DLC board.

Legal risk

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not support the anticipated rights and remedies in the transaction.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the bank. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes, among other things, the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing minimum standards for mitigating and controlling each risk. This is the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing Legal Risk Forums (bringing together the various legal risk managers) to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Responsibility for this policy rests with the IBP board. The IBP board delegates responsibility for implementation of the policy to the global head of IBP legal risk.

Conduct risk

The FCA has maintained its focus and approach to managing the bank's conduct risk. By conduct risk we mean the risk that inappropriate behaviours or business activities may lead to client counterparty or market detriment, erosion of Investec values, culture and ethical standards expected of its staff, or reputational and/or financial damage to the bank.

The FCA expects all institutions to have a robust conduct risk management framework in place to facilitate a culture that delivers good outcomes for clients, counterparties and the markets and holds their staff and senior management to appropriate standards of competence, integrity and ethical behaviour.

As a result, institutions are expected to look across their business models and strategies and assess how to balance the pursuit of profits with good outcomes for clients and proper standards of market conduct. Institutions are also required to have appropriate policies and frameworks in place to manage non-financial misconduct such as discrimination, bullying, harassment, sexual misconduct or victimisation. Institutions are required to create an environment in which it is safe to speak up, the best talent is retained and the best risk decisions are taken.

Culture, conduct and good governance are ongoing themes which underlie much of the FCA's approach with focus on the role of the individual as well as the institution. The FCA has considered the role of leaders, incentives and capabilities and governance of decision-making.

It expects institutions to foster a culture which supports the spirit of regulation in preventing harm to clients, counterparties and markets and where senior management and staff are held accountable for their personal conduct.

The IBP board, along with senior management are ultimately responsible for the bank's culture and conduct risk frameworks. The IBP board has continued over the period to focus on enhancements to our conduct risk management framework to ensure consistent delivery of good customer outcomes and effective management of conduct risk throughout our business. This has included strengthening business-led identification and management of conduct risk, improvements to product review and approval process, robust processes for dealing with regulatory and conduct breaches and a sustained focus on maintaining the highest levels of regulatory compliance throughout our business. The bank's conduct risk management in the UK is underpinned by the Senior Manager and Certification Regime which strengthens individual accountability and sets minimum standards of individual behaviour in financial services.

Climate risk and opportunities

Our position on climate change

We recognise the complexity and urgency of climate change. The group environmental policy considers the risks and opportunities that climate change presents to the global economy. We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change.

We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach.

Climate related financial disclosures (TCFD)

The table below illustrates a summary of our progress in terms of the TCFDs aligned with the Financial Stability Board Taskforce recommendations and is structured around four core elements: governance, strategy, risk management, and metrics and targets. Climate risk disclosure is an evolving process. As we receive guidance from our regulatory regimes and the relevant reporting frameworks, we will continue to engage constructively with various stakeholders to improve our disclosures in alignment with our commitment to climate action.

www ***Refer to detailed information in our 2020 TCFD report on our website.***

	PRE FINANCIAL YEAR END MARCH 2020	FINANCIAL YEAR END MARCH 2020	FINANCIAL YEAR TO MARCH 2021
Governance	• Strengthened the group climate change statement and policy on environment • Reviewed the group policy on environmental and social risk for both investing and lending activities • Reviewed the group policy on lending to the coal industry.	• Assigned board responsibility and oversight for climate related risks and opportunities • Assigned senior management responsibility for climate related risks and opportunities • Published a public fossil fuel policy.	• Review risk appetite statements and frameworks to include TCFD recommendations, guidance and parameters.
Strategy	• Committed to support the objectives of the Paris Agreement • Acknowledged our support of the TCFD recommendations in our annual reporting.	• Followed the Intergovernmental Panel on Climate Change (IPCC) mitigation pathway of limiting global temperatures to 1.5ºC • Committing to ongoing carbon neutral emissions across all operations • First bank in SA and the eighth bank in the UK banking and financial services sector to sign up to the TCFDs in August 2019.	• Engage with supply chain and clients to fully understand the carbon intensity of their business and to support them in implementing carbon reduction strategies • Climate scenario analysis and reporting.
Risk management	• Supported business through: – guidance on ESG related matters using in-house developed ESG guidebooks based on IFC guidelines and – *ad hoc* training and awareness on ESG matters.	• Evaluated lending and investment portfolios for ESG risks • Evaluated lending and investment portfolios for climate related risks and opportunities • Evaluated exposure to fossil fuels.	• Strengthen capabilities in ESG identification, screening, measurement and reporting in risk management processes.
Metrics and targets	• Included non-financial and ESG related targets within executive remuneration with a total weighting of 20% of short-term incentives and 25% long-term incentives • Implemented emission reduction targets within our operations relating to energy usage.	• Achieved carbon neutral status across our global operations for emissions in the 2020 financial year • Committed to ongoing carbon neutral emissions across all operations • Disclosed our fossil fuel exposure and ESG risk exposure in our 2020 sustainability report.	• Evaluate sourcing operational energy requirements from renewable energy providers • Include climate metrics in risk appetite indicators • Review climate-related targets for executive remuneration.

Capital management and allocation

Regulatory capital

Current regulatory framework

IBP is authorised by the PRA and is regulated by the FCA and the PRA on a solo-consolidated basis. IBP calculates capital resources and requirements using the Basel III framework, as implemented in the EU through the CRD IV.

In the UK banks are required to meet minimum capital requirements as prescribed by CRD IV for Pillar I, namely a CET1 capital requirement of 4.5% of RWAs, a tier 1 capital requirement of 6% of RWAs and a total capital requirement of 8% of RWAs. In addition, banks are required to meet their Pillar IIA total capital requirement, as determined by the Supervisory Review and Evaluation Process (SREP), with at least 56% of CET1 capital. The PRA buffer, which is also determined as part of the SREP, must be supported with CET1 capital.

In line with CRD IV, UK firms are required to meet a combined buffer requirement, which is in addition to the Pillar I and Pillar IIA capital requirements. The combined buffer includes the Capital Conservation Buffer (CCB) and the CCyB and must be met with CET1 capital. The buffer for global systemically important institutions and the systemic risk buffer do not apply to IBP and will not be included in the combined buffer requirement.

As at 31 March 2020, the bank holds a CCB of 2.5% and an institution specific CCyB of 0.06%, of RWAs. The institution specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. On the 11 March 2020, the UK FPC announced that with immediate effect the UK CCyB rate be reduced to 0% in response to the economic shock arising from COVID-19.

The bank continues to hold capital in excess of all the capital and buffer requirements.

The bank applies the standardised approach to calculate credit and counterparty credit risk (CCR), securitisation and operational risk capital requirements. The mark-to-market method is used to calculate the CCR exposure amount. The market risk capital requirement is calculated using the standardised approach. For certain options, the group has obtained an article 329 permission from the PRA to use an internal model to calculate the delta for these positions. In addition, the group was granted an article 331 permission in January 2018, which allows sensitivity models to be used when calculating the market risk position for certain instruments.

Subsidiaries of the bank may be subject to additional regulations as implemented by local regulators in their respective jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. For capital management purposes, it is the prevailing rules applied to the consolidated IBP group that are monitored closely. With the support of the bank's prudential advisory and reporting team, local management of each regulated entity ensures that capital remains prudently above minimum regulatory requirements at all times.

Regulatory considerations

The regulatory environment has continued to evolve during 2019/2020, with a vast number of new proposals being published or adopted, notably by the PRA, the BCBS and the EBA.

International

On 3 April 2020, the BCBS stated in their technical guidance "Measures to reflect the impact of COVID-19" that they had agreed to amend the IFRS 9 transitional arrangements for the regulatory capital treatment of ECL accounting. The adjustments will provide jurisdictions with greater flexibility in deciding whether and how to phase in the impact of expected credit losses on regulatory capital. Four amendments to existing transitional arrangements were agreed by the committee; with one amendment allowing firms to add-back to their CET1 capital any increase in new provisions recognised in 2020 and 2021 for their financial assets that are not credit-impaired. The add-back amount must then be phased-out on a straight-line basis over the subsequent three years.

In December 2017, the BCBS issued the final Basel III reforms. The revised standards will take effect from 1 January 2022, with certain elements phased in over five years. The revised standards include:

- A revised standardised approach for credit risk, which will improve the robustness and risk sensitivity of the existing approach;
- Revisions to the internal ratings-based approach for credit risk;
- Revisions to the credit valuation adjustment (CVA) risk framework, including the removal of the internally modelled approach and the introduction of a revised standardised approach;
- A revised standardised approach for operational risk, which will replace the existing standardised approaches and the advanced measurement approaches;
- Revisions to the measurement of the leverage ratio; and
- An aggregate capital output floor.

In January 2019, the BCBS issued a revised market risk standard, which replaced the earlier version of the standard, which was published in January 2016. The revisions were informed by the committee's quantitative impact assessment and will take effect 1 January 2022.

The BCBS announced on 27 March 2020 that the final Basel III reforms would be deferred by one year to 1 January 2023 with the aim of freeing up operational capacity for banks and supervisors to respond to the economic impact of COVID-19.

UK

The UK's withdrawal from the EU

Following the outcome of the June 2016 referendum, the UK withdrew from the EU on 31 January 2020. The Withdrawal Agreement, which sets out the terms of the UK's withdrawal from the EU became law on 23 January 2020. Under the terms of this agreement, the UK has entered a transitional period, which is due to end on 31 December 2020. During this period, EU law will continue to apply in the UK. It is now expected that the implementation of previously published EU Exit Instruments, Supervisory Statements and Statements of Policy to amend UK rulebooks will be delayed until the end of the transition period, but may be subject to further changes to reflect any new agreements on the future relationship between the EU and the UK.

The BoE and PRA confirmed on 30 April 2020, that they intend to use the temporary transitional power, which was introduced through the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019, after the end of the transitional period. The UK regulators will have until 31 March 2022, 15 months from the end of the transitional period, to phase-in changes to the UK regulatory requirements.

Regulatory developments

In response to the economic shock from COVID-19, the PRA announced on 7 May 2020 it would alleviate unwarranted pressure on firms by setting all Pillar IIA requirements as a nominal amount, instead of a percentage of total RWAs. Firms who do not have a SREP review in 2020 can apply to convert their current Pillar IIA requirement into a nominal amount using RWAs as of December 2019. The change is voluntary and subject to supervisory agreement; and would apply until the firm's next regulatory-scheduled SREP.

On 26 March 2020, Sam Woods, Deputy Governor and Chief Executive Officer (CEO) of the PRA wrote to CEOs of UK banks providing COVID-19 guidance in three areas namely, consistent and robust IFRS 9 accounting and the regulatory definition of default, the treatment of borrowers who breach covenants due to COVID-19 and the regulatory capital treatment of IFRS 9. Concerning the regulatory treatment of IFRS 9, the PRA reiterated that the capital impact of ECL is being phased in over time and during 2020, firms can add-back CET1 equivalent up to 70% of 'new' provisions due to IFRS 9. Back in September 2017, the PRA encouraged firms to make use of the transitional arrangements. The European Commission (EC) have released a "quick fix" amendment to the CRR, which will introduce amended IFRS 9 transitional arrangements. If adopted in June 2020, UK banks will follow the amended provisions in the UK and add-back 100% of new provisions recognised in 2020 and 2021 to CET1 capital.

On 11 March 2020 the BoE announced measures to respond to the economic shock from COVID-19. The FPC took the decision to reduce the UK CCyB rate to 0% of bank's exposures to UK borrowers with immediate effect. The FPC expects to maintain the 0% rate for at least 12 months. Any subsequent increase will not take effect until March 2022, at the earliest.

Previously in December 2019, the FPC announced that it will increase the UK's CCyB rate from 1% to 2%, with binding effect from 16 December 2020. The FPC stated this was a structural change to the rate in a standard risk environment and not in response to a change in the FPC's view of the risk environment. The PRA proposes to update the Pillar IIA capital framework to take account of the additional resilience associated with higher macroprudential buffer requirements in a standard risk environment. The proposals only consider the 1% structural increase in the UK CCyB rate and the PRA propose to apply the Pillar IIA reduction, where applicable, at the same time or before the 2% UK CCyB rate comes into effect in December 2020.

In April 2019, the PRA issued a policy and supervisory statement setting out the approaches to managing the financial risks from climate change. These statements set out the PRA's expectations, which cover governance arrangements, financial risk management practices, use of scenario analysis and an approach to disclosure on the financial risks arising from climate change. Firms are required to include at a minimum all material exposures relating to the financial risks from climate change and an assessment of how firms have determined material exposures in the context of their business as part of their ICAAP.

Europe

On 28 April 2020, the EC adopted a banking package, with the aim to ensure banks can continue to lend money to support the economy and help mitigate the significant economic impact of COVID-19. It includes an Interpretative Communication on the EU's accounting and prudential frameworks, as well as a targeted "quick fix" amendment to the CRR. The "quick fix" amendments are due to be discussed with the European Parliament and Council and are expected to be adopted in June 2020. The following proposed amendments are most relevant to IBP:

- Amending the IFRS 9 transitional arrangements to allow institutions to fully add-back to their CET1 capital any increase in new provisions recognised in 2020 and 2021 for their financial assets that are not credit-impaired. The amount that could be added back from 2022 to 2024 would decrease in a linear manner;
- Offsetting the impact of excluding certain exposures from the leverage ratio calculation; and
- Advancing the date of application of the revised supporting factor for small and medium-sized enterprises and the new supporting factor for infrastructure finance.

In June 2019, the EU adopted the 'CRRII/CRDV' package in the Official Journal of the EU, with the majority of the amendments applying from 28 June 2021. The key CRRII/CRDV changes applicable to IBP include:

- A new standardised approach for calculating counterparty credit risk;
- A revised large exposures framework;
- Changes to the market risk framework under the Fundamental Review of the Trading Book (FRTB); and
- The introduction of a 3% binding leverage ratio for all banks.

The above package does not include other BCBS reforms published in December 2017. These include revisions to the standardised approach to credit risk, market risk and operational risk.

The EBA announced on 22 April 2020 its intention to push back the starting date for the FRTB reporting requirement, included in CRII, to quarter 3 2021, with the first reference date being 30 September 2021.

Capital and leverage ratio targets

Capital

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. The bank has always held capital in excess of regulatory requirements and continues to remain well capitalised. Accordingly, the Investec group targets a minimum CET1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital ratio target in the range of 14% to

17%. These targets are set on a Investec group basis and exclude the deduction of foreseeable charges and dividends as required under the CRR and EBA technical standards. These targets are continuously assessed for appropriateness.

Leverage

The bank targets a leverage ratio above 6%.

Management of capital and leverage

Capital

The IBP Capital Committee and the DLC Capital Committee are responsible for ensuring that the impact of any regulatory change is analysed, understood and planned for. To allow these committees to carry out this function, the bank's prudential advisory and reporting team closely monitor regulatory developments and regularly present to the committees on the latest developments and proposals. As part of any assessment, the committees are provided with analysis setting out the bank's capital adequacy position, taking into account the most up-to-date interpretation of the rule changes. In addition, regular sessions with the IBP board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the bank and its subsidiaries is monitored and understood.

Leverage

As with the governance of capital management, the IBP Capital Committee and the DLC Capital Committee are responsible for ensuring that the impact of any regulatory changes on the leverage ratio is calculated, analysed and understood at all reporting levels.

The leverage exposure measure is calculated on a monthly and quarterly basis and is presented to these committees on a regular basis. These committees are also responsible for monitoring the risk of excessive leverage.

Capital management

Philosophy and approach

The bank's approach to capital management utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate given the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns. Our internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the IBP board's risk appetite across all risks faced by the group;
- Provide protection to depositors against losses arising from risks inherent in the business;
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions; and
- Inform the setting of minimum regulatory capital through the SREP.

The IBP Capital Committee seeks to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

- Investment decision-making and pricing that is commensurate with the risk being taken;
- Allocating capital according to the optimal expected marginal risk-based return, and tracking performance on this basis;
- Determining transactional risk-based returns on capital;
- Rewarding performance, taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence
- The basis for discretionary variable remuneration; and
- Comparing risk-based performance across business areas.

The framework has been approved by the IBP board and is managed by the IBP Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

Capital planning and stress/scenario testing

A capital plan is prepared for IBP and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the IBP board with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Three-month capital plans are prepared monthly, with regulatory capital being the key driver of decision-making.

The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, the three-year capital plans are stressed based on conditions most likely to cause Investec plc duress.

The conditions are agreed by the IBP Capital Committee after the key vulnerabilities have been determined through the stress testing workshops.

Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the IBP board to review:

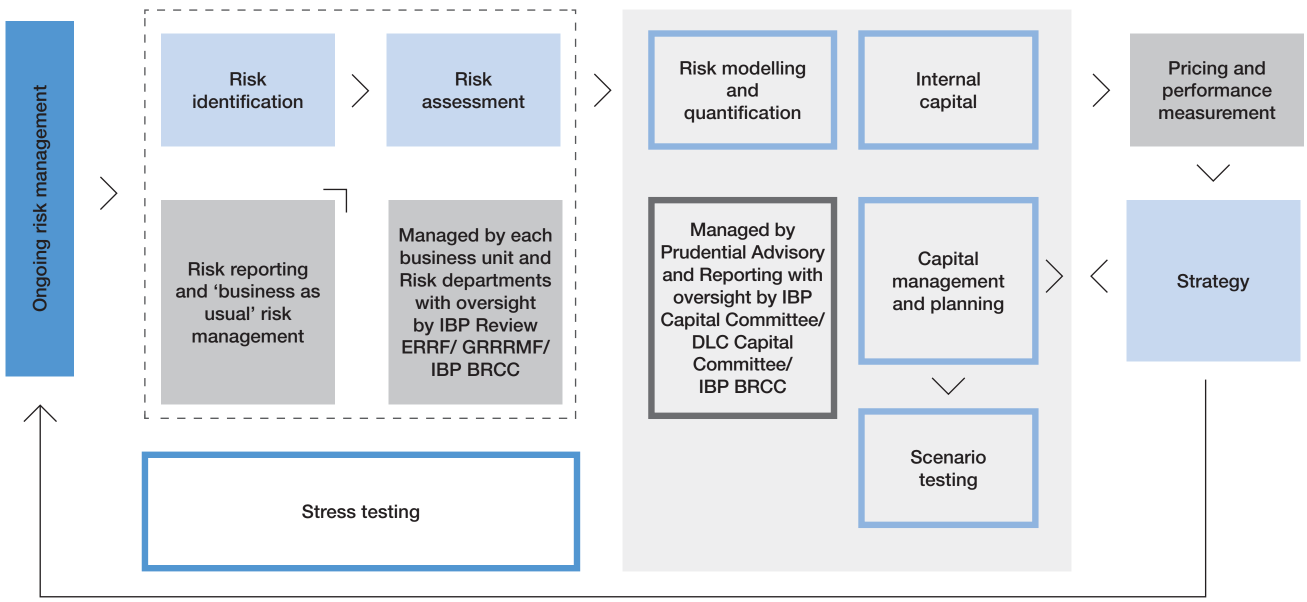
- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible;
- The impact on profitability of current and future strategies;
- Required changes to the capital structure;
- The impact of implementing a proposed dividend strategy;
- The impact of future regulatory change; and
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on IBP's capital adequacy in an expected case and in downturn scenarios. On the basis of the results of this analysis, the IBP Capital Committee, DLC Capital Committee and the IBP BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the IBP board, for considering the appropriate response.

Capital requirements country-by-country reporting

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013. The legislation requires the bank to publish certain additional information in respect of the year ended 31 March 2020. This information will be available on the Investec group website.

The (simplified) integration of risk and capital management



Capital structure and capital adequacy

£'million	31 March 2020°	31 March 2019°
Shareholder's equity	**2 061**	**1 889**
Shareholder's equity excluding non-controlling interests	2 078	1 921
Foreseeable charges and dividends	–	(19)
Deconsolidation of special purpose entities	(17)	(13)
Non-controlling interests	**–**	**(8)**
Non-controlling interests per balance sheet	3	(8)
Non-controlling interests excluded for regulatory purposes	(3)	–
Regulatory adjustments to the accounting basis	**91**	**110**
Additional value adjustments	(7)	(5)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	21
Adjustment under IFRS 9 transitional arrangements	86	94
Deductions	**(333)**	**(348)**
Goodwill and intangible assets net of deferred tax	(315)	(335)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(18)	(13)
Common equity tier 1 capital	**1 819**	**1 643**
Additional tier 1 capital	**250**	**250**
Additional tier 1 instruments	250	250
Tier 1 capital	**2 069**	**1 893**
Tier 2 capital	**533**	**596**
Tier 2 instruments	533	596
Total regulatory capital	**2 602**	**2 489**
Risk-weighted assets^^	**15 808**	**14 631**
Capital ratios^^		
Common equity tier 1 ratio	11.5%	11.2%
Tier 1 ratio	13.1%	12.9%
Total capital ratio	16.5%	17.0%

° *The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital as required under the CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec group's 2020 and 2019 integrated annual reports, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratio would be 0bps (31 March 2019: 13bps) higher on this basis.*

^^ *CET1, tier 1, total capital adequacy ratios and RWAs are calculated applying the IFRS 9 transitional arrangements.*

Capital requirements

£'million	31 March 2020	31 March 2019
Capital requirements	**1 265**	**1 170**
Credit risk	972	893
Equity risk	10	9
Counterparty credit risk	74	49
Credit valuation adjustment risk	5	6
Market risk	58	67
Operational risk	146	146
Risk-weighted assets (banking and trading)	**15 808**	**14 631**
Credit risk	12 145	11 174
Equity risk	125	115
Counterparty credit risk	922	611
Credit valuation adjustment risk	59	76
Market risk	726	833
Operational risk	1 831	1 822

Movement in RWAs

Total RWAs have increased by 8% over the period, predominantly within credit risk RWAs.

Credit risk RWAs

We have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs, which include equity risk, increased by £981 million. The increase is primarily driven by diversified growth across the corporate portfolio coupled with continued mortgage loan growth.

CCR RWAs and CVA risk

CCR and CVA RWAs increased by £294 million mainly due to an increase in the facilitation of client derivative hedges.

Market risk RWAs

We apply the standardised approach for calculating market risk RWAs. Market risk RWAs decreased by £107 million, mainly due to decreases in equity risk and foreign exchange risk, driven by current market volatility.

Operational risk RWAs

Operational risk RWAs are calculated using the standardised approach increased by £9 million. The increase is due to a slightly higher three year average operating income.

Leverage

£'million	31 March 2020	31 March 2019
Total exposure measure	25 817	23 849
Tier 1 capital (as reported)**	2 069	1 893
Leverage ratio* – current	**8.0%**	**7.9%**
Total exposure measure ('fully loaded')	25 712	23 734
Tier 1 capital ('fully loaded')**	1 992	1 816
Leverage ratio* – 'fully loaded'	**7.7%**	**7.7%**
Leverage ratio* – current UK leverage ratio framework^^^	9.1%	10.0%

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

** *The difference between the 'reported' basis and the 'fully loaded' basis is due to IFRS 9 transitional arrangements.*

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

Movement in total regulatory capital

The table below analyses the movement in CET1, additional tier 1 and tier 2 capital during the year.

Total regulatory capital flow statement

£'million	31 March 2020	31 March 2019
Opening common equity tier 1 capital	**1 643**	**1 621**
Profit after taxation	58	162
Adoption of IFRS 9	–	(212)
Share-based payment adjustments	(7)	(2)
Movement in other comprehensive income	9	10
New capital issues	150	–
Dividends	(52)	(49)
Goodwill and intangible assets (deduction net of related taxation liability)	20	13
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	(5)	(4)
Deconsolidation of special purpose entities	(3)	(8)
Adjustments under IFRS 9 transitional arrangements	(8)	94
Changes to own credit	(9)	21
Foreseeable charges and dividends	19	(1)
Movement in non-controlling interests	8	(5)
Other, including regulatory adjustments and other transitional arrangements	(4)	3
Closing common equity tier 1 capital	**1 819**	**1 643**
Opening additional tier 1 capital	**250**	**200**
New additional tier 1 issues	–	50
Closing additional tier 1 capital	**250**	**250**
Closing tier 1 capital	**2 069**	**1 893**
Opening tier 2 capital	**596**	**445**
New tier 2 capital issues	–	418
Redeemed capital	–	(267)
Other, including regulatory adjustments and other transitional arrangements	(63)	–
Closing tier 2 capital	**533**	**596**
Closing total regulatory capital	**2 602**	**2 489**

A summary of capital adequacy and leverage ratios

	31 March 2020*	31 March 2019*
Common equity tier 1 (as reported)°	11.5%	11.2%
Common equity tier 1 ('fully loaded')^^	11.1%	10.8%
Tier 1 (as reported)°	13.1%	12.9%
Total capital ratio (as reported)°	16.5%	17.0%
Leverage ratio** – current	8.0%	7.9%
Leverage ratio** – 'fully loaded'^^	7.7%	7.7%
Leverage ratio** – current UK leverage ratio framework^^^	9.1%	10.0%

* *The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital as required under the CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec group's 2020 and 2019 integrated annual reports, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratio would be 0bps (31 March 2019: 13bps) higher on this basis.*

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

^^ *Based on the group's understanding of current regulations, 'fully loaded' is based on CRR requirements as fully phased in by 2022, including full adoption of IFRS 9. As a result of the adoption of IFRS 9 IBP elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 31 March 2020 of £9 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.*

o *The reported CET1, tier 1 and total capital ratios are calculated applying the IFRS 9 transitional arrangements.*

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

CREDIT RATINGS

In terms of our dual listed companies structure, creditors are ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies. Capital and liquidity are prohibited from flowing between the two entities and thus capital and liquidity are not fungible. As a result, the rating agencies have assigned separate ratings to the significant banking entities within the Investec group, namely IBP and IBL. Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited. IBP's ratings are in line with the prior year. IBP's long-term Moody's Deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ on Rating Watch Negative.

On 1 April 2020, Fitch took action on 18 UK banking groups, including IBP, due to the COVID-19 pandemic. IBP's long-term Issuer Default Rating (IDR), Viability Rating (VR) and debt ratings were placed on Rating Watch Negative, as Fitch believes the economic fallout of the pandemic represents near-term risk to its ratings. IBP's long-term deposit rating was affirmed by Fitch at BBB+ however, in March 2019 Fitch placed IBP along with 19 other UK banks Rating outlooks on Rating Watch Negative following Fitch's decision to place the UK sovereign (AA) on Rating Watch Negative, as a result of heightened uncertainty over the outcome of the Brexit process, and an increased risk of a disruptive 'no-deal' Brexit. Our ratings on 16 June 2020 were as follows:

RATING AGENCY	INVESTEC PLC	IBP – A SUBSIDIARY OF INVESTEC PLC
Fitch		
Long-term rating		BBB+
Short-term rating		F2
Viability rating		bbb+
Support rating		5
Moody's		
Long-term rating	Baa1	A1
Short-term rating	P-2	P-1
Baseline Credit Assessment (BCA) and adjusted BCA		baa1
Global Credit Ratings		
Long-term rating		BBB+
Short-term rating		A2

The bank's internal audit function forms part of the Investec plc internal audit function. The bank's Irish branch has its own internal audit function reporting into Investec plc internal audit and the internal audit function for Wealth & Investment also reports into Investec plc internal audit. In combination, the functions cover all the geographies in which Investec plc operates. These functions use a global risk-based methodology and cooperate technically and operationally.

Internal audit reports at each IBP, Investec Wealth & Investment and Investec plc Audit Committee meeting and has a direct reporting line to the respective chairs of these committees as well as a dotted line to the chief executive officer. For administrative purposes, the Investec plc head of internal audit also reports to the group head of corporate governance and compliance. The function operates independently of executive management, but has regular access to the IBP and Investec Wealth & Investment business leaders and group chief executive officer. The function complies with the International Standards for the Professional Practice of Internal Auditing, and is subject to an independent Quality Assurance Review (QAR) at appropriate intervals. A QAR review has recently been undertaken, benchmarking the function against both internal methodology and international best practice which indicated that internal audit is generally compliant with the requirements of global Institute of Internal Auditors (IIA) standards.

Annually, internal audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. Very high risk businesses and processes are audited every six to twelve months, with other areas covered at predetermined rotational intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given the bank's dependence on IT systems. Thematic audits, which cover processes across multiple business units, are part of the audit plan and serve to provide consistent and integrated assurance between group functions and the operating entities. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of integrated assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The responsible audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the local assurance forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committees receive reports on significant control issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by internal audit to the IBP, Investec Wealth & Investment and Investec plc Audit Committees. Internal audit proactively reviews its practices and resources for adequacy and appropriateness to meet an increasingly demanding corporate governance and regulatory environment. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match the diverse requirements, of IBP, Investec Wealth & Investment and Investec plc which are assessed annually by the audit committees with no adverse outcomes. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal audit resources are subject to review by the IBP, Investec Wealth & Investment and Investec plc Audit Committees to ensure

Internal audit's activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function

resourcing is appropriate, that the function operates independently and effectively, and appropriate succession planning is in place.

Regulatory change continues to be a key feature in the financial sector with ongoing global political events adding uncertainty as to the shape of financial services regulation going forward. Technological risk and social concerns, including environmental sustainability, are increasingly being addressed through regulation.

Global regulators expect financial services institutions to implement robust governance arrangements to enhance stability and ensure financial services are delivered in an appropriate manner. Regulators continue to focus on promoting resilience in financial markets, with sustained emphasis on recovery and resolution plans and structural enhancements to the banking sector as well as customer and market conduct related reforms.

Non-financial risks such as cybersecurity breaches and employee misconduct are a focus for regulators to ensure that consumers are appropriately protected and that stakeholders are treated appropriately. The maintenance of data quality and security remains a high priority for the banking industry and its regulators, in order to increase the efficiency of delivery and strengthen oversight.

In 2017 the FCA announced that it will no longer compel panel banks to submit the rates required to calculate LIBOR after the end of 2021. The FCA have subsequently clarified that all market participants are required to have removed dependencies on LIBOR, by the end of 2021 and that market participants should start transitioning from the use of LIBOR to alternative benchmark rates. IBP has established a bank-wide project to manage this transition focussing on a number of key work streams including the management of conduct, legal and commercial risks that arise from this transition as well as to ensure adequate and appropriate communications with our clients in order to help them manage the impact this may have on their business with us. The bank has contacted all existing clients with LIBOR products, amended sales and other processes as regards the continued sale of LIBOR linked products and has commenced due diligence of existing contracts with a view to remediating such contracts as soon as practical.

The bank remains focused on maintaining the highest levels of compliance in relation to regulatory requirements and integrity in all of our jurisdictions. Our culture is central to our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

Year in review

Conduct risk

During the period the FCA has continued to focus on advancing its three operational objectives: securing an appropriate degree of protection for consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interest of consumers.

Consistent with these three overall objectives, the FCA has maintained its focus on culture and conduct, establishing a clear expectation that UK regulated banks maintain robust frameworks, for managing risk in these key areas. Specifically, UK institutions are expected to be able to demonstrate that their culture, governance and approach to rewarding and managing staff, are at all times aligned to the interests of customers and the institutions' other stakeholders.

The IBP board along with senior management, are ultimately responsible for the bank's culture and conduct risk frameworks. Over the period, the bank has continued to focus on delivering good customer outcomes and effectively managing conduct risk throughout our business. This has included continued and ongoing investment in, and enhancement of our conduct risk framework together with a sustained focus on maintaining the highest levels of regulatory compliance, throughout our businesses.

Consumer protection

The FCA has maintained its ongoing commitment to creating a fair, transparent and well-functioning financial services market, for all consumers. It has focused on: consumer vulnerability and access to the financial services; fair treatment of existing customers; prevention of fraud and financial scams; responsible lending, advice and selling standards in the mortgage market; overdraft reforms; and tackling pension mis-selling and fraud. In the period the FCA cancelled a number of consumer credit permissions for motor dealers and imposed a number of fines for culture, conduct and governance failures in retail and wholesale banking as well as breaches of competition law.

The FCA's focus on customer protection has included an increasingly intensive approach to supervisory activities and thematic reviews, as well as several high profile referrals to enforcement.

Financial crime

Financial crime continues to be an increasing regulatory focus with regulators globally encouraging firms to adopt a dynamic approach to the management of risk and to increase efforts around systems and controls to combat both money laundering, tax evasion and bribery and corruption. The FCA Business Plan also highlights financial crime (frauds and scams) and AML as one of their key cross-sector priorities with a particular focus on the harm caused by money laundering within capital markets. The bank maintains robust due diligence with relevant policies, procedures and training to guard against the risks of financial crime.

Brexit

The UK left the EU on 31 January 2020 and entered into a transition period, which is due to last until 31 December 2020. During the transition period, EU law will continue to apply and firms and funds will continue to benefit from passporting between the UK and the EEA. Consumer rights and protections derived from EU law will also remain in place.

New EU legislation that takes effect before the end of the transition period, will also apply to the UK. The FCA intends to use the transition period to work with the UK Government, the BoE, institutions and other regulators to ensure the financial services industry is ready for the end of the transitional period. Investec continues to refine its Brexit strategy to ensure it is able to maintain access to EU clients and markets with minimal disruption to the bank, its clients and employees.

Tax reporting (FATCA, CRS, MDR and DAC6)

The Foreign Account Tax Compliance Act (FATCA) aims to promote cross-border tax compliance by implementing an international standard for the automatic exchange of tax information relating to US investors. The provisions call on tax authorities worldwide, to obtain on an annual basis, detailed account information from financial institutions relating to US investors and exchange that information automatically, with the United States Internal Revenue Service.

The OECD took further steps to improve global cross-border tax compliance by releasing the Common Reporting Standard (CRS). The CRS is a set of global standards for the annual exchange of financial information by financial institutions pertaining to customers, ultimately to the tax authorities of the jurisdictions in which those customers are resident for tax purposes. IBP is compliant with obligations under FATCA and CRS in all relevant jurisdictions.

The OECD published Mandatory Disclosure Rules, that aim to provide tax administrations with information on CRS avoidance arrangements and opaque offshore structures, including the users of those arrangement and structures and those involved with facilitation. Many CRS jurisdictions such as the Channel Islands have now incorporated this into domestic law. Following suit, the EU introduced its own Mandatory Disclosure Regime in relation to cross-border tax arrangements, commonly known as DAC6. This regime applies to cross-border tax arrangements, which meet one or more specified characteristics (Hallmarks) and which concern either more than one EU country, or an EU country and a non-EU country.

Despite Brexit, the UK Government published draft legislation in July 2019 and draft guidance in January 2020 defining how it intends to implement the regime into UK domestic law. The legislation will come into effect on 1 July 2020.

Chairman's introduction

It is my pleasure to present the corporate governance report for the year ended 31 March 2020, which describes the approach to corporate governance at Investec Bank plc (the bank).

The bank is the UK-based and regulated banking subsidiary of Investec plc. Investec plc and Investec Limited, together with their subsidiaries, are managed as a single economic enterprise as a result of the dual listed company (DLC) structure. The DLC board is responsible for statutory matters and corporate governance for the Investec group, and sets the standards for the subsidiaries of the Investec group. The bank board is responsible for the statutory matters and corporate governance for the bank, and ensures compliance with applicable legislation and governance requirements of the jurisdictions within which the bank operates, including its obligations as an independent bank regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Stakeholders are therefore encouraged to also read the corporate governance report contained in Investec group's 2020 integrated annual report.

Before we turn to look in more detail at key aspects of our governance, I would like to reflect on the board's achievements and challenges encountered over the past year, and to consider the key areas of focus for the board in the year ahead.

The past year in focus

A year of change

Significant change, and in particular the ability of the Investec group and the bank to prosper throughout change, has been a more evident theme than ever over the past year. Externally, the UK economic and political environment has remained challenging, with confidence impacted by the uncertainty around Brexit and world trade tensions. Internally, the Investec group continued to make progress in its strategy to simplify and focus the business in pursuit of disciplined growth in the long term. The Investec group completed the demerger of the Asset Management business, reduced operating costs and delivered loan book growth and client acquisition ahead of budget in the UK Private Banking business. The bank also executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses, including the restructure of the Irish branch, and the closure and rundown of the Hong Kong direct investments business.

The bank board and leadership team has itself seen significant change, including the appointment of a new chief executive officer (CEO), three other executive directors and a new non-executive director. This, and other board and leadership changes, have been delivered through planned and structured succession in order to bring new skills and energy to the board, and also provide continuity and retain knowledge within the organisation. The successful management of succession was crucial to ensuring that the board collectively had the skills, knowledge and experience, necessary to guide the bank through the challenges of the past year. We believe that it also leaves the board better equipped to steer a course through the challenges that lie ahead.

Board succession

As noted above, the composition of the board has continued to evolve, through planned succession, in particular with the appointment of our new CEO, Ruth Leas who succeeded David van der Walt on 19 November 2019.

Ruth has been an executive director of the bank since July 2016 and has been with the Investec group since 1998 holding a variety of roles both with the bank and with Investec Bank Limited in South Africa. Prior to her appointment as CEO, Ruth was chief risk officer (CRO) and before this from November 2013 to June 2017 was head of Risk Management. We know that with her deep knowledge and experience of Investec and the banking sector, she will build upon the work and success of her predecessor.

We offer our sincere thanks to David for his long service, dedication and contribution to the bank, and wish David well.

Investec has a long tradition of growing and developing talent from within and we are proud that in addition to the appointment of Ruth Leas, there have been a number of other appointments of talented individuals to the board.

Chris Meyer (head of Corporate and Investment Banking) and Ryan Tholet (head of the Private Bank) were appointed as joint managing directors of the bank and also joined the board on 19 November 2019. Chris and Ryan have been with the Investec group since 2001 and 2005 respectively. We are pleased that they have been able to develop and flourish within the group and were delighted to welcome them both to the board.

Alistair Stuart also joined the board as an executive director on 19 November 2019, taking over the position of chief operating officer (COO) from Kevin McKenna, who moved to the role of CRO. Alistair brings a wealth of knowledge and experience, both from within the bank, having joined as COO for the Private Banking division in 2016, from the wider Investec group, where he was COO and chief information officer (CIO) for Private Bank at Investec Australia between 2013 and 2014, and externally where he has held several senior leadership positions, including at Royal Bank of Scotland, Lloyds TSB and Westpac.

Kevin McKenna has been an executive director of the bank since May 2012, and the COO since October 2011. Having been with the Investec group since 2000, Kevin has extensive knowledge of the bank and its operations and a deep and wide understanding of the risks faced by the industry.

In addition to these executive director appointments, we also welcomed a new non-executive director, Paul Seward to the board at the beginning of the financial year. Paul joined the board on 1 April 2019 and, as I commented in my report last year, he has strengthened the board's independent governance, with his significant risk experience, commercial acumen and banking knowledge. His appointment as chairman of the newly created IBP Board Risk and Capital Committee (BRCC) has assisted to enhance the bank's oversight and management of risk, on which subject Paul will provide more detail later in the report from the chairman of the BRCC.

In addition to David van der Walt, who stood down on 19 November 2019, as part of planned succession at the bank and Investec group, we also saw two other executive directors retire from the board during the year:

- Ciaran Whelan stood down from the board on 19 November 2019. Ciaran has been appointed to the board of Investec plc and Investec Limited as an executive director, and as CEO of Wealth & Investment, subject to regulatory approval
- Having served on the board as an executive director since June 1999, Ian Wohlman retired from the board on 19 November 2019. Ian joined the Investec group in 1991 and has held a number of senior appointments, including as the head of Conduct and Governance since 2017. Whilst Ian has chosen to step back from his board role and a number of responsibilities, he continues to make a vital contribution as the chairman of a number of overseas subsidiaries of the bank.

Finally, on 8 August 2019, Haruko Fukuda OBE, stood down as a non-executive director, having served on the board since 3 December 2012. We would like, on behalf of the board, to express our heartfelt thanks and appreciation to Haruko for her extensive commitment and hard work at both the bank and, prior to this on the Investec group board.

Diversity

As at 31 March 2020, there were four female board members, providing a one-third female representation on the board.

In terms of ethnic diversity, as at the date of this annual report, there were three persons of colour, as defined by the Parker Review, who are board members. The board is committed to attracting, developing and retaining the best talent. The bank appoints to positions based upon the skills, knowledge and experience that the individual brings and the contribution that the individual is able to make. We were pleased to have appointed Ruth Leas as CEO, and are pleased that Investec is developing a strong pipeline of talented and diverse individuals, who will develop within the organisation, some of whom will move into senior leadership and board roles over time.

We recognise that more still needs to be done. A diverse workforce is vital to our ability to be a responsive organisation that is able to adapt and prosper in a fast changing world. To help us measure the pace of change, we have set a number of goals and targets. The Investec group has signed up to the 30% Club promoting female board representation. The bank has adopted a board diversity policy, which recognises the recommended target for FTSE 350 companies to move towards 33% female representation on Boards by the end of 2020. The bank has also signed the Women in Finance Charter and in doing so has committed to: having a senior executive team member responsible for diversity and inclusion; meeting set targets for diversity; publishing progress reports annually; and linking pay of senior executives to delivery of these targets. Having a diverse board remains important to the bank, which brings indisputable benefits and distinct, different outlooks, alternative points of view, and mind-sets able to challenge the status quo.

Governance

I noted in my last report that a key focus of the prior year was the implementation of the bank's new governance arrangements, including the establishment of the bank's BRCC during the year, and the formation of the bank's Remuneration Committee to strengthen the independence of the bank. The embedding of this enhanced governance structure continued to be a key area of focus, and work has taken place to ensure that the membership of the principal board committees is fully embedded. The board has been particularly conscious of ensuring that the committees operate with clearly defined responsibilities and accountability to the board, which ensure that they are able to operate effectively; minimise the duplication of discussion that has taken place at other committees; provide a clear process for escalation of matters for the board; and has permitted greater board focus on questions of strategy, culture and the performance of the bank.

There were a number of important corporate governance changes impacting companies during the year, including, the application of the 2018 Corporate Governance Code (the Code) and associated guidance on board effectiveness, a requirement introduced by the Companies (Miscellaneous Reporting) Regulations 2018, which requires the bank to include a statement as part of their directors' report stating which corporate governance code, if any, has been applied and how. For many years, the bank has sought to ensure that its practices are aligned with principles of good governance and the board has therefore considered the guidance and has chosen to apply the principles of the Code, including its provisions, on a comply or explain basis.

The Companies (Miscellaneous Reporting) Regulations 2018 also contained other significant requirements for large companies, relating to how directors have engaged with employees. In order to ensure that the employee voice is given even more prominence in the board room, the board chose to appoint Moni Mannings as the designated non-executive director for workforce engagement. Moni has been actively involved in a working group ensuring increased interaction with employees including improving lines of communication, consulting employees and ensuring that the board understands and has regard to employees' interests in making decisions.

Culture

Throughout the period our commitment to the Investec culture has continued to support us in delivering good customer outcomes, effectively managing conduct risk, and achieving our strategic objectives.

Culture, however, is not something that is static, and the board recognises that it will change and develop over time. Whilst maintaining entrepreneurial spirt, a culture of cost control to help to improve our operating margin and create greater value for our stakeholders is becoming more deeply embedded. The board recognises the central role it plays in setting the tone from the top, and ensuring that as culture develops, it does so within a framework, which adheres to the core values of the Investec group, to which we are committed. Our work on employee engagement, as outlined above, will also inform the board's discussions around culture.

Strategic Vision

The board has continued to exercise leadership, integrity and judgment in pursuit of the bank's strategic goals and objectives.

Despite the unprecedented global economic and market uncertainty which we face at the time of writing, we remain committed to our strategy of focusing on building scale in our core client franchises, which have delivered good performance even under difficult conditions, and reducing activities causing income volatility. We remain keenly focused on simplifying our operating model and effecting cost efficiencies following an ongoing strategic review of our cost infrastructure.

Board effectiveness

The board's annual effectiveness review provides an opportunity to reflect on activities during the year, including the quality of our deliberations, decisions and the contribution of individual members. Last year, Professor Robert Goffee conducted an independent review and the board has considered and implemented a number of the key findings and recommendations. In the current year the review was conducted by means of a self-evaluation questionnaire and interviews with the chairman. The key outcomes and actions resulting from this process are considered in more detail in the Nomination Committee report, below.

The year ahead

As the year drew to a close, we faced the challenges resulting from the COVID-19 pandemic. Similar to other organisations, we have taken decisive action to help ensure the welfare of our people, to assist our clients, to support our community, to work with the initiatives put forward by the governments in the jurisdictions in which we operate, and to manage the heightened risk environment. There remains uncertainty as to the depth of the potential downturn in activity, the duration of restrictive measures and the exit plans within the geographies which we operate. At the present time it is difficult to predict the full impact that the pandemic will have on the bank. The board, in light of regulatory guidance to banks, and further to the decision of the Investec group board to not declare a final ordinary dividend, declared a null dividend to its sole shareholder, Investec plc. The board will continue to meet regularly, on a virtual basis, to ensure that all aspects of the challenges posed by the COVID-19 pandemic are given our full attention.

The board will continue to focus on those matters that will enable disciplined growth and enhance both the service for our clients and returns for our shareholder, including cost management; greater connectivity both with the wealth business in the UK and across geographies with the wealth and banking businesses in South Africa; and developing and enhancing our digital capabilities. A key function of the board will be to oversee the delivery of our strategic priorities, whilst ensuring adherence to good corporate governance and sound decision making that includes full and proper regard to the environmental impact of our activities, and the interests of all our stakeholders, including our clients, our shareholder, our employees, our regulators and the communities within which we operate.

Conclusion

I commenced this report on the theme of change. One thing of which we can be certain is that uncertainty will remain a feature in the external environment. Boards will therefore, more than ever, need to be able to react, and adapt to significant change. This includes digital / technological change, change in societies' expectations, clients' demands and regulatory, legal and accounting developments. I believe, with the changes we have carefully instigated over a number of years and the effective governance arrangements we have in place, the board is now better placed to steer the bank on its course to creating value for all our stakeholders.

Over the following pages, you will find more detail of our governance framework, including who our board and management are, how they make decisions and what they have done over the past year in terms of their leadership, strategic direction and oversight of the bank.

Brian Stevenson
Chairman

16 June 2020

Within this report you will find:

Who we are

Director biographies

Biographies of our current directors are outlined below, including their relevant skills and experience, key external appointments and any appointments to board committees.

Brian D Stevenson

Chairman

Age: 66

Qualifications: MBA in Business Administration and Management, ACIB, FCBI

Relevant skills and experience

Brian has been a member of the board of the bank since 2016, and chairman of the board, effective from 15 May 2018. Brian was previously managing director and head of corporate and institutional banking at RBS. Brian served as CEO and chairman of RBS's global transaction services division. He joined RBS from Deutsche Bank, where he served as head of the global banking division for Asia-Pacific. Brian was a non-executive director of the Agricultural Bank of China (UK) Limited from 2011 to 2016 and a supervisory Board member of Deutsche Bank Nederland NV from 2014 to 2016. Brian is an associate of the Chartered Institute of Bankers (ACIB) and a fellow of the Chartered Banking Institute (FCBI)

External appointments

Westpac Europe Limited

Committee membership

IBP BRCC, IBP Nomination Committee (chairman) and IBP Remuneration Committee

Date of appointment

14 September 2016

Moni Mannings

Senior independent non-executive director

Age: 57

Qualifications: LLB

Relevant skills and experience

Moni joined Investec as a non-executive director with effect from 27 July 2016. Until September 2017, Moni was chief operating officer of an artificial intelligence and data analytics company Aistemos Limited. Prior to this Moni was senior partner of Olswang LLP until 31 March 2016 having specialised in banking and finance law for 30 years. Before joining Olswang, Moni worked for Clifford Chance within their banking and securities group. Moni was appointed the SID of the bank on 15 May 2018

External appointments

Breedon Group plc and Barnardo's

Committee membership

IBP Audit Committee, IBP BRCC, IBP Nomination Committee and IBP Remuneration Committee (chairman)

Date of appointment

27 July 2016

Zarina BM Bassa

Independent non-executive director

Age: 56

Qualifications: BAcc, DipAcc, CA(SA)

Relevant skills and experience

Zarina is a former partner of Ernst & Young Inc. She joined the Absa Group in 2002 and was an executive director of Absa Bank, a member of the group's executive committee, and Head of the Private Bank. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board and has been a board member of the Accounting Standards Board and a member of the JSE GAAP Monitoring Panel. Zarina has previously served as a non-executive director at several companies including the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Sun International Limited, Vodacom South Africa Proprietary Limited, Mercedes SA and the Financial Services Board. Zarina was appointed to the boards of Investec Limited and Investec plc on 1 November 2014, and as the senior independent non-executive director of Investec group on 1 April 2018

External appointments

Oceana Group Limited, YeboYethu Limited, Woolworths Holdings Limited, JSE Limited

Committee membership

IBP Audit Committee

Date of appointment

1 April 2017

David Friedland

Independent non-executive director

Age: 66

Qualifications: BCom, CA(SA)

Relevant skills and experience

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG, Cape Town office before leaving in March 2013. David was appointed to the boards of Investec Limited and Investec plc on 1 March 2013

External appointments

The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les Proprietary Limited

Committee membership

IBP BRCC

Date of appointment

1 March 2013

Paul K Seward

Independent non-executive director

Age: 64

Qualifications: BSc mathematics (Hons)

Relevant skills and experience

Paul was previously CRO at HSBC in the UK, a position he held between 2011 and 2017. He joined Midland Montagu (which was acquired by HSBC in 1992) in 1985, and held a number of senior positions prior to his appointment as chief risk officer at HSBC Bank UK, including head of global eBusiness and head of strategy implementation. Paul was a non-executive director of M&S Bank between 2016 and 2017, chairman of HSBC Asset Finance from 2015 to 2017 and a trustee of the HSBC Pension Scheme between 2010 and 2017, acting as chairman of the trust's audit and risk committee from 2013 to 2017

External appointments

Axis Bank UK Limited and HSBC Life (UK) Limited

Committee membership

IBP Audit Committee and IBP BRCC (chairman)

Date of appointment

1 April 2019

Lesley Watkins

Independent non-executive director

Age: 61

Qualifications: BSc (Hons) mathematics, FCA

Relevant skills and experience

Lesley qualified as an accountant with Price Waterhouse, which subsequently become PricewaterhouseCoopers (PwC). She was previously a managing director in a number of investment banks including UBS and Deutsche Bank. Lesley was also finance director of Calculus Capital Limited, a private equity firm for 16 years. She was a Council member and audit chair of the Competition Commission from 2009 to 2014, a non-executive director and audit chair of Panmure Gordon & Co from 2011 to 2017 and a non-executive director and audit chair of Game Digital plc from 2014 to 2018

External appointments

Braemar Shipping Services plc and Chauncer Syndicates Limited

Committee membership

IBP Audit Committee (chairman), IBP BRCC and IBP Remuneration Committee

Date of appointment

13 November 2018

Ruth Leas

Chief executive officer

Age: 48

Qualifications: BA (cum laude), Hons (Economics), MPhil (Cantab)

Relevant skills and experience

Ruth was appointed CEO of the bank on 19 November 2019. Prior to this, Ruth was the chief risk officer for IBP, a position she had held since 2017. Ruth has worked within the Investec group since 1998, first in South Africa at Investec Bank Limited in financial products. Since 2002, Ruth has been based at Investec in the UK. Prior to her employment at Investec, Ruth was treasury economist for Gencor SA Limited. Ruth holds an MPhil degree from Cambridge University, England, and a BA (cum laude) Hons Economics from the University of Witwatersrand, South Africa

External appointments

None

Committee membership

None

Date of appointment

27 July 2016

Chris Meyer

Managing director

Age: 48

Qualifications: BCom, CA(SA), MSc Finance

Relevant skills and experience

Chris has been the head of the Corporate and Investment Banking division since 2013, and was appointed a managing director in November 2019. Chris has been with the Investec group since 2001, performing a variety of roles, including establishing and leading the treasury products and distribution business from its inception in 2008, until the appointment of his current role in 2013.

External appointments

None

Committee membership

None

Date of appointment

19 November 2019

Kevin P McKenna

Chief risk officer

Age: 53

Qualifications: BCom, BAcc, CA(SA)

Relevant skills and experience

Kevin was appointed CEO on 19 November 2019. Prior to this, Kevin was the COO of the bank, a position he had held since October 2011. Kevin joined Investec in 2000 as the financial director of Investec Securities Limited. Kevin was appointed global COO of Investec capital markets in 2003 and served in that role until his appointment as chief operating officer of the bank in 2011. Prior to Investec, Kevin served as chief operating officer of Mercury Consolidated Holdings as well as a director of ING Barings's South African-based subsidiaries. Kevin is a qualified chartered accountant and graduate of the University of Witwatersrand

External appointments

None

Committee membership

None

Date of appointment

10 May 2012

Alistair Stuart

Chief operating officer

Age: 52

Relevant skills and experience

Alistair has been with the Bank since 2016, and was appointed COO of the bank in November 2019, after previously being COO for the bank's Private Bank division. Immediately prior to joining the Bank, Alistair was the Delivery Director at Royal Bank of Scotland, a role he assumed in 2014. Alistair has previously worked for the Investec group, as COO / CIO for Private Bank at Investec Australia, between 2013 and 2014. Prior to this, Alistair had been Director for the Group Productivity Programme / Head of Banking Services for Westpac Bank in Australia, a company he had joined in 2006. Alistair has also held managerial roles at Lloyds TSB, Cheltenham & Gloucester and Barclays Bank.

External appointments

None

Committee membership

None

Date of appointment

19 November 2019

Ryan Tholet

Managing director

Age: 44

Qualifications: BCom, BCom (Hons)

Relevant skills and experience

Ryan has been the head of the Private Bank division in the UK since 2016, and was appointed a managing director in November 2019. Ryan has been with the Investec group since 2005, and has held a number of significant management roles, including the head of the treasury sales and structuring business, the head of Banking at Investec Bank Limited and the head of the Private Bank in South Africa, a position he held between 2014 and 2016.

External appointments

None

Committee membership

None

Date of appointment

19 November 2019

Fani Titi

Executive director

Age: 57

Qualifications: BSc (cum laude), BSc Hons (cum laude) in Mathematics, MA in Mathematics, MBA

Relevant skills and experience

Fani has been a member of the boards of Investec Limited and Investec plc since January 2004 and was non-executive chairman of Investec Limited and Investec plc from November 2011 until 15 May 2018. He has also been a member of the IBL board from July 2002. He has served on the board of Investec Asset Management from November 2013, and remains on the board of the newly listed Ninety One as a non-executive director. Fani was a founding member of the private investment group Kagiso Trust Investments Limited (now Kagiso Tiso Holdings), and later cofounded and led the public offering of Kagiso Media Limited on the JSE Limited as its CEO. Fani was subsequently the founding executive chairman of the private investment firm the Tiso Group, which subsequently merged with Kagiso Trust Investments to form Kagiso Tiso Holdings. Fani stepped down from the Tiso Group in 2008 to concentrate his time on his duties at the Investec group, while also looking after his private investment portfolio. Fani has over two decades of investment banking experience and has sat on the boards of different investee companies and JSE listed companies. Fani has also joined the Secretary General of the United Nations CEO Alliance on Global Investors for Sustainable Development (GISD). Fani was appointed joint group chief executive officer of Investec group on 01 October 2018, and following the demerger and separate listing of Ninety One, became the sole chief executive officer of the Investec group.

External appointments

Ninety One plc

Committee membership

None

Date of appointment

3 August 2011

Governance framework

Investec Bank plc is the UK-based and regulated banking subsidiary of Investec plc. Investec group, comprising Investec Limited and Investec plc, operates under a DLC structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the Investec group to comply with requirements in both jurisdictions.

From a legal perspective, the DLC comprises Investec plc, a public company incorporated in the UK and listed on the London Stock Exchange with a secondary listing on the Johannesburg Stock Exchange; and Investec Limited, a public company incorporated in South Africa and listed on the Johannesburg Stock Exchange, with secondary listings on the Namibia Stock Exchange and the Botswana Stock Exchange.

Investec Wealth & Investment Limited, an FCA regulated subsidiary of the bank, maintains an independent governance structure, comprising an independent board, audit committee, nomination committee, remuneration committee and risk committee.
The membership of the Wealth & Investment board includes both executive and non-executive directors. The Wealth & Investment board and board committees report to the DLC board and the DLC board committees. Any matters relevant to IBP are communicated to the board, through an update from the CEO of Wealth & Investment, which is supported by having one or more directors of Investec group as members of the board committees of the bank.

The governance structure of the bank was enhanced in the financial year ended 31 March 2019, with the addition of an independent BRCC, to assume responsibilities that had previously been delegated to the DLC BRCC.

During the last financial year, the bank also established an independent Remuneration Committee, to assume responsibilities that had previously been delegated to the DLC Remuneration Committee, which held its inaugural meeting in May 2019.

As a result of the introduction of IBP BRCC and IBP Remuneration Committee, there have been a number of changes made to the bank's governance framework, to ensure that reporting lines accurately reflect the responsibilities of the respective committees, and to ensure effective oversight by non-executive directors. Care has also been taken to ensure that the structure avoids the risk and inefficiency that might be caused by duplication in reporting. To this end, the interaction between the IBP Audit Committee and the IBP BRCC has been a key consideration in revisions made to the bank's governance framework, as has consideration and development of the role of the IBP Prudential Assurance, Conduct and Controls Committee (PACCC). IBP PACCC has provided a vital role for a number of years in terms of providing a forum for effective oversight of non-financial risks. With the establishment of IBP BRCC and the refinement of reporting of these risks to IBP BRCC, the decision has been made to reconstitute IBP PACCC as an executive forum, the IBP Risk and Control Forum, with non-executive scrutiny and oversight provided directly by IBP BRCC and IBP Audit Committee.

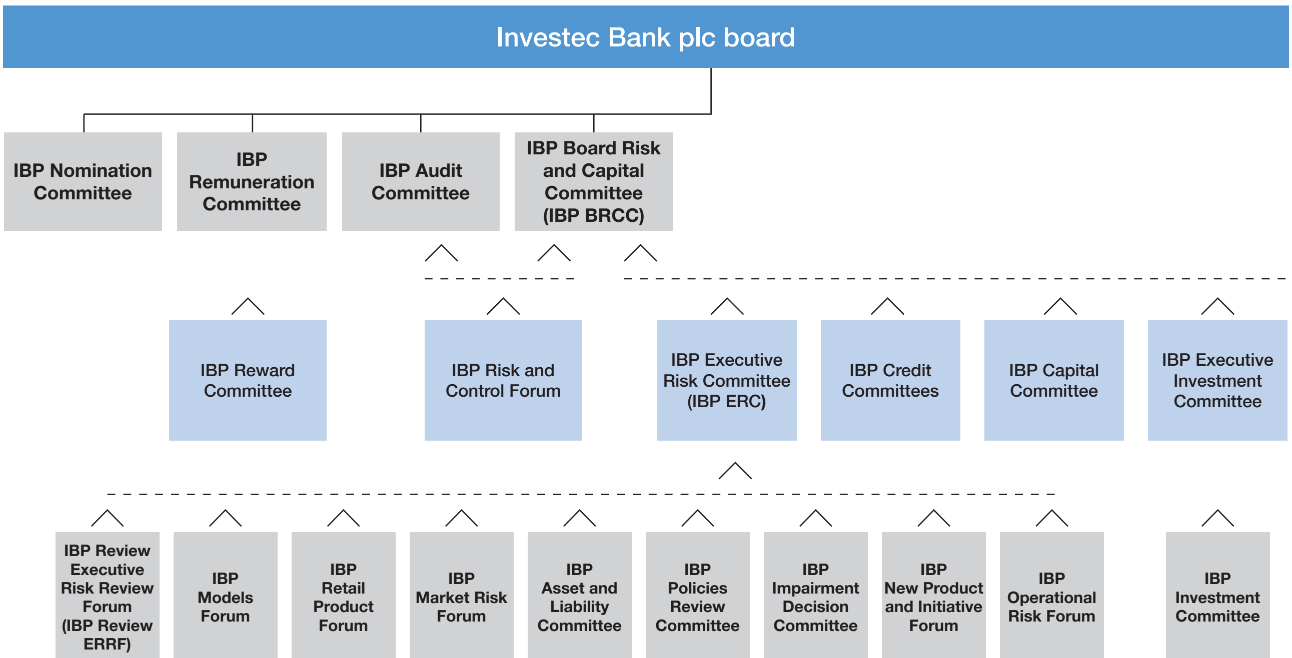
Further details in regards to the IBP BRCC may be found in the respective report on pages 126 to 129, and further information in relation to the IBP Remuneration Committee may be found in the remuneration report on pages 137 to 139.

The bank has also during the year established a separate and independent Capital Committee, mandated by IBP BRCC, creating a forum for more focussed and in depth review of matters specific to the bank and to the IBP BRCC.

The bank will continue to refine its governance structure, to ensure that it continues to operate with an appropriate level of independence and autonomy, within the context of the wider Investec group.

The governance framework from a bank perspective is detailed below.

Details of the governance framework of the Investec group can be found in Investec group's 2020 integrated annual report.



Board roles

The key governance roles and responsibilities of the board are outlined below:

Chairman	*Chief executive officer*	*Chief risk officer*
• Responsible for the leadership of the board and ensuring its overall effectiveness • Sets the board agenda, ensuring that there is sufficient time available for the discussion of all items, and that the board meets with appropriate frequency • Acts as facilitator at board meetings to ensure that no director, whether executive or non-executive, dominates the discussion, ensures that the discussion is appropriate and that the discussions result in logical and understandable outcomes • Demonstrates objective judgement and encourages open and honest dialogue between all board directors • Leads and manages the dynamics of the board, providing direction and focus • Ensures that the board sets the strategy of the bank and assists in monitoring progress towards achieving the strategy • Oversees the integrity and effectiveness of the governance processes of the board • Leads the development of and monitors the effective implementation of policies and procedures for the induction, training and professional development of all members of the board • Responsible for the evaluation of the performance of the board collectively, non-executive board members individually, and contributes to the evaluation of the performance of the executive directors • Maintains regular dialogue with the CEO in respect of all operational matters and consults with the remainder of the board promptly on any relevant matter • Ensures that the board sets the tone from the top, in regards to culture • Serves as the senior interface with UK regulators and Investec group on behalf of the board	• Leads and manages the bank within the authorities delegated by the board • Develops strategic proposals for consideration and recommendation to the board • Implements the decisions of the board and delivers the agreed strategic objectives • Ensures the bank's culture is embedded and perpetuated across the organisation • Develops all the bank's businesses	• Responsible for the effective management of risk within the bank • Ensures that the bank's risk management, conduct and governance processes and procedures are effective • Provides the board with updates on the bank's risk management, conduct and governance processes • Manages the bank's risk appetite

Senior independent director	*Non-executive director*	*Company secretary*
• Addresses any concerns or questions from non-executive directors • Provides a sounding board for the chairman • Leads the board in the assessment of the effectiveness of the chairman, and the relationship between the chairman and the chief executive officer • Acts as trusted intermediary for non-executive directors if required to assist them to challenge and contribute effectively	• Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals • Constructively challenges and contributes to assist in developing the bank's strategy • Monitors the performance of management against their agreed strategic goals • Ensures the effectiveness of internal controls and the integrity of financial reporting • Reviews succession planning for the board and management • Oversees the risk management framework • Oversees the remuneration of the executive directors and the bank's employees	• Maintains the flow of information to the board and its committees and ensures compliance with board procedures • Minutes all board and committee meetings to record the deliberations and decisions taken therein • Ensures that the board complies with relevant legislation and regulation, including Listings Requirements • Maintains the company's statutory registers • Ensures good corporate governance is implemented and advises the chairman and the board in that regard • Organises all board and committee meetings

Board composition

Membership

At the date of this annual report, the board comprised six executive directors and six non-executive directors, including the chairman.

Board appointments during the year:

- Paul Seward was appointed as a non-executive director and chairman of the IBP BRCC on 1 April 2019
- Chris Meyer (head of Corporate and Investment banking) and Ryan Tholet (head of Private Banking) joined the board on 19 November 2019 as joint managing directors. Chris and Ryan maintain their current roles as head of Corporate and Investment banking and head of Private Banking respectively
- Alistair Stuart was appointed as chief operating officer and joined the board on 19 November 2019.

The following directors stood down from the board during the year:

- Haruko Fukuda as a non-executive director on 8 August 2019
- Ian Wohlman as an executive director on 19 November 2019
- Ciaran Whelan as an executive director on 19 November 2019
- David van der Walt as CEO on 19 November 2019.

The implementation of succession plans also saw the following changes to executive responsibilities for existing directors:

- Ruth Leas was appointed as CEO with effect from 19 November 2019
- Kevin McKenna was appointed as CRO with effect from 19 November 2019.

Moni Mannings, the senior independent non-executive director of the bank, was also appointed as the designated non-executive director for workforce engagement. Further information in respect of this role may be found on pages 131 and 132.

The board, with the assistance of the IBP nomination committee, will continue to review and monitor the composition of the board, with particular regard to the breadth of skills, knowledge, experience and diversity of the members.

The names of the directors during the year and at the date of this annual report, and the dates of their appointments are set out in the table on page 114.

Further information in regards to the bank's management and board succession plan may be found in the IBP Nomination Committee report on pages 117 to 119.

Further details in relation to the Investec group management and board succession plan may be found in Investec group's 2020 integrated annual report.

Independence

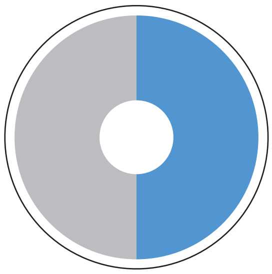
The bank has chosen to comply with the Code, and it considers the guidance set out in the Code when considering the independence of the non-executive directors.

Open and honest dialogue is part of Investec's culture, and robust, independent challenge is a fundamental component of how the board operates. The IBP Nomination Committee, which has been delegated the responsibility of reviewing the directors' independence, considers all relevant circumstances in undertaking its obligation to ensure that the directors demonstrate independence of character and judgement, and exhibit this in the boardroom by providing challenge to the executive board members.

The board, at the recommendation of the IBP Nomination Committee, believes that it functions effectively and that all the non-executive directors are independent of management and promote the interest of all stakeholders. The proportion of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no individual or group can dominate the board's processes or have unfettered powers of decision-making.

The board is of the view that the chairman, Brian Stevenson, was independent on appointment. Prior to becoming chairman, Brian Stevenson was the senior independent director of the board.

Balance of non-executive and executive directors as at 31 March 2020



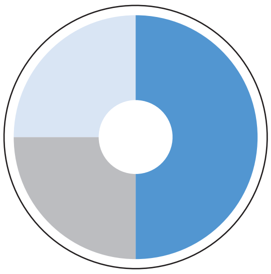
50%	Non-executive	
50%	Executive	

Tenure

The IBP Nomination Committee considers tenure when examining independence, and when considering the composition of the board as a whole. The IBP Nomination Committee is mindful that there needs to be a balance resulting from the benefits brought on board by new independent directors, *versus* retaining individuals with valuable skills, knowledge and experience, and an understanding of the bank's culture.

The board does not believe that tenure of any of the current non-executive directors, who have all served on the board for less than nine years, interferes with their independence of judgement and ability to act in the bank's best interest.

Tenure as at 31 March 2020



50%	0 – 3 years
25%	3 – 6 years
25%	6 – 9 years
0%	9 years plus

Diversity

In considering the composition of the board, we are mindful of all aspects of diversity, including gender, race, skills, experience and knowledge.

At the bank, we recognise that having a diverse board is a clear benefit, bringing with it distinct and different outlooks, alternative viewpoints, and challenging mind-sets.

The bank has adopted a board diversity policy, and has signed the Women in Finance Charter, which commits the bank to support the progression of women into senior roles through focusing on the executive pipeline and mid-tier level.

At the date of this annual report, there are four female board members, providing a one third female representation on the board. We are committed to increasing female representation on the board in both executive and non-executive positions, and are pleased that within Investec we have a strong pipeline of talented female employees, whose progression into more senior roles, including board roles, we will strongly support. We are pleased that with the appointment of Ruth Leas we have a talented female chief executive officer. We hope that her appointment will help inspire other women to progress to the highest levels in the organisation, and we are committed to maintaining a culture that will encourage and facilitate this.

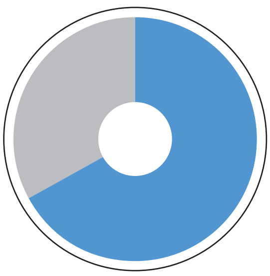
In addition, as at the date of this report there are three persons of colour on the board, providing one quarter representation.

Diversity as at 31 March 2020

Age

40 – 50	**25%**
51– 60	**42%**
61 and above	**33%**

Board gender balance



67%	Male
33%	Female

Skills, knowledge and experience

The board considers that the skills, knowledge and experience of the directors as a whole are appropriate for their responsibilities and the range of our activities.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member.

The bank has a directors' and officers' liability insurance policy that insures directors against liabilities they may incur in the proper performance of their duties.

On the recommendation of the IBP Nomination Committee, non-executive directors will be appointed for an expected term of nine years (three times three-year terms) from the date of their first appointment to the board.

Independent advice

Through the chairman or the company secretary, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the bank. No such advice was sought during the 2020 financial year.

Conflicts of interest

Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 (the Act). In accordance with the Act and the articles of association (the articles), the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the articles, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

Company secretary

David Miller is the company secretary of the bank. The company secretary is professionally qualified and has gained experience over a number of years. His services are evaluated by board members during the annual board effectiveness review. He is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretary whose appointment and removal is a board matter.

What we did

Board report

Role and responsibilities

The board seeks to exercise ethical leadership, integrity, effective control and legitimacy in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity.
The board is accountable for the performance and affairs of the bank. It provides leadership for the bank within a framework of prudent and effective controls which allows risks to be assessed and managed.

The key responsibilities of the board, which enable the board to meet its objectives, include:

- reviewing and approving the bank's strategy
- monitoring the financial performance of the bank, which during the financial year included the impact of COVID-19 and the business restructuring in Hong Kong and Ireland
- evaluating all material risks against our risk appetite, including the impact of market developments
- assessing the bank's capital requirements
- overseeing the implementation of remuneration policies, regulatory requirements and the reward process
- approving key policies and objectives
- ensuring that the board and the board committees operate effectively
- promoting high standards of corporate governance
- agreeing the values and standards which shape the bank's culture
- ensuring that obligations to its stakeholders and wider society are understood and met
- developing and supporting employees
- ensuring we continue to maintain a productive and effective relationship with our shareholder.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities.

The board operates within the group's governance framework and is accountable for the performance and affairs of the bank. The board meets its objectives by reviewing and implementing corporate strategy determined in conjunction with the group.

The board has defined the limits of delegated authority within the bank. The board is responsible for assessing and managing risk policies and philosophies, ensuring appropriate internal controls, overseeing major capital expenditure, acquisitions and disposals, approving the establishment of businesses and approving the introduction of new products and services. In fulfilling its responsibilities, the board together with management implements the plans and strategies of the bank.

For further detail of the functions of the board of the bank, as included with the functions of the boards of Investec plc and Investec Limited, performed directly or through board committees, refer to Investec group's 2020 integrated annual report.

Composition and meetings

The board met seven times during the financial year. This comprised six scheduled meetings and an additional meeting called at short notice. The chairman is responsible for setting the agenda for each meeting, in consultation with the CEO and the company secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of each meeting.

Members	Independent	Board members since	Eligible to attend	Attended
BD Stevenson (chairman)	On appointment	14 Sep 2016	7	7
R Leas (CEO)*	Executive	27 Jul 2016	7	7
ZBM Bassa	Yes	1 Apr 2017	7	6
D Friedland	Yes	1 Mar 2013	7	6
H Fukuda OBE**	Yes	3 Dec 2012	3	3
C Meyer***	Executive	19 Nov 2019	2	2
M Mannings	Yes	27 Jul 2016	7	7
KP McKenna	Executive	10 May 2012	7	7
A Stuart***	Executive	19 Nov 2019	2	2
PK Seward****	Yes	1 Apr 2019	7	6
R Tholet***	Executive	19 Nov 2019	2	2
F Titi	Executive	3 Aug 2011	7	6
DM van der Walt*****	Executive	5 Feb 2002	5	5
LS Watkins	Yes	13 Nov 2018	7	7
JKC Whelan*****	Executive	14 Apr 2016	5	5
IR Wohlman*****	Executive	23 Jun 1999	5	4

* *R Leas succeeded DM van der Walt as CEO on 19 November 2019.*
** *H Fukuda stepped down from the board on 8 August 2019.*
*** *C Meyer, A Stuart and R Tholet were appointed to the board on 19 November 2019.*
**** *PK Seward was appointed to the board on 1 April 2019.*
***** *DM van der Walt, JKC Whelan and IR Wohlman stepped down from the board on 19 November 2019.*
^ *Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the board.*

Key matters deliberated by our board

In addition to the standard and regular agenda items, such as report-backs from each board committee and comprehensive reports from the chief executive officer, the following specific matters of importance were tabled and deliberated at board meetings and directors' development sessions during the financial year ended 31 March 2020:

Board activities

Area of focus	*What we did*
Strategy	• considered the strategy as developed and proposed by management for the bank • considered the impact on the bank from the One Investec initiative • considered the impact from the restructure of the Irish branch and the closure and rundown of the Hong Kong direct investments business • monitored the implementation of the bank's strategy • monitored management activity and performance against targets • provided constructive challenge to management • approved the budget of the bank
External Environment	• considered the implications of Brexit on the bank, including impact on performance, strategy, operations, liquidity, and capital, and impact on the bank's clients
COVID-19	• considered the impact of and plans for mitigation on risk matters, operational resilience, staff welfare, financial performance, adoption of government initiatives and regulatory matters
Governance, culture regulatory interactions, compliance and risk	• received and reviewed conduct reports • considered matters related to the interactions held with the regulators • invited the PRA to attend meetings of the board, IBP Audit Committee and IBP BRCC • confirmed that the bank meets all internal and regulatory requirements • received and reviewed reports from the IBP Audit Committee and IBP BRCC • approved the risk appetite of the bank • considered and approved the capital plans of the bank • considered the impact of the demerger of the Asset Management business from the Investec group • approved the recovery and resolution plan • considered the impact of the discontinuation of the Inter-bank Offered Rate (IBOR) • considered and confirmed the independence of non-executive directors giving regard to factors that might impact their independence • considered the directors' contribution at board meetings and whether they in fact demonstrated independent challenge • considered and enhanced the board's oversight of the bank's culture • considered and discussed the conclusions of culture related reports commissioned in the prior year • monitored the implementation of the bank's new governance structure • ensured that the bank had a robust governance structure in place • ensured that conduct issues were appropriately addressed • received reports from the IBP Remuneration Committee, including regulatory developments pertaining to remuneration • considered the remuneration policy statement • considered reports from the human resources function on key people issues, including levels of attrition, belonging, inclusion and diversity, reward and employee engagement activity
Leadership	• ensured that the policies and behaviours set at board level were effectively communicated and implemented across the bank • received and reviewed reports from the IBP Nomination Committee • considered matters relating to board succession and approved appointments to the board and board committees

Area of focus	*What we did*
Effectiveness	• considered the process for the board effectiveness review • reviewed the recommendations of the board effectiveness review • implemented the recommendations of the board effectiveness review • finalised topics for directors' development sessions
Financial results, liquidity and solvency	• reviewed and approved the financial results for the half year ended 30 September 2019 for the bank • reviewed and approved the financial results for the year ended 31 March 2020 for the bank • confirmed that the bank was liquid and that the solvency and liquidity test had been satisfied • confirmed that adequate resources existed to support the bank on a going concern basis and accordingly adopted the going concern concept • provided oversight of and received reports on the activities of the key banking subsidiaries
Directors' development	• prepared for compliance with the Internal Liquidity Adequacy Assessment Process • considered the Contingency Funding Plan • prepared for compliance with the Internal Capital Adequacy Assessment Process • discussed the Investec Inspire programme • reviewed the bank's operational resilience • considered the requirements for directors in regards to conflicts of interest • received an update in relation to legal privilege
Terms of reference and policies	• reviewed and received regular updates in respect of the various committees' terms of reference and policies within the bank

IBP Nomination Committee report

I am pleased to present you with the report of the IBP Nomination Committee (the committee). Throughout the financial year, the committee has continued to strengthen the independent oversight of the composition and key governance arrangements of the board and the board committees. In particular, the committee has provided rigorous and robust consideration of the changes to the composition of the board following the transition to the bank's new management team. Additional research has been conducted in seeking a non-executive director to join the board, with expertise in driving technological transformation in the financial services industry, following the departure of Haruko Fukada. Further details of the changes to the composition of the board are outlined in the chairman's report on page 100.

The major processes of the committee are designed to ensure that the board and senior management are each composed of a talented and diverse range of people, aligned with the bank's culture and values, with the collective skills and experience that are necessary for the bank to meet its objectives and strategic goals. This is essential for the effective governance of the bank and the successful running of our business.

The main areas of focus for the committee this year have been the review and embedding of the changes in the composition of the board, as well as the formalisation of corporate governance standards and a new board diversity policy.

Please refer to the report on the following pages for details of all of the material matters considered by the committee in the last year.

Committee performance

The performance of the board was assessed internally through a self-assessment questionnaire and follow up conversations with the chairman of the bank. The committee was found to be performing well with a sufficient breadth of knowledge, skills and experience to provide value to the board. You can read more about the outcomes of the board effectiveness review on page 119.

Looking ahead

In 2020/2021, in light of the Brexit transition period, changes in technology, and ongoing economic uncertainty across the UK, the committee will continue to monitor the composition and the effectiveness of the directors, to ensure that the board and the principal board committees are suitably positioned to meet these challenges both in the UK and where we operate overseas. As part of this, the committee is looking to identify a new non-executive director to join the board who can further strengthen operational resilience, particularly with regard to external events that can have disruptive effects on the bank's systems and technology such as the current COVID-19 pandemic. In considering the composition of the board, the committee is mindful of all aspects of diversity, including gender, race, skills, experience and knowledge. The committee will also focus on establishing compliance with the UK Corporate Governance Code to further uphold the high corporate governance standards of the bank.

Brian Stevenson
Chairman of the IBP Nomination Committee

16 June 2020

We aim to ensure that the board comprises a talented and diverse range of people, aligned with the Investec culture and values, with the collective skills and experience that are necessary for the group to meet its objectives and strategic goals

IBP Nomination Committee

Brian Stevenson
Chairman of the Investec Bank plc Nomination Committee

Key achievements in FY 2020

- Evaluated Investec culture and values
- Formalised adoption of the Code
- Reviewed the composition of the board and the principal board committees
- Reviewed succession planning
- Reviewed diversity performance
- Reviewed board effectiveness
- Reviewed the fitness and propriety of key staff
- Ensured that executive and non-executive succession arrangements were effectively embedded
- Reviewed the conflicts of interest policy

Areas of focus in FY 2021

- Discuss the further strengthening the bank's values and culture
- Review compliance with the UK Corporate Governance Code
- Consider the ongoing development of strategic vision
- Review plans for the succession of the board and leadership team
- Review our diversity performance

Role and responsibilities

The IBP Nomination Committee is an essential part of the bank's governance framework to which the board has delegated the following key functions:

- Supporting and advising the board in ensuring that it is composed of individuals who are best able to discharge the duties and responsibilities of directors
- Evaluating the balance of skills, experience, independence, knowledge and diversity on the board
- Ensuring that appointments and succession plans are based on merit and with regard to objective criteria and, within this context, promoting diversity in its broadest sense, including diversity of gender, social and ethnic background, cognitive and personal strengths
- Agreeing the annual board performance evaluation process and considering its effectiveness.

Composition and meetings

The committee is composed of a majority of independent non-executive directors, with membership designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the committee.

In August 2019, Haruko Fukuda stepped down from the committee, following consideration of her tenure with the bank and the Investec group. Due to the prior appointment of Perry Crosthwaite to the committee in March 2019, the committee was considered to retain a sufficient breadth of experience to fully and effectively discharge its responsibilities. Perry, chairman of the Investec group and DLC Nomdac, was appointed a member in order to enhance the interconnection between the committee and the DLC Nomdac.

During the financial year ended 31 March 2020, the committee met four times. Attendance by members at committee meetings is shown below.

		IBP Nomination Committee (4 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
BD Stevenson (Chairman)	16 May 2017	4	4
PKO Crosthwaite*	13 March 2019	4	4
H Fukuda**	16 May 2017	2	2
M Mannings	16 May 2017	4	4

* *PKO Crosthwaite acts as the Investec group representative.*
** *H Fukuda stepped down from the committee on 8 August 2019.*
^ *Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.*

How the IBP Nomination Committee works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described below.

Area of focus	*What we did*
Board and board committee composition • the membership of the board, and the current and future composition of the board and its committees	• discussed the key skills and experience needed on the board in the context of future strategic direction and structural reform, including any areas requiring strengthening from a skills and succession perspective • recommended the appointment of Ruth Leas as CEO to the board • recommended the appointment of Kevin McKenna as CRO to the board • recommended the appointment of Alistair Stuart as COO to the board • recommended the appointment of Chris Meyer as managing director to the board • recommended the appointment of Ryan Tholet as managing director to the board • recommended the appointment of Moni Mannings as chair of the IBP Remuneration Committee • recommended the appointment of Moni Mannings as the designated non-executive director for workforce engagement • reviewed the membership, size and composition of the principal board committees • recommended the organisation of an annual meeting to facilitate non-executive director discussions without the executives present • agreed the methodology for the 2019 board effectiveness review • reviewed the fitness and propriety of key staff • concluded that the skills, knowledge and experience of the directors as a whole were appropriate for their responsibilities and the bank's activities • concluded that the changes to the composition of the board further strengthened the collective suitability and enhanced overall diversity on the board
Succession planning • succession planning at the board and executive management level	• considered the non-executive director succession plan • reviewed the succession pipeline for executive management • considered the individuals identified as potential successors to executive management and discussed the next steps in their development
Diversity and inclusion • ensuring that the bank retains the best talent	• considered the diversity of the board and senior management, including the individuals noted as potential successors • reviewed that there was a 33% female representation on the board • discussed the potential impact to the diversity of the board when considering potential candidates for appointment to the board • agreed a new Board Diversity Policy

Board effectiveness review

The board and individual directors' performance is formally evaluated annually based on recognised codes of corporate governance. The annual effectiveness review covers areas of the board's processes and responsibilities, according to leading practice. This year the board effectiveness review was internally facilitated, in the form of a self-assessment questionnaire. The directors each completed the questionnaire, prior to meeting individually with the Chairman of the board. The interviews were broad ranging, and designed to provide context to the questionnaire responses. The questionnaire covered a range of topics, including board effectiveness, the balance of skills and experience, non-executive directors, information availability, board composition, governance, directors' development and culture. The findings were collated and presented at the January 2020 committee meeting and February 2020 board meeting. Overall, the board members were found to be satisfied with various aspects of board governance and functioning.

The review identified the particular strengths of the board to be the provision of information to the board, the support provided by the company secretarial team, corporate governance and the role of the non-executive directors.

Notwithstanding the strengths, the committee discussed areas from the interviews that indicated potential for improvement, including:

- The escalation of non-financial risks, which was being strengthened through the embedding of the BRCC
- Consideration of UK focused directors' development sessions
- An annual strategy session, including one to be arranged in 2020, to enhance strategic focus
- Enhanced cultural focus, which was being realised through increased workforce engagement
- Non-executive director meetings without the executive directors present, which were planned for 2020.

The committee will continue to monitor the actions resulting from the board effectiveness review as the year progresses.

IBP Audit Committee report

I am pleased to present you with the report of the IBP Audit Committee (the committee) for the financial year ended 31 March 2020.

The main objectives of the committee are to have oversight of and to give assurance to the board on the integrity of the financial reporting, oversight of the independence of internal audit and compliance and oversight of the control environment of the bank (excluding Investec Wealth & Investment).

This report contains details of the material matters considered by the committee in the last year.

The major areas of focus for the committee in the year in question, were IT and cyber security risks and controls, as well as data protection compliance, the implementation of the new IFRS16 lease reporting standard, reviewing the assessment of expected credit losses under IFRS9 particularly considering the impact of COVID-19, monitoring the internal control environment in Investec's overseas subsidiaries (notably Australia, Channel Islands, India and Hong Kong), and probing management's accounting judgements including adjustments and impairments to the fair value of assets.

Committee performance

The performance of the committee was assessed as part of the annual effectiveness review of the board of the bank. The conclusion was that the committee had functioned effectively and was considered to have members with the right balance of skills and experience.

Looking ahead

In December 2019 the UK Government published the output of the Brydon Review aimed at improving the quality and effectiveness of audits. Similarly, in December 2019, the Financial Reporting Council published its revised ethical standard for audit engagements, which includes amended rules to regulate the provision of non-audit services amongst other things.
The committee has considered the output of these reviews and will oversee the changes to the bank's governance framework where necessary to address these developments as they come into force.

In addition, the committee will continue to focus on the issues identified above, notably the strengthening of the bank's IT controls necessary to mitigate operational risks identified by the internal audit function during the course of the year. The committee will look to address the enhanced assessment and disclosure requirements arising from the Financial Reporting Council's (FRC) new auditing standard International Standard on Auditing (ISA) UK 570, relating to going concern assessments, which will be applicable in the next reporting period, and continue to examine the basis for management's key accounting judgments including provisions for litigation and the impact of COVID-19 on expected credit losses and fair value adjustments.

Lesley Watkins
Chair of the IBP Audit Committee

16 June 2020

Our culture of honesty and transparency is key to ensuring a strong corporate governance framework

IBP Audit Committee

Lesley Watkins
Chair of the Investec Bank plc Audit Committee

Key areas of focus in FY 2020

- Reviewed key management judgements and provisions levels
- Consideration of the impact of COVID-19 on valuations, expected credit losses and forward looking scenarios
- Monitored audit quality, external audit and audit partner accreditation and results of quality reviews
- Reviewed treatment of discontinued activities
- Considered the auditor's independence
- Monitored control environment of subsidiaries
- Reviewed and evaluated the impact of the refinements made to IFRS 9 modelling
- Monitored the implementation of IFRS 16
- Oversaw the compliance programme
- Implemented the policy on non-audit services approved by the Investec plc Audit Committee
- Considered the external quality review of internal audit

Key areas of focus for FY 2021

- Continue to focus on IT Risk and cyber security
- Review key management judgements and provisions
- Continue to monitor the impact of COVID-19 on valuations, expected credit losses and forward looking scenarios
- Continue to assess the internal control environment and monitor the activities of internal audit
- Assess the overall effectiveness of the group's governance, risk and control framework
- Continue to address developments in audit regulation and corporate governance which affect financial reporting and external auditor activities in regard to the bank

Role and responsibilities

The committee is an essential part of the bank's governance framework to which the board has delegated the following key functions:

- Monitoring the integrity of the bank's financial reporting and satisfying itself that any significant financial judgements made by management are appropriate
- Reviewing the effectiveness of the bank's internal controls, including internal financial controls
- Scrutinising the activities and the performance of the internal and external auditors, including monitoring their independence and objectivity
- Overseeing the relationship with the bank's external auditor
- Reviewing and monitoring the effectiveness of the bank's whistleblowing policies and procedures.

Role of the chair

The role of the chair of the committee requires regular meetings with the heads of internal audit, compliance, operational and IT risk, and finance as well as the lead external audit partner and senior management outside of formal committee meetings in order to keep knowledge up to date, and to keep abreast of commercial developments and challenges facing the business. These interactions are an essential part of the role of the chair of the committee, as it provides an additional layer of assurance to gain comfort that these control functions are aligned in terms of their understanding of the risks and mitigations thereof.

Composition and meetings

The committee is composed solely of independent non-executive directors, with membership designed to provide the breadth of financial expertise and commercial acumen it needs to fulfil its responsibilities. Its members include individuals with recent and relevant experience of the banking and financial services sector, in addition to general management and commercial experience, and who are financially literate. The chair of the committee, Lesley Watkins, is a chartered accountant and was previously a managing director in a number of financial services firms, including UBS and Deutsche Bank. Paul Seward, chairman of IBP BRCC, is also a member of the committee to ensure that there is a co-ordinated consideration of the bank's risks and internal controls.

The committee reports to the board. The reporting of the matters considered by the committee to the Investec plc Audit Committee is supported by the membership of Zarina Bassa who is also a chartered accountant and who also chairs the DLC Audit Committee and the audit committees of Investec plc, Investec Limited and Investec Bank Limited. The chair of the committee is also a member of the IBP BRCC to ensure there is an appropriate level of interaction between these two committees and holistic oversight of risk at board level. Further detail of the work of the IBP BRCC during the year is set out on page 126 of the report.

During the financial year ended 31 March 2020, the committee met seven times. Attendance by members at committee meetings is shown below. Committee meetings were attended by representatives from management, including the CEO, CFO and CRO, as well as representatives from the businesses and other functions. The lead audit partner of Ernst & Young LLP (Ernst & Young) the bank's external auditor, Ken Eglinton, attended all committee meetings.

		IBP Audit Committee (7 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
LS Watkins (chair)	13 November 2018	7	7
ZBM Bassa	24 July 2017	7	7
H Fukuda*	24 July 2017	3	2
M Mannings	24 July 2017	7	6
PK Seward	01 April 2019	7	7

* *H Fukuda stepped down from the committee on 8 August 2019.*
^ *Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.*

How the IBP Audit Committee works

We set out below how the Audit Committee works.

Financial reporting

The IBP Audit Committee's primary responsibility in relation to the bank's financial reporting is to review with both management and the external auditor the appropriateness of the bank's financial statements, with its primary focus being on:

- assessing whether the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the bank's position and performance, business model and strategy
- material areas where significant judgements have been made, along with any significant assumptions or estimates, or where significant issues have been discussed with or challenged by the external auditor
- the appropriateness of accounting policies and practices.

Accounting policies and practices

The committee discusses reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and the proposed disclosure of these in the annual report.

Following discussions with both management and the external auditor, the committee approves the critical accounting judgements, significant accounting policies and disclosures, which are set out in the accounting policies to the financial statements.

Significant judgements and estimates

The significant judgements and estimates and actions taken by the committee in relation to the 2020 annual report and financial statements are outlined below. Each of these matters was discussed with the external auditor during the year and, where appropriate, has been addressed in the auditor's report on pages 166 to 178.

Area of focus	*What we did*
Impairments and IFRS 9 • the bank has implemented IFRS 9 by developing models to calculate expected credit losses in a range of economic scenarios. The key areas of judgement include setting modelling assumptions, developing methodologies for the weighting of economic scenarios, establishing criteria to determine significant deterioration in credit quality and the application of management adjustments to the model output	• convened dedicated combined audit and risk committee meetings to consider changes to models, the COVID-19 model overlay, economic scenarios, and probabilities and weightings over the period of the financial year-end challenged the level of provisions made and the assumptions used to calculate the impairment provisions held by the bank • assessed impairment experience against forecast, and considered whether impairment provisions were appropriate. Particular focus was given to the legacy portfolio and exposures, which are affected by the current macroeconomic environment • considered in detail the key IFRS 9 assumptions relating to staging criteria and the weighting of economic scenarios • reviewed the bank's expected credit losses, model changes, scenario updates, post-model adjustments, and volatility
Valuations • the bank exercises judgement in the valuation and disclosure of financial instruments, derivative assets and unlisted investments and fair value loans	• challenged and debated the assumptions with regard to material individual positions and exposures, in particular the unlisted private equity investments including investment and loan exposures in the Hong Kong portfolio • approved the valuation adjustments proposed by management for the year ended 31 March 2020, taking account of COVID-19

Area of focus	*What we did*
Tax and legal proceedings • there are and were certain legacy transactions within the bank only where there is and was uncertainty over the outcome and judgement is required over the calculation of any provisions • investigations by the German authorities are ongoing in relation to the role of the bank and employees in historical German dividend tax arbitrage transactions	• received updates on these topics from tax, group finance and legal to enable it to evaluate the appropriateness of any provisions to cover risk • analysed the judgements and estimates made and discussed the potential range of outcomes that might arise • reviewed the release of any provisions in respect of settled tax cases • confirmed any provisions and disclosures for the year ended 31 March 2020
Going concern and the viability statement • the directors are required to confirm that they are satisfied that the bank has adequate resources to continue in business for the foreseeable future and that there is a reasonable expectation that the bank will be able to continue in operation and meet its liabilities as they fall due over the next three years	• undertook an assessment on behalf of the board, in order to provide the board with assurance that the financial statements could be prepared on a going concern basis and that the directors could make the viability statement • considered as part of this process, in conjunction with the IBP BRCC, reports on the bank's budgets and three year forecasts, profitability, capital, liquidity and solvency, risks and scenario testing, taking into account the impact of COVID-19 • concluded that it was satisfied that the bank had adequate resources to continue in business for the foreseeable future and that there was a reasonable expectation that the bank will be able to continue in operation and meet its liabilities as they fall due over the next three years
Fair, balanced and understandable reporting • the bank is required to ensure that its external reporting is fair, balanced and understandable, and whether it provides the information necessary for stakeholders to assess the bank's position and performance, business model and strategy	• met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • conducted an in-depth, critical review of the annual financial statements and, where necessary, requested amendments to disclosure • assessed disclosure controls and procedures • confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • concluded that the processes underlying the preparation of the annual report and financial statements for the year ended 31 March 2020 were appropriate in ensuring that those statements were fair, balanced and understandable • recommended to the board that the 2020 annual report and financial statements were fair, balanced and understandable

Other significant matters

Apart from financial reporting matters, the committee has responsibility for the oversight of the effectiveness of the bank's internal controls, the performance and effectiveness of internal audit, and the performance, objectivity and independence of the external auditor. The other significant matters considered during the financial year ended 31 March 2020 are described in the table below.

Area of focus	*What we did*
Internal controls • the effectiveness of the overall control environment, including the status of any material control issues and the progress of specific remediation plans	• received reports on the internal control environment from the internal and external auditors • evaluated and tracked the status of the material control issues identified by internal audit and the external auditors and tracked the progress of the associated remediation plans against agreed time frames • received regular reports from other assurance providers including compliance and the head of tax • received updates from senior management, and scrutinised action plans to address audit findings • challenged management regarding their role in identifying the control issues, and requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation
Business control environment • the effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans	• assessed reports on individual businesses and functions on their control environment, and scrutinised any identified control failures and closely monitored the status of remediation plans • received updates from senior management and scrutinised action plans following internal audit findings • requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation
Whistleblowing • the adequacy of the bank's arrangements to allow employees to raise concerns in confidence and anonymously without fear of retaliation, and the outcomes of any substantiated cases	• received and considered reports from management on the bank's whistleblowing arrangements • reviewed the reports to ensure that there were arrangements in place which colleagues could use in confidence to report concerns about inappropriate and unacceptable practices, and that there was proportionate and independent investigation of such matters or appropriate follow-up • considered the independence and effectiveness of the bank's policies and procedures on whistleblowing
Internal audit • the performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, and the methodology and coverage of the internal audit plan • the external quality review of internal audit	• agreed the internal audit plan taking into account the risk assessment, methodology and resourcing • received regular reports from internal audit of all significant issues identified by them • monitored the delivery of the agreed plan • tracked the levels of high and moderate risk findings and monitored the related remediation plans • met with the head of internal audit without management being present to discuss any issues arising • received an opinion from internal audit on the effectiveness of the internal controls and the risk management framework as part of the year-end sign off process • considered the results of the external quality review and the planned actions arising therefrom
External audit • the performance and work of the bank's external auditors, Ernst & Young	• met with key members of the Ernst & Young audit team to discuss and then approve the 2019/2020 audit plan and agree key areas of focus • assessed regular reports from Ernst & Young on the progress of the 2019/2020 audit and any material accounting and control issues identified • discussed Ernst & Young's feedback on the bank's critical accounting estimates and judgements • discussed Ernst & Young's report on certain control areas and the control environment ahead of the 2020 financial year-end • assessed the independence and objectivity of the external auditors

External audit

Provision of non-audit services, independence, effectiveness and reappointment

Investec Bank plc's external auditors are Ernst & Young. Ernst & Young have been the bank's auditors since 1996.

The committee is responsible for assessing the effectiveness, objectivity and independence of the external auditors. This responsibility was discharged throughout the year at formal committee meetings, during private meetings with Ernst & Young, and through discussions with key executive stakeholders.

In December 2019, the regulator for auditors, the FRC, published its Revised Ethical Standard 2019 on the independence of auditors. These new regulations came into effect on 15 March 2020 but are subject to transitional arrangements meaning that they will be fully applicable to new engagements within the next reporting period. The Investec group has adopted a revised policy on the engagement of the external auditors to provide non-audit services which complies with the new standard, where applicable, and which includes guidelines on permitted and non-permitted services and on services requiring specific approval by the committee. Further details in regards to the non-audit services provided to the Investec group by the bank's external auditors may be found in Investec group's 2020 integrated annual report.

The decision to approve the engagement of the external auditor for such services takes into consideration various factors including synergies and efficiencies relating to the audit work and their existing knowledge of Investec which allowed work to commence quickly and with minimal disruption.

The committee reviews whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the nature of the work and the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the bank. Further details in regards to the audit fees paid to the external auditors for the financial year ended 31 March 2020 may be found in the financial statements on page 202.

On the basis of the abovementioned non-audit services policy and reviews, the committee is satisfied that the quantity and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young.

The external auditors are required to rotate the lead audit partner every five years and other senior audit staff every seven years. The auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec to ensure that all auditors on the Investec audit meet the independence criteria.

Following due consideration, we continue to believe that Ernst & Young maintained their independence and objectivity, and that the audit process was effective.

Further information regarding the effectiveness, objectivity and independence of the Investec group and the bank's external auditors may be found in Investec group's 2020 integrated annual report.

The committee considers the re-appointment of the external auditors each year before making a recommendation to the board and shareholder. The committee is recommending the re-election of Ernst & Young as the auditors of Investec Bank plc.

The formal audit rotation review of Ernst and Young is due in 2024 and a competitive tender process will be conducted in advance of this time. Further information regarding the tender of the Investec group and the bank's external auditors may be found in Investec group's 2020 integrated annual report.

IBP Board Risk and Capital Committee report

I am pleased to present the report of the IBP BRCC (the committee) for the financial year ended 31 March 2020. I formally assumed the role of committee chair in April 2019, when David Friedland stepped down. I would like to offer my sincere thanks to David for his contribution, in his role as committee chair, in the establishment of the committee as an independent committee of the bank and his continued support as a member of the BRCC.

The IBP BRCC was established in January 2019 as an independent committee of the bank, as prior to its establishment, the board had mandated authority to the DLC BRCC to be the BRCC of the bank. During the year, there has been a focus on bedding down the committee, particularly in relation to the interaction of the committee with the DLC BRCC and IBP Audit Committee and the allocation of responsibilities, as well as ensuring the committee is operating effectively. To support the collaboration between the IBP Audit Committee and the IBP BRCC, and ensure timely and co-ordinated reporting of risks to DLC BRCC, Lesley Watkins, the chair of the IBP Audit Committee, and David Friedland, the chair of the DLC Committee are members.

The establishment of the committee has strengthened the bank's governance processes, through enhanced oversight of the bank's risk management framework, particularly with the expansion of reporting to include all non-financial risks faced by the bank and more comprehensive reporting from the overseas subsidiaries. Alongside the standing areas of risk management, the committee dedicated time to review in-depth reporting on a number of business lines and the various risks faced by those businesses. The committee also focused on emerging risks due to the changing market environment and other broader external issues, such as financial risks from climate change, the discontinuation of the Inter-bank Offered Rate (IBOR) and the impact of Brexit.

The main objectives of the committee are to have oversight of the risk management framework of the bank and to assist the board in its responsibility to ensure that the bank maintains effective systems and processes for the management and control of risk exposures. The major areas for the committee in the year in question have been capital, risk appetite, IT controls and cyber security and business/operational resilience. There was also close monitoring on the ongoing impact of the economic and geopolitical climate on the bank and in particular to liquidity, market risk and credit quality. The committee considered the implications of Brexit for the bank, in particular the effect that Brexit would have on the bank's operations in Ireland, and the liquidity metrics of the bank, with regular stress testing conducted to assist the Brexit analysis. Special meetings were held to challenge, provide advice and gain comfort following in depth reviews of the risk appetite for the bank, the Internal Capital Adequacy Assessment Process (ICAAP), capital, funding liquidity, the Internal Liquidity Adequacy Assessment Process (ILAAP) and the recovery and resolution plan (RRP).

In the latter part of the financial year, the committee focused on the rapidly evolving impact of COVID-19 and the potential introduction of a broad range of risks across the business: people risk, operational resilience and financial risks including market risk, credit risk and liquidity risk. The committee was provided with assurance that due attention and appropriate action was being taken and that the committee was kept abreast of the risks given the fluidity of the situation. Regular contact had been established between the committee and management and the chair met weekly with the CRO.

Our enhanced risk governance arrangements have improved transparency and increased confidence in the quality of our risk management framework

IBP Board Risk and Capital Committee

Paul Seward

Chairman of the IBP BRCC

Key achievements in FY 2020

- Conducted in-depth reviews of the bank's ICAAP and ILAAP
- Considered risks that could be faced and management actions to mitigate the impact of Brexit
- Examined the bank's risk appetite
- Focused on the embedding of IFRS9
- Monitored risks in the bank's principal subsidiaries
- Focused on the initial impact of COVID-19 and mitigating actions

Areas of focus in FY 2021

- Consider the financial risks and other risks arising from climate change and other environmental, social and corporate governance (ESG) issues
- Review the effectiveness of IT controls and cyber security
- Monitor Regulatory Developments
- Continue to consider the risks that could be faced in respect of Brexit and discuss the post-Brexit arrangements of the bank
- Consider the impact of COVID-19 and mitigating actions
- Review the enhanced operational risk framework

Committee performance

The performance of the committee was assessed as part of the annual effectiveness review of the board of Investec Bank plc. The results showed that the committee had functioned well since its inception and was considered to be well-constituted with the right balance of skills and experience.

Looking ahead

In 2020/21, the committee will continue to monitor, review and challenge IT controls and cyber security, the post-Brexit arrangements of the bank, the impact and any actions required as a result of COVID-19, capital management, the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and business/operational resilience, including the enhanced operational risk framework. The committee will continue to dedicate time, either within scheduled meetings or with ad-hoc meetings, to receive in-depth reporting on specific risks or business lines from subject matter experts to allow for debate and challenge and to provide a better overall understanding.

The committee will also continue its efforts to further embed itself and refine the role of the committee in the bank's enriched corporate governance structure.

Paul Seward
Chairman of the IBP BRCC

16 June 2020

Role and responsibilities

The IBP BRCC is an essential part of the bank's governance framework to which the board has delegated the following key functions:

- Overseeing the bank's risk framework to ensure that the framework is appropriate to the size, scale and nature of the bank's activities for the purposes of effectively managing the material risks to which the bank is exposed
- Considering whether the resources allocated to the risk management framework are adequate for the purposes of managing the bank's risk exposures effectively.

Role of the chair

The role of the chairman of the committee requires regular meetings with senior management and the heads of the key business functions, in particular, the risk disciplines, outside of formal committee meetings in order to maintain and develop an understanding of the bank's operations and the risks facing the business. Following the execution of the succession plan involving executive directors of the bank, there were more regular meetings with the recently appointed CRO to provide guidance and together enhance risk reporting ensuring the committee adequately fulfils its responsibilities. These interactions are an essential part of the role of the chairman of the IBP BRCC, as they provide an additional layer of assurance to gain comfort that these risk functions are aligned in terms of their understanding of the risks facing the business and mitigation thereof. Any breaches to risk appetite were also referred to and approved by the chairman of the committee and ratified at the next meeting.

Composition and meetings

The committee is composed solely of independent non-executive directors, with membership designed to provide the breadth of risk expertise and commercial acumen it needs to fulfil its responsibilities. Since the establishment of the independent BRCC of the bank, in carrying out its responsibilities, the IBP BRCC reports both to the board and to the DLC BRCC. During the year ended 31 March 2020, the IBP BRCC met six times. Attendance by members at committee meetings is shown below. Committee meetings were also attended by representatives from management, including the chief executive officer, chief operating officer and chief risk officer, as well as representatives from the businesses and other functions.

		IBP BRCC (6 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
P Seward (Chairman)	01 April 2019	6	6
D Friedland	18 January 2019	6	6
H Fukuda*	18 January 2019	2	1
M Mannings	18 January 2019	6	5
BD Stevenson	08 March 2019	6	6
LS Watkins	18 January 2019	6	6

* *H Fukuda stepped down from the committee on 08 August 2019.*
^ *Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.*

How the IBP BRCC works

The standard and regular agenda items of the committee include comprehensive reports in regards to liquidity risk, capital adequacy, credit risk, investment risk, market risk, operational risk, reputational and legal risk, conduct risk, financial crime, fraud and IT and cyber risk. Agenda items focusing on the risks run in specific businesses and business desks are also considered by the committee. Sessions for reviewing major risk sensitive documents such as ICAAP, ILAAP, RAS, etc. are scheduled by the committee. These reports cover both the bank and its overseas subsidiaries. The details of the areas of focus below are therefore applicable to both the bank and its overseas subsidiaries.

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described on the following pages.

Areas of focus	*What we did*
Capital management • We may have insufficient capital to meet regulatory requirements and may deploy capital inefficiently across the group • The progress/plan to achieve required regulatory and internal targets and capital and leverage ratios	• reviewed and challenged Brexit stress tests • measured key capital ratios against the internal and regulatory limits and what actions management planned to meet these ratios/limits • reviewed impending regulations on the management of capital • satisfied itself that the bank was adequately capitalised and that progress was being made towards achieving impending regulatory amendments to capital ratios
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 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	• reviewed capital plans, the potential impacts of stress and actions to be taken under various stress scenarios • reviewed regular reports which highlights bank activity, liquidity balances and key measures against thresholds and limits and mitigating actions • considered the impact of external events, such as Brexit balance sheet risk and the initial impact of COVID-19 and mitigating actions • challenged the effectiveness of the management of liquidity risk within the business • reviewed the results of a liquidity stress simulation exercise and considered any actions to be undertaken including the enhancements proposed to be included in liquidity management and the ILAAP
Balance sheet risk • 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	• regularly reviewed reports highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effectiveness of the management thereof
Market risk • Market risk arising in our trading book could affect our operational performance • Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, commodity prices, exchange rates, credit spreads and the underlying volatilities in the derivatives market	• monitored risk appetite breaches and challenged management action which addressed these breaches • gained comfort that the bank had appropriately addressed identified breaches to limits • reviewed the impact of new market risk capital regulations including the Fundamental Review of the Trading Book, and gained comfort that the project in place was progressing with appropriate management focus • reviewed the initial impact of COVID-19 and mitigating actions • received and interrogated a report on the losses suffered in UK Structured Products, including the factors that gave risk to the losses and measures to be taken to protect some of the down side risk
Credit and counterparty risk • Credit and counterparty risk exposes us to losses caused by an obligor's failure to meet the terms of any agreement	• monitored the risk appetite limit and queried management action taken in respect of breaches • challenged the effectiveness of the management of such risks within the business

Areas of focus	What we did
Investment risk • We may be exposed to investment risk in our unlisted and listed investment portfolios and property investment activities	• reviewed and questioned the investment risk reports submitted to the committee • spent time reviewing and challenging the investment risk exposure, current and historical performance of the investment book • reviewed and challenged the governance processes in place to manage the risk
Operational risk • Operational risk from failures relating to internal processes, people, systems or from external events may disrupt our business or result in regulatory action	• monitored operational losses to ensure no further risk events • reviewed the overall risk rating for the group • considered and reviewed the risk appetite limits for the group • monitored and reviewed regulatory compliance risk, information security risk, access risk and regulatory developments
Reputational risk • Reputational, strategic and business risks could impact our operational performance	• monitored events which could potentially create reputational risk • gained comfort that reputational risk was mitigated as much as possible through detailed processes and governance escalation procedures from business units to the board, and from regular, clear communication with all stakeholders
Conduct risk • Conduct risk is the risk that inappropriate behaviours or business activities may be detrimental to our values, culture and ethical standards, or lead to reputational and/or financial damage	• reviewed and questioned the conduct risk report which is discussed at each meeting • challenged the effectiveness of the management of such risks within the business • gained comfort that any conduct related issues were appropriately managed and raised to the regulators in a timely manner
Business and operational resilience • Risk associated with disruptive incidents which can impact premises, staff, equipment, systems and key business areas	• reviewed, challenged and debated reports which highlight processes in place to manage business continuity risk • challenged the effectiveness of the management of such risk within the business. • received reports on the outcomes of the targeted attack simulation (TAS), lessons learned and mitigation steps taken • received stress test results and reviewed the business continuity plans/recovery and resolution plan
Cyber crime risk • cyber risk can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm	• received the targeted attack simulation results and ensured that any remediation required was completed • gained comfort that the management of cyber crime was given the necessary priority
Financial crime risk • We may be exposed to financial crime, including money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting and identity theft	• reviewed and questioned the financial crime risk report which is discussed at each meeting • challenged the effectiveness of the management of such risks within the business and appropriate policies and guidelines • gained comfort that any financial crime issues were appropriately managed • challenged the adequacy of oversight of accountability arrangements for IBP management team in relation to overseas subsidiaries
Climate Change • Unintended environmental (including climate risk), social and economic risks could arise in our lending and investment activities	• received reports regarding environment and climate change • considered and challenged the management of financial risk arising from climate change

How we comply

Regulatory context

Investec Bank plc is the UK-based and regulated banking subsidiary of Investec plc. Investec group, comprising Investec Limited and Investec plc, operates under a DLC structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group to comply with requirements in both jurisdictions.

We believe that sound corporate governance depends on much more than mere compliance with regulations. Good conduct and ethical practice is embedded in everything that we do at Investec. By acting in accordance with our values and principles, we believe that good governance is ensured.

Details of our compliance with certain corporate governance principles and regulatory matters are provided below. For further information in this regard please refer to the directors' responsibility statement and directors' report on pages 164 to 165 of the annual report.

Statement of corporate governance arrangements

The IBP Nomination Committee considered which, if any, corporate governance code should be adopted by the bank, following the publication of the Companies (Miscellaneous Reporting) Regulations 2018, and made a recommendation to the board as to the appropriate method. The board agreed, noting that the bank had previously considered the guidance of the Code to ensure that its practices were aligned to principles of good governance, that the bank would adopt the Code.

Statement of compliance

As identified above, the board determined that the bank would adopt the Code, as its corporate governance code. A copy of the Code can be found at frc.co.uk. For the financial year ended 31 March 2020, we are pleased to confirm that the bank complied with the principles and provisions of the Code.

This page and the following page explain how we have applied the principles and the related provisions of the Code during the year. The alphabetical references in the paragraphs below correspond to the principles, and related provisions, of the Code.

1. Board leadership and company purpose

A.

The bank is led by an effective, entrepreneurial board, which is collectively responsible for the long-term sustainable success of the bank, ensuring due regard is paid to the interests of our stakeholders. Please refer to page 108 for the details of the bank's governance framework, and pages 104 to 107 for the directors' biographies.

B.

The board assumes responsibility for establishing the purpose of the bank, setting its strategy, establishing its culture and determining the values to be observed in achieving the strategy. Please refer to pages 113 to 116 for further details.

C.

The board retains ultimate responsibility for ensuring adequate resource are available to meet agreed objectives and strategy, and ensures such resources are responsibly and effectively deployed. The board has established a risk management framework, as detailed on pages 34 to 95.

D.

The board recognises that engaging with and acting on the needs of the bank's stakeholders is key to achieving the strategy and long-term objectives of the bank. Engagement with stakeholders, across the organisation, including that of the board, is discussed further in the directors' statement of compliance with their duties under section 172 of the UK Companies Act 2006 on pages 22 to 25.

E.

All policy and practice relating to our people is developed and implemented in a manner which is consistent with the Investec group's purpose and values, with the board receiving regular updates on matters relevant to our people. Responsibility for whistleblowing arrangements sits with the IBP Audit Committee, as detailed on page 124.

2. Division of responsibilities

F.

The chairman has overall responsibility for the leadership of the board and for ensuring its effectiveness in all aspects of its operations. The chairman, Brian Stevenson, was considered to be independent on appointment. The responsibilities of the chairman are set out on page 109.

G.

There is a clear division of responsibility at the head of the company. There is a clear separation between the role of the chairman and the CEO. Please refer to pages 109 and 110 for the details of the respective board roles.

H.

The time commitments of the directors are considered by the board on appointment and the board is satisfied that there are no directors whose time commitments are considered to be a matter for concern. External appointments, which may affect existing time commitments for the board's business, must be agreed with the chairman, and prior approval must be obtained before taking on any new external appointments. More information on directors' attendance at board and committee meetings can be found on pages 114, 118, 121, 127 and 137.

I.

The chairman, supported by the company secretary, ensures that board members receive appropriate and timely information. The bank provides access, at its expense, to the services of independent professional advisers in order to assist directors in their role. Board committees are also provided with sufficient resources to discharge their duties. All directors have access to the services of the company secretary in relation to the discharge of their duties.

3. Composition, succession and evaluation

J.

The process for appointments to the board are led by the IBP Nomination Committee, which makes recommendations to the board. More details about succession planning and the work of the IBP Nomination Committee can be found on pages 117 to 119.

K.

The IBP Nomination Committee reviews the balance of skills, experience, independence, and knowledge on the board and board committees on an annual basis, or whenever appointments are considered. Having the right balance on the board and board committees helps to ensure that those bodies discharge their respective duties and responsibilities effectively. For the financial year ended 31 March 2020, the board, at the recommendation of the IBP Nomination Committee, concluded that the skills, knowledge and experience of the directors as a whole was appropriate for their responsibilities and the group's activities, as shown on page 112.

The IBP Nomination Committee monitors, in particular, whether there are any relationships or circumstances which may impact a director's independence. For the financial year ended 31 March 2020, the board, at the recommendation of the IBP Nomination Committee, concluded that the non-executive directors are independent in character and judgement, as shown on page 111.

L.

The evaluation of the board is externally facilitated at least every three years. An internally facilitated board evaluation was completed in 2019, with an externally facilitated evaluation having taken place in 2018. Individual evaluation is carried out by the chairman on behalf of the board. Performance evaluation of the chairman is carried out by the non-executive directors, led by the SID. Further information can be found on the board effectiveness review can be found on page 119.

4. Audit, risk and internal control

M.

The board has delegated a number of responsibilities to the IBP Audit Committee, including oversight of financial reporting processes, the effectiveness of internal controls, and the work undertaken by the external and internal auditors. The board has delegated responsibility for the effectiveness of the risk management framework to the IBP BRCC. The IBP Audit Committee and IBP BRCC reports, which set out how the committees have discharged their respective duties during the year, can be found on pages 120 and 126.

N.

The Code requirement that the annual report is fair, balanced and understandable is considered throughout the drafting and reviewing process and the board has concluded that the 2020 annual report is fair, balanced and understandable. The directors' and auditors' statements of responsibility can be found on pages 165 and 177 respectively. Information on the group's business model and strategy can be found on pages 4 to 6.

O.

The board is responsible for the group's risk management and internal controls systems; see page 124 for more detail regarding internal controls.

The IBP Audit Committee is responsible for the effectiveness of internal controls. Further information can be found on pages 120 to 124.

The IBP BRCC is responsible for the effectiveness of the risk management framework. Further information can be found on pages 126 to 129.

The directors' viability statement and confirmation that the business is a going concern can be found on page 132.

5. Remuneration

P.

The bank is committed to offering all employees a reward package that is competitive, performance-driven and fair and the bank's remuneration policy statement is designed to promote the long-term success of the bank. The directors' remuneration report on pages 137 to 162 provides full details regarding the remuneration of directors.

Q.

The IBP Remuneration Committee seeks to ensure all remuneration policy, including that relevant to executive remuneration, is fair and transparent. The work of the IBP Remuneration Committee during the year is discussed further in its report on page 137.

R.

The remuneration policy statement seeks to ensure all remuneration decisions made by directors fully consider the wider circumstances as relevant to that decision, including, but not limited to, individual performance. The IBP Remuneration Committee's decision making in respect of remuneration outcomes is discussed further in the directors' remuneration report on pages 137 to 162.

Other statutory information

Workforce engagement

The IBP Nomination Committee, in conjunction with the DLC Nominations and Directors Affairs Committee (Nomdac), considered how the board would further engage with our people, following the publication of the Companies (Miscellaneous Reporting) Regulations 2018, and made a recommendation to the board as to the appropriate method. The board agreed, noting the recommended methods for workforce engagement provided by the Code, that a designated non-executive director be appointed to support the directors' engagement with our people. It was agreed by the board that Moni Mannings would be the designated non-executive director for workforce engagement.

The board identified the current engagement activities, which include culture dialogues, diversity and inclusion programmes, talent programmes, country and site visits, town halls, and questions and answers sessions. Enhancements to these existing engagement activities were agreed, to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the board and to encourage dialogue between the board and our people.

A quarterly workforce engagement synthesis meeting has been established, with management and the designated non-executive director in attendance, to process in detail the quantitative and qualitative data relevant to workforce engagement. Management subsequently report to the board on the engagement activities, with the designated non-executive director highlighting the matters of interest from our people, to support the board's key decision making.

A quarterly workforce engagement synthesis meeting is also held with Moni, the designated non-executive director for workforce engagement for the board of Investec group, Philip Hourquebie, and for our wealth business, Cath Thorpe, to ensure that the matters of interest to our people are considered across the Investec group.

The board utilised the matters of interest to our people to inform our discussions and decision making, in particular, in respect of the decisions taken as to office working conditions, flexible working and our working from home policy. The board, recognising the changes required as a result of the COVID-19 pandemic, also adapted the manner in which it engaged with the workforce, to provide for increased virtual engagement opportunities, to ensure that the board remained connected and engaged with our people whilst the majority of the workforce worked from home.

Conflicts of interest

Certain statutory duties with respect to directors' conflict of interest are in force under the Companies Act 2006. In accordance with the Act and the articles of association (the articles), the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the articles that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

External directorships

Outside business interests of directors are closely monitored and we are satisfied that all of the directors have sufficient time to effectively discharge their duties.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlight potential conflicts of interest between the interests of employees and the Investec group or any of its clients, shareholders or potential shareholders. Employees are prohibited from dealing in all listed Investec securities during closed periods. Trading is restricted in respect of all Investec Limited, Investec plc, Investec Property Fund Limited (IPF) and Investec Australia Property Fund Limited (IAPF) securities as well as any warrants, OTC and exchange traded derivatives on the said securities. Employees are restricted from exercising options through Investec Staff Share Schemes during closed periods.

The Companies Act 2006 requires directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Employees are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such reward, unless the IBP Remuneration Committee determines otherwise.

Directors' dealings

Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on the Disclosure Guidance and Transparency Rules of the UKLA and the JSE Listings Requirements.

All directors' and company secretaries' dealings require the prior approval of the compliance division and the chairman, the senior independent director or the chairman of the audit committee.

All dealings of persons discharging management responsibilities require approval by line management, the compliance division and the chairman.

Related parties

The bank has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. The IBP Nomination Committee reviewed key related party transactions during the year and ensured that the appropriate policies had been complied with. The IBP Nomination Committee also conducted a comprehensive review of the respective policies.

Time commitment

All potential new directors are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments. The IBP Nomination Committee will then take this into account when considering a proposed appointment on the basis that all directors are expected to allocate sufficient time to their role on the board in order to discharge their responsibilities effectively. This includes attending, and being well-prepared for, all board and board committee meetings, as well as making time to understand the business, meet with executives and regulators, and complete ongoing training. All significant new commitments require prior approval.

Viability Statement

In accordance with the UK Corporate Governance Code, which was adopted by IBP as the corporate governance code of the bank, in addition to providing a going concern statement, the board is required to make a statement with respect to IBP's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of IBP, the board's assessment of IBP's prospects and the principal risks it faces. Following consideration by the IBP BRCC (comprising non-executive directors, which includes members of the IBP Audit Committee) the audit committee recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing IBP and these are highlighted on page 21, with further detailed provided in the Investec plc (IBP's parent company) annual report.

Through its various sub-committees, notably the IBP Audit Committee, the IBP BRCC and the IBP Capital Committee, the board regularly carries out a robust assessment of these risks, and their potential impact on the performance, liquidity, solvency and operational resilience of IBP. The activities of these board sub-committees and the issues considered by them are described in the governance section of this report.

Taking these risks into account, together with IBP's strategic objectives and the prevailing market environment, the board approved the overall mandated risk appetite framework for IBP. The risk appetite framework sets broad parameters relating to the board's expectations around performance, business stability and risk management.

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage IBP's risk appetite there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running our business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chairman.

The board believes that the risk management systems and processes we have in place are adequate to support IBP's strategy and allow IBP to operate within its risk appetite framework. A review of IBP's performance/measurement against its risk appetite framework is provided at each IBP BRCC meeting and at the main board meetings.

In terms of the FCA and PRA requirements, IBP is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, IBP is required to stress its capital and liquidity positions under a number of severe stress conditions. Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market-wide, firm specific, and combined scenarios (combination of the market-wide and firm specific stresses). IBP manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the IBP board-approved risk appetite. In addition to these stress scenarios, IBP's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each legal banking entity within IBP is required to be fully self-funded. IBP currently has £6.0 billion in cash and near cash assets, representing 39.0% of customer deposits.

IBP develops annual capital plans that look forward over a three-year period. These plans are designed to assess the capital adequacy of IBP and its subsidiaries under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that IBP continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). IBP targets a minimum capital adequacy ratio of 14% to 17%, a tier 1 ratio greater than 11%, a common equity tier 1 ratio in excess of 10% and a leverage ratio in excess of 6%.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. A detailed 'bottom-up' analysis is paired with macro-economic downside risks to design Investec-specific stress scenarios.

For 2020, given the developments in relation to the COVID-19 pandemic, specific consideration was given to the potential risks associated with COVID-19, and scenarios were developed in order to incorporate the potential impact:

- Base case: The base case Covid-19 narrative assumes a short, sharp shock to the UK economy resulting from the social containment measures as both demand and supply are severely curtailed. By the third quarter the UK begins to emerge from the shutdowns with facilities reopening in a staggered manner, and by the fourth quarter a degree of normality returns to the UK
- Down case: The down case narrative assumes an L-shaped scenario, which encompasses a weaker economic recovery compared to the base case, as the easing of the lockdown happens at a slower pace. A more durable long-term economic recovery is undermined by more permanent scarring on the economy, with elevated unemployment and weak investment as firms attempt to rebuild depleted cash reserves.

Under normal circumstances, IBP's capital process also incorporate the Bank of England (BoE) Annual Cyclical Stress scenario (ACS). The BoE cancelled the 2020 ACS, and accordingly, IBP has not run the ACS for the 2020 capital stress testing process.

The board has assessed IBP's viability in its 'base case' and stress scenarios. In assessing IBP's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed.

We also carry out 'reverse stress tests', i.e. those scenarios that would cause IBP to breach its capital and liquidity requirements. These scenarios are considered unlikely, given IBP's strong liquidity position and sound capital and leverage parameters.

IBP's parent company, Investec plc, is required to maintain a recovery plan and a resolution pack for the Investec plc consolidated group. The purpose of the recovery plan is to document how the board and senior management will ensure that the Investec plc group recovers from extreme financial stress to avoid liquidity and capital difficulties. The key focus in the recovery plan is the principal banking subsidiary, IBP, and the protection of its depositors and other clients.

IBP also maintains an operational resilience framework for building organisational resilience to respond effectively to operationally disruptive events. This not only ensures continuity of business but also safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The capital and liquidity plans, stress scenarios, recovery plan, resolution pack and the risk appetite statement are reviewed at least annually. In times of severe economic distress, stress scenarios are reviewed more regularly for example as is the case with COVID-19. In addition, senior management host an annual risk appetite process at which IBP's risk appetite frameworks are reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes which focus on, amongst other things, the business and competitive landscape; opportunities and challenges; financial projections – take place within each business division at least annually. A summary of these divisional budgets is presented to the board during its strategic review process early in the year.

In assessing IBP's viability, the board has taken all of the abovementioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that IBP will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium-term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of IBP's viability over the next three years to 31 March 2023.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of IBP's viability:

- Pages 4 to 32, which shows a strategic and financial overview of the business
- Page 21, which provide detail on the principal and emerging risks the group faces
- Page 38 highlights information on the overall group's risk appetite
- Pages 34 to 36 and 39, which provide an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 42, 45, 46, 68, 70, 71, 72, 75 and 91 which highlight information on IBP's various stress testing processes
- Page 74 and 75, which specifically focus on the group's philosophy and approach to liquidity management
- Page 86, which provide detail on the recovery plan and resolution pack for IBP
- Pages 89 to 95, which explain the group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 16 June 2020. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond IBP's control that could cause IBP's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Report to shareholder

This report to the shareholder has been approved and authorised for issue to the shareholder of Investec Bank plc on 16 June 2020 and signed on its behalf by:

David Miller
Company secretary

Investec Bank plc

Investec Bank plc

(details as at 12 June 2020)

An indirect subsidiary of Investec plc

Brian D Stevenson (66)

Non-executive chairman

Moni Mannings (57)

Senior independent non-executive director

Zarina BM Bassa (56)

Independent non-executive director

David Friedland (66)

Independent non-executive director

Paul K Seward (64)

Independent non-executive director

Lesley Watkins (61)

Independent non-executive director

Ruth Leas (48)

Chief executive officer

Kevin P McKenna (53)

Chief risk officer

Chris Meyer (48)

Managing Director

Alistair Stuart (52)

Chief operating officer

Ryan Tholet (44)

Managing Director

Fani Titi (57)

Executive director

4

REMUNERATION REPORT

Chair's introduction

It is my pleasure to present the remuneration report for the year ended 31 March 2020, which describes the approach to remuneration at the bank.

The IBP Remuneration Committee was formally constituted as a new committee with responsibility for remuneration for the bank at the beginning of the financial year. Prior to that the DLC Remuneration Committee directly oversaw remuneration in the bank, as part of its responsibility for the bank. The IBP Remuneration Committee ensures compliance with applicable legislation and governance requirements of the jurisdictions within which the bank operates, including its obligations as an independent bank regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Whilst the IBP Remuneration Committee is responsible for remuneration within the bank, it reports key items up to both the IBP board and the DLC Remuneration Committee.

Before we turn to look in more detail at key aspects of our remuneration, I would like to reflect on the IBP Remuneration Committee's responsibilities, achievements and challenges encountered over the past year, and to consider the key areas of focus for the committee in the year ahead.

Role of the chair

The role of the chair of the IBP Remuneration Committee requires regular meetings with the executives of the bank, along with liaison with the chair of the DLC Remuneration Committee. The chair also has interactions with internal and external specialist advisors and if needed with heads of HR, reward, compliance and risk, in order to keep knowledge up to date, and to keep abreast of commercial developments and challenges facing the business. These interactions are an essential part of the role of the chair of the IBP Remuneration Committee.

Composition and meetings

I served as chair of the IBP Remuneration Committee for the majority of the financial year. The other members of the committee for the year were Philip Hourquebie, who is also the chair of the DLC Remuneration Committee, Brian Stevenson and Lesley Watkins.

The IBP Remuneration Committee is composed of a majority of independent non-executive directors, with membership designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the IBP Remuneration Committee.

Philip Hourquebie, chairman of the DLC Remuneration Committee, was appointed a member of the IBP Remuneration Committee to enhance the interconnection between the IBP Remuneration Committee and the DLC Remuneration Committee.

We have a strong entrepreneurial, merit- and values-based culture, characterised by passion, energy and stamina

	IBP Remuneration Committee (8 meetings in the year)		
Members	Committee member since	Eligible to attend	Attended
M Mannings (Chair)	13 May 2019	8	8
BD Stevenson	13 May 2019	8	8
PA Hourquebie*	13 May 2019	8	8
L Watkins	13 May 2019	8	8

** PA Hourquebie acts as the Investec group representative.*

Committee responsibilities

The IBP Remuneration Committee is responsible for considering the remuneration arrangements of the executive directors, senior employees, including material risk takers, and that of the wider workforce of the bank. The remuneration of the IBP CEO, Ruth Leas, who is a person discharging managerial responsibilities (PDMR) of the Investec group, is considered by the IBP Remuneration Committee, with a recommendation provided to the DLC Remuneration Committee. The responsibilities assumed by the IBP Remuneration Committee had previously been delegated to the DLC Remuneration Committee.

Wealth & Investment (IW&I), an FCA regulated subsidiary of the bank, maintains an independent governance structure, comprising an independent board and remuneration committee. The membership of the remuneration committee of our wealth business comprises independent non-executive directors. Matters relating to IW&I do not fall within the remit of the IBP Remuneration Committee.

The IW&I Remuneration Committee reports to the DLC Remuneration Committee. Any matters relevant to the bank are communicated to the bank, in part, through having the chair of the DLC Remuneration Committee, Philip Hourquebie, as a member of the IBP Remuneration Committee.

The IBP Remuneration Committee reviews and recommends the remuneration for the executive directors and senior employees of the bank to the DLC Remuneration Committee. The policy on remuneration packages for non-executive directors is agreed and determined by the Investec group board.

The past year in focus

The past year was the first year of operation for the IBP Remuneration Committee. Therefore the IBP Remuneration Committee spent time focussing on the roles and responsibilities of the IBP Remuneration Committee, particularly in relation to the interaction with the DLC Remuneration Committee and the board, as well as on the remuneration governance arrangements within the bank.

As outlined in the Corporate Governance section, the board and the DLC Remuneration Committee have a strong focus on culture. It has been frequently documented, including by our regulators, that remuneration structures and practices can and do have a significant impact on the culture, within organisations. Therefore the potential impact on culture, has a significant impact on the approach and deliberations of the IBP Remuneration Committee when reviewing remuneration processes and practices within the bank, and has driven some of the changes implemented, including the revised executive remuneration framework outlined below.

The DLC Remuneration Committee worked with the bank on a revised remuneration framework for executives below the DLC board. This was implemented for the year ended 31 March 2020. The IBP Remuneration Committee worked with the DLC Remuneration Committee on the framework as it directly impacted the bank CEO. Within this framework, the variable remuneration of the CEO is determined based on a combination of financial and non-financial performance measures relating to the group, bank and her individual objectives. The variable remuneration is delivered through a combination of a share-based long-term incentive with future performance conditions, and a short-term incentive delivered in a mix of upfront and deferred cash and shares. The IBP Remuneration Committee will be applying this revised framework another level down into the bank in the coming year.

This year also saw David van der Walt step down as CEO of the bank, to be replaced by Ruth Leas as part of planned succession at the bank and Investec group. There were some additional changes to the executive directors, with Kevin McKenna changing roles from COO to CRO of the bank, Ciaran Whelan stepping down and Ian Wohlman retiring. Chris Meyer, Ryan Tholet and Alistair Stuart joined the board during the year. The IBP Remuneration Committee reviewed and approved the remuneration for the incoming executive directors.

Another focus of the IBP Remuneration Committee was employee engagement. The IBP nomination committee considered, in conjunction with the DLC Nominations and Directors Affairs Committee (Nomdac), how the board would further engage with our people, following the publication of the Companies (Miscellaneous Reporting) Regulations 2018, and made a recommendation to the board as the appropriate method. The board agreed, noting the recommended methods for workforce engagement provided by the Code, that a designated non-executive director be appointed to support the directors' engagement with our people. It was agreed by the board that I would be the designated non-executive director for workforce engagement.

The board identified the current engagement activities, which included culture dialogues, diversity and inclusion programmes, talent programmes, country and site visits, town halls, and questions and answers sessions. Enhancements to these existing engagement activities were agreed, to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the board and to encourage dialogue between the board and our people.

A quarterly workforce engagement synthesis meeting has been established, with management and myself as the designated non-executive director in attendance, to process in detail the quantitative and qualitative data relevant to workforce engagement. Management subsequently reports to the board on the engagement activities, with me highlighting the matters of interest from our people, to support the board's key decision making.

A quarterly workforce engagement synthesis meeting is also held with me, the designated non-executive director for workforce engagement for the board of Investec Group, Philip Hourquebie, and for IW&I, Cath Thorpe, to ensure that the matters of interest to our people are considered across the Investec group.

The board utilised the matters of interest to our people to inform its discussions and decision making, in particular, in respect of the decisions taken as to office working conditions, flexible working and our working from home policy. The board, recognising the changes required as a result of COVID-19, also adapted the manner in which it engaged with the workforce, to provide for increased virtual engagement opportunities, to ensure that the board remained connected and engaged with our people whilst the majority of the workforce worked from home.

The IBP Remuneration Committee also oversaw the details and publication of the bank's third annual gender pay gap report, and was happy to report a continued improvement, continuing the positive trend in our figures since 2014. However, the IBP Remuneration Committee is committed to ensuring further improvement in the future. In addition, the bank is a signatory to the Women in Finance Charter, and in doing so has committed to, among other items, linking the pay of senior executives to delivery against the set targets. Our target date is 31 March 2022 and we are currently on track to achieve the target.

The latter two months of the year saw the IBP Remuneration Committee being occupied with responding to the COVID-19 pandemic, and the significant impact on business results and our people arising from that. This had a material impact on the results for the year, and therefore on the variable remuneration available for the year. In line with the request from the PRA for banks to preserve cash and capital during this period, the bank did not pay bonuses to senior staff including Material Risk Takers ("MRTs") for the year ended 31 March 2020. Further details are outlined in the Performance section below.

Performance

The financial year was characterised by weak economic fundamentals, including Brexit related uncertainties and geo-political tensions. This was exacerbated by the sudden and extreme COVID-19 related dislocation in global markets during the last quarter of the financial year, impacting our trading income, investment income (through fair value adjustments) and expected credit loss charges.

Against this challenging backdrop, the bank delivered loan book and deposit growth, underpinning client-driven revenues.

In the bank, the Corporate and Investment Banking and Specialist International Lending franchises saw reasonable levels of origination and sell-down activity with good fee generation. The Private Banking business had good traction in target client acquisition, retail funding and mortgage book growth (up 36% since 31 March 2019). Earnings were impacted by lower equity capital markets fees, due to persistent market uncertainty throughout the year under review as well as the impact of the COVID-19 pandemic.

Operating costs reduced year on year, reflecting a strong focus on cost discipline and normalised premises charges. In addition, variable remuneration was reduced as a consequence of a weaker performance, including the impact on performance from the COVID-19 pandemic.

Overall, the bank reported an adjusted operating profit of £173.6 million for the year ended 31 March 2020 (2019: £274.8 million).

Earnings attributable to shareholders decreased to £57.8 million (2019: £161.9 million), impacted by the costs associated with strategic actions taken to close, sell and restructure certain non-core and subscale businesses.

Outcomes for the year

Total remuneration was 19.5% lower during the year, reflecting the cost-containment exercise throughout the bank. Variable remuneration was significantly contracted, down 61.9% from the prior year, primarily due to the impacts arising from the COVID-19 pandemic and a desire to protect cash and capital.

In addition, in line with the request from the PRA for banks to preserve cash and capital during this period, the bank did not pay bonuses to senior staff including Material Risk Takers (“MRTs”) for the year ended 31 March 2020.

In addition, given the challenges arising from the COVID-19 pandemic the IBP Remuneration Committee supported the bank’s decision to not grant any salary increases to its people during the annual review.

Looking ahead

The bank foresees significant challenges in the year ahead, given the impacts arising from COVID-19. It has been important to the bank during this time to try and ensure that we protect our people, while also ensuring that the bank is in as strong a position as possible, and is focussed on protecting cash and capital. This is evidenced by the fact that the bank did not pay bonuses to senior staff including MRTs for the year ended 31 March 2020. In addition, the bank granted a significantly lower value of long-term incentive share awards.

The IBP Remuneration Committee believes that the bank’s proposed approach to executive remuneration is designed to incentivise exceptional performance from its executives and employees, and ensure that all the bank’s stakeholders, including shareholders and employees are rewarded appropriately for performance.

The bank is also focused on ensuring that its approach to reward is fair in all aspects, and that all stakeholders are taken into account when determining how executives and employees are rewarded.

The IBP Remuneration Committee is comfortable that there is strong alignment between the bank’s remuneration structure and the bank’s stakeholders, especially with vesting periods of share awards granted to employees which generally vest over five years and in some cases seven years with post retention periods for MRTs.

Conclusion

The IBP Remuneration Committee has had a very constructive first year and is looking forward to building on its effectiveness in the second year of operation. There will be some additional challenges in the year ahead, not least those arising from the COVID-19 pandemic. The IBP Remuneration Committee will remain mindful of all of our stakeholders and the potential impact of remuneration on culture in its deliberations for the year ahead.

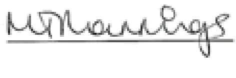
Remuneration philosophy and approach for all employees

Our remuneration approach is designed to foster an exceptional performance culture that enables an entrepreneurial spirit as well as a strong sense of ownership. We use remuneration to help attract and retain culturally aligned, smart, innovative and talented people who adhere and subscribe to our culture, values and philosophies, and to recognise and drive out of the ordinary performance.

The bank’s remuneration levers work to:

- Provide a sense of security, so people feel free to innovate, challenge and influence;
- Motivate people to deliver exceptional performance; and
- Give people a sense of material ownership, so they feel invested in the organisation.

Our remuneration approach reflects our culture; it is an honest and challenging process that is highly individualised, acknowledging personal and team contributions. We reward people for the contribution they make through payment of a fixed package, variable performance bonus, and ownership through a share incentive scheme. We strive to provide a working environment that stimulates extraordinary performance so that executive directors and employees may be positive contributors to our clients, our communities and the group.



Moni Mannings
Chair

16 June 2020

Element	Operation – Bank
Salary	
Role-Based Allowance/Fixed Pay	• Role-Based Allowances may be awarded to certain Material Risk Takers to ensure an appropriate balance between fixed and variable remuneration • These are paid monthly in cash
Benefits and pension/provident	• Benefits are provided, with the details depending on local market practice • Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance and life insurance and cash allowances • Pension and benefit levels differ globally to be competitive in different markets, and there is no single pension level across the group • Bank executive directors have access to the same benefits as bank employees mentioned above, being company-funded benefits such as pension schemes, private medical insurance, permanent health insurance and life insurance
Short-term incentive	• Discretionary performance bonuses based on business and individual performance • The amounts available to be distributed are based on the Bank-wide Risk adjusted Economic Value Added (EVA) model which is, at a high level, based on revenue less risk-adjusted costs, and overall affordability • At an individual level the bonus allocations are determined based on performance against qualitative and quantitative factors. Qualitative measures include adherence to culture, market context, contribution to performance and brand building, attitude displayed towards risk consciousness and effective risk management **Non-Material Risk Takers:** • For employees that are not MRTs, all bonus awards exceeding a pre-determined threshold are subject to 60% deferral in respect of the portion exceeding the threshold • The deferred amount is awarded in the form of: short-term share awards vesting in three equal tranches over a period of approximately three years; or cash released in three equal tranches over a period of approximately three years • Deferred bonuses are subject to malus conditions **Material Risk Takers (MRTs):** Bonus awards are subject to deferral as follows: • Where Variable Remuneration (VR), comprising bonus and LTIP, exceeds £500,000, 60% of VR is deferred; • Where VR is less than £500,000 40% is deferred, unless the *de minimis* concession is met in which case there is no deferral • A minimum of 50% of both the deferred and non-deferred elements are delivered in shares, with the remaining balance in cash • The deferred elements vest over periods from three up to seven years and are subject to an appropriate retention period, generally twelve months, after vesting • All bonuses are subject to clawback • Deferred bonus awards are subject to malus • MRTs are subject to the 2:1 maximum ratio of variable to fixed remuneration • In line with guidance from the PRA, the bank is paying zero bonuses to material risk takers within the bank for the 2019/2020 financial year
Other	• Variable remuneration of employees in audit, risk and compliance functions is set independently of the business they oversee

When determining levels of variable remuneration, the bank considers the overall level of performance, culture and risk events in the year. The proportion of variable to fixed remuneration is carefully monitored to ensure compliance with regulatory requirements. All incentives are subject to the bank's performance adjustment policy. This provides the bank with the ability to reduce or revoke variable remuneration in respect of a risk, control or conduct issue, event or behaviour.

Given IBP board executive directors and additional senior bank executives incentives are deferred for up to seven years, the bank does not believe that the incentive structures inadvertently motivate irresponsible or short-term behaviour.

Consideration of all employee remuneration

The IBP Remuneration Committee reviews changes in remuneration arrangements in the workforce as we recognise that all our people play an important role in the success of the bank. The bank is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner, and the IBP Remuneration Committee reviews our practices around creating a fair, diverse and inclusive working environment.

In making decisions on executive pay, the IBP Remuneration Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis. Effective from 2019 the board appointed a designated non-executive director to represent employees in the boardroom. This is in line with one of the suggested methods recommended within the UK Corporate Governance Code. The designated NED acts as an engagement mechanism between our employees and the board and some of their key objectives are to:

- Ensure the reward, incentives and conditions available to the company's workforce are taken into account when deciding the pay of executive directors and senior management
- Enable the IBP Remuneration Committee to explain to the workforce each year how decisions on executive pay reflect wider company pay policy
- Assist the IBP Remuneration Committee to provide feedback to the board on workforce reward, incentives and conditions, and support the latter's monitoring of whether company policies and practices support culture and strategy.

The board believes that employees throughout the bank should be able to share in the success of the bank. As such, as outlined in the table on the prior page, in addition to the fixed pay element, all of our employees have access to market relevant benefits, and all employees are eligible to be considered for annual bonuses after a short initial qualifying period. The board believes strongly in material share ownership among our employees and therefore all employees are, in principle, eligible to participate in our long-term incentive scheme.

Remuneration policy

All remuneration payable (salary, benefits and incentives) is assessed at a bank, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

Our policy with respect to remuneration of employees has remained unchanged during the 2020 financial year, but in line with the request from the PRA for banks to preserve cash and capital during this period, the bank did not pay bonuses to senior staff including Material Risk Takers ("MRTs") for the year ended 31 March 2020 and in addition there were no salary increases for bank employees.

Determination of remuneration levels for employees

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration at IBP include:

- **Financial measures of performance:**
  - Risk-adjusted EVA model
  - Affordability.
- **Non-financial measures of performance:**
  - Market context
  - Specific input from the risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- **Financial measures of performance**
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- **Non-financial measures of performance**
  - Alignment and adherence to our culture and values
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the bank's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The IBP Remuneration Committee recognises that the bank operates an international business and competes with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For employees generally, the FTSE 350 General Finance sector has offered the most appropriate benchmark
- In order to avoid disproportionate packages across areas of the bank and between executives, adjustments may be made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of remuneration components for individuals, in cases where a higher level of investment is needed in order to build or grow or sustain either a business unit or our capability in a geography.

Variable short-term incentive: annual bonus further information

All employees are eligible to be considered for a discretionary annual bonus, subject *inter alia* to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives reflects differing regulatory requirements for the different legal entities and also differing competitive pressures in each distinct market in which the bank operates.

IBP: variable short-term incentive

Risk-weighted returns form the basis for variable remuneration levels

In our ordinary course of business, we face a number of risks that could affect our business operations, as highlighted on page 21.

Risk management is independent from the business units and monitors, manages and reports on the bank's risk to ensure it is within the stated risk appetite as mandated by the board of directors through IBP Board Risk and Capital Committee (IBP BRCC). The bank monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/forums/committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The IBP BRCC (comprising non-executive directors) sets the overall risk appetite for the bank and determines the categories of risk, the specific types of risks and the extent of such risks which the bank should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the bank's risk management teams, who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The IBP Capital Committee is a sub-committee of the IBP BRCC and provides detailed input into the bank's identification, quantification and measurement of its capital requirements, taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the bank should hold and its minimum liquidity requirements, taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The IBP Review Executive Risk Review Forum (Review ERRF) and IBP Executive Risk Committee (IBP ERC), comprising members of the executive and the heads of the various risk functions meet weekly. These Committees' responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risks are implemented.

The bank's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis. The riskiness of business undertaken is evaluated and approved prior to initiation of the business through various central forums and committees, credit committees, investment committees and IBP New Product and Initiative Forum and is reviewed and ratified at Review ERRF and IBP ERC on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and, by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums thus ensures that every transaction undertaken by the bank results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model is principally applied to realised profits against predetermined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore, the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a bank and transaction level, which form the basis of the bank's performance-related variable remuneration model, thus balancing the interests of all stakeholders.

Further, both the risk and compliance functions are subject to review by the internal audit and compliance monitoring teams. The risk and compliance functions also provide, on an exception-only basis, information relating to the behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding the riskiness of business undertaken.

EVA model: allocation of performance-related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each business unit on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the executive, and agreed by the IBP Remuneration Committee.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where a business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the executive may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the bank, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the bank; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central services and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering firmwide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the bank's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the bank's finance function and subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving human resources and management
- Thereafter, these recommendations are subject to a global review by executive management before the IBP Remuneration Committee review and approval process.

Deferral of annual bonus awards: other than Material Risk Takers within the Bank

All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The deferred amount is awarded in the form of: forfeitable share awards vesting in three equal tranches over approximately three years; or cash released in three equal tranches over approximately three years. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as short-term share awards. These awards are made in terms of our existing long-term incentive plans. The entire amount of the annual bonus that is not deferred is payable upfront in cash.

Deferral of variable remuneration awards: Material Risk Takers within the Bank

- Material Risk Takers include senior management, risk takers, staff engaged in certain central functions and any other employees whose professional activities have a material impact on the bank's risk profile
- Individual awards to Material Risk Takers are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the bank's remuneration policy and governance processes (also set out above)
- Annual bonus awards to directors of the bank (excluding executive directors who are employees of a separately regulated firm) and all annual bonus awards where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All other annual bonus awards to Material Risk Takers are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as 50% in cash and 50% in short-term share awards
- The upfront short-term share awards will vest immediately, but will only be released after a period of 12 months for all Material Risk Takers, with the exception of risk managers, for which it is six-months
- Variable remuneration awards for Material Risk Takers who are not exempted by the *de minimis* concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of share awards granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to Material Risk Takers will, at the election of the staff member, be made either entirely in the form of short-term share awards, or 50% in short-term share awards and 50% in cash
- All deferrals in the form of short-term share awards (being either 50% or 100% of such deferral) vest over periods of up to seven years and are then subject to an appropriate period of retention, being 12 months, with the exception of risk managers, for which it is six-months.

Other information on deferred awards and clawback provisions within the bank

Employees who leave the employment of the bank prior to vesting of deferred incentive awards will lose their EVA forfeitable shares other than as a result of retirement, subject to the bank's normal good leaver provisions and approval process in exceptional cases.

The deferred share awards for Material Risk Takers are subject to malus and clawback adjustments. The assessment of whether any malus adjustment should be made to an individual's unvested award will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or business unit suffers a material failure of risk management.

In these cases, management and the IBP Remuneration Committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the bank or business unit
- Any violation of the bank's culture and values
- The long-term impact of the outcome on the bank or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for short-term share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

The deferred share awards of non-Material Risk Takers are subject to malus adjustments.

Long-term incentive: share awards

The bank has a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining the skills of key talent.

Awards are made in the form of forfeitable share awards other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the IBP Remuneration Committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association principles of remuneration. These awards comprise three elements, namely:

- 'New starter' awards may be awarded on a discretionary basis to new starters and are generally linked to salary levels.
- 'General allocation' awards may be awarded on a discretionary basis to those who have not had any other share award in a three-year period and are generally linked to salary levels.
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards are recommended by business unit management, approved by the staff share Executive Committee and the IBP Remuneration Committee before being awarded.

Forfeitable shares for non-Material Risk Takers are subject to one third vesting after approximately three, four and five years, which we believe is appropriate for our business requirements. LTIP awards to Material Risk Takers are subject to performance conditions and to vesting over a period of two to four years, or three to seven years, determined by regulatory requirements, and are then subject to a 12-month retention period, with the exception of risk managers, for which it is six-months. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

www

For further information on the share option and long-term share incentive plans in operation and in which the directors are eligible to participate, refer to the Investec group's 2020 integrated annual report.

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guarantee awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the bank unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

Following a consultation process the IBP Remuneration Committee approved a new framework for pre-approval of individual remuneration packages. Previously, remuneration packages with total compensation exceeding specified thresholds required pre-approval (i.e. prior to the commitment being made) by the IBP Remuneration Committee chair, on behalf of the IBP Remuneration Committee. Going forward, the IBP Remuneration Committee, or the chair on behalf of the committee, will pre-approve individual remuneration packages (including new joiner, retention and severance remuneration) for the following:

- IBP executive directors
- IBP PDMRs
- IBP senior managers defined under the Senior Management and Certification Regime (SMCR).

Retention awards

The bank only pays retention awards to serving staff in exceptional circumstances. In all such cases, human resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally, for Material Risk Takers, the IBP Remuneration Committee shall review all proposed awards. Circumstances where the bank will consider making retention awards include the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the PRA should be notified prior to the retention award being made to Material Risk Takers, and should consider seeking guidance on the appropriateness of retention awards for certain individuals.

Severance awards

Severance payments for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for Material Risk Takers in the bank shall be subject to approval by the IBP Remuneration Committee.

Discretionary extended pension benefits policy

Extended pension payments are very rarely made and any proposed such payments to employees upon reaching retirement will be reviewed by the IBP Remuneration Committee for alignment with appropriate laws, policy and regulation.

Governance

Compliance and governance statement

The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended), the UK Corporate Governance Code, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA and FCA Remuneration Code and Pillar III disclosure requirements.

Scope of our remuneration policy

The bank aims to apply remuneration policies to executive directors and employees that are largely consistent across the bank, but recognises that certain parts of the bank are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the bank. This is relevant to Investec Bank plc and its subsidiary companies that are subject to the PRA and FCA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to Material Risk Takers. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec Bank plc group entities are separately regulated by the PRA and/or FCA and as such maintain their own remuneration policies separate from the bank policy and in line with such entity's own risk profile and business activities:

- Investec Wealth & Investment Limited.

Under the PRA and FCA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Wealth Management business has been classified as level 3 entity under the proportionality rules of the PRA and FCA Remuneration Code.

Audited information

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2020

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[2]		Investec plc	Investec Limited[3]		Investec Limited
Name	**31 March 2020**	1 April 2019	31 March 2020	**31 March 2020**	1 April 2019	31 March 2020
Executive directors						
F Titi	145 481	–	0.0%	–	–	0.0%
DM van Der Walt[4]	566 907	608 155	0.1%	90 140	190 140	0.0%
R Leas	131 469	192 588	0.0%	–	–	0.0%
KP McKenna	56 484	97 805	0.0%	–	–	0.0%
C Meyer[5]	176 143	–	0.0%	–	–	0.0%
A Stuart[6]	57 088	–	0.0%	–	–	0.0%
R Tholet[7]	37 301	–	0.0%	11 082	–	0.0%
JKC Whelan[8,9]	512 690	308 892	0.1%	437 076	413 754	0.1%
IR Wohlman[10]	320 261	287 740	0.0%	100 000	100 000	0.0%
Total	**2 003 824**	**1 495 180**	**0.2%**	**638 298**	**703 894**	**0.1%**
Non-executive directors						
B Stevenson (Chairman)	–	–	0.0%	–	–	0.0%
Z Bassa	–	–	0.0%	–	–	0.0%
M Mannings	–	–	0.0%	–	–	0.0%
D Friedland	–	–	0.0%	–	–	0.0%
H Fukuda OBE[11]	5 000	5 000	0.0%	–	–	0.0%
P Seward[12]	–	–	0.0%	–	–	0.0%
L Watkins	–	–	0.0%	–	–	0.0%
Total number	**5 000**	**5 000**	**0.0%**	**–**	**–**	**0.0%**

The table above reflects holdings of shares by current directors at 31 March 2020.

1 *The issued share capital of Investec plc and Investec Limited at 31 March 2020 was 696.1 million and 318.9 million respectively.*
2 *The market price of an Investec plc share at 31 March 2020 was £1.52 (2019: £4.42), ranging from a low of £1.29 to high of £1.88 during the financial year.*
3 *The market price of an Investec Limited share as at 31 March 2020 was R33.99 (2019: R84.34), ranging from a low of R27.11 to a high of R37.66 during the financial year.*
4 *DM van der Walt stood down as director on 19 November 2019.*
5 *C Meyer was appointed a director on 19 November 2019.*
6 *A Stuart was appointed a director on 19 November 2019.*
7 *R Tholet was appointed a director on 19 November 2019.*
8 *JKC Whelan entered into a zero cost collar on 5 September 2016 over 338 333 Investec ltd shares by purchasing put options at a strike of R86.65 per share and sold call options at a strike price of R164.64 per share. These options expire on 5 September 2019. JKC Whelan entered into a zero cost collar on 5 September 2016 over plc shares by purchasing put options at a strike price of R86.65 per share and sold call options at a strike price of R164.64 per share. These options expire on 5 September 2019.*
JKC Whelan adjusted the strike price of 338 333 Investec ltd and 61 257 Investec plc shares to R120.00. All other aspects of the zero premium collar remain unchanged.
9 *JKC Whelan stood down as director on 19 November 2019.*
10 *IR Wohlman stood down as executive director on 19 November 2019.*
11 *H Fukuda OBE stood down as director on 8 August 2019.*
12 *P Seward was appointed as director on 1 April 2019.*

Directors' interest in preference shares at 31 March 2020 (audited)

The directors' do not have any interest in preference shares.

Directors' interests in options at 31 March 2020

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interests in long-term incentive plans at 31 March 2020

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2019	Options/ Conditional granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
A Stuart	2 June 2016	Nil	7 467	–	–	**7 467**	–	–	One third exercisable on 19 February 2019, 5 March 2020 and on 5 March 2021
	1 December 2016	Nil	32 000	–	(10 666)	**21 334**	4.39 (2 Dec 2019)	£46 845	One third exercisable on 1 December 2019, 1 December 2020 and on 3 September 2021
	8 June 2017	Nil	31 800	–	(10 600)	**21 200**	4.43 (6 Feb 2020)	£46 908	One third exercisable on 6 February 2020, 6 February 2021 and on 10 March 2022
	31 May 2018	Nil	25 000	–	–	**25 000**	–	–	One third exercisable on 30 June 2021, 30 June 2022 and on 2 March 2023
	29 May 2019	Nil	–	15 658	–	**15 658**	–	–	One third exercisable on 25 July 2022, 25 July 2023 and 26 February 2024

Ninety One Awards

As a result of the demerger of Investec Asset Management (now Ninety One), in respect of the above awards, the following Ninety One shares were granted

Name	Date of grant	Exercise price	Number of Ninety One shares at 1 April 2019	Options/ Conditional granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
A Stuart	16 March 2020	Nil	–	3 734	(1 867)	**1 867**	1.64 (30 Mar 2020)	£3 058	50% exercisable on 5 March 2020 and on 5 March 2021
	16 March 2020	Nil	–	10 667	–	**10 667**	–	–	50% exercisable on 1 December 2020 and on 3 September 2021
	16 March 2020	Nil	–	10 600	–	**10 600**	–	–	50% exercisable on 6 February 2021 and on 10 March 2022
	16 March 2020	Nil	–	12 500	–	**12 500**	–	–	One third exercisable on 30 June 2021, 30 June 2022 and on 2 March 2023
	16 March 2020	Nil	–	7 829	–	**7 829**	–	–	One third exercisable on 25 July 2022, 25 July 2023 and 26 February 2024

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2019	Options/ Conditional granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
R Tholet	1 June 2015	Nil	20 000	–	(20 000)	**–**	R76.10 (14 Aug 2019)	R1 522 000	
	2 June 2016	Nil	42 667	–	(21 333)	**21 334**	R30.00 (20 Mar 2020)	R640 122	One third exercisable on 19 February 2019, 5 March 2020 and on 5 March 2021
JKC Whelan	8 December 2014	Nil	43 750	–	(43 750)	**–**	R77.97 (23 Aug 2019)	R3 411 349	

Ninety One Awards

As a result of the demerger of Investec Asset Management (now Ninety One), in respect of the above awards, the following Ninety One shares were granted

Name	Date of grant	Exercise price	Number of Ninety One shares at 1 April 2019	Options/ Conditional granted / lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
R Tholet	16 March 2020	Nil	–	21 334	(10 667)	**10 667**	R29.86 (20 Mar 2020)	R318 517	50% exercisable on 5 March 2020 and on 5 March 2021

The above awards are not subject to performance conditions and were made prior to the director being classified as a Material Risk Taker in terms of the PRA requirements.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2020

Long-term share awards granted in respect of the 2019 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2019	Conditional awards made during the year	**Balance at 31 March 2020**	Performance period	Period exercisable	Retention period	Treatment on termination of employment
F Titi	29 May 2019	Nil	–	278 080	**278 080**	1 April 2019 to 31 March 2022	20% is exercisable on 29 May each year commencing on 29 May 2022 until 29 May 2026 subject to performance criteria being met	A further twelve-months retention after vesting date	Will be pro-rated based on the service over the performance period, relative to the performance period of the award

Ninety One Awards

As a result of the demerger of Investec Asset Management (now Ninety One), in respect of the above awards, the following Ninety One shares were granted

Name	Date of grant	Exercise price	Number of Ninety One shares at 1 April 2019	Conditional awards made during the year	**Balance at 31 March 2020**	Performance period	Period exercisable	Retention period	Treatment on termination of employment
F Titi	16 March 2020	Nil	–	139 040	**139 040**	1 April 2019 to 31 March 2022	20% is exercisable on 29 May each year commencing on 29 May 2022 until 29 May 2026 subject to performance criteria being met	A further twelve-months retention after vesting date	Will be pro-rated based on the service over the performance period, relative to the performance period of the award

Conditional awards to material risk takers at 31 March 2020

Name	Date of grant	Ex-ercise price	Number of Investec plc shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
DM van der Walt	1 June 2015	Nil	31 250	–	(31 250)	**–**	£4.39	£137 081	
	2 June 2016	Nil	100 000	–	(50 000)	**50 000**	£4.39	£219 330	Final one third exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	8 June 2017	Nil	125 000	–	–	**125 000**	–	–	20% exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six-month retention period after vesting date
	8 June 2017	Nil	44 670	–	–	**44 670**	–	–	50% exercisable on 8 June each year, commencing on 8 June 2023 until 8 June 2024, subject to a further six-month retention period after vesting date
	31 May 2018	Nil	125 000	–	–	**125 000**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve-months' retention period after vesting date
	31 May 2018	Nil	151 439	–	–	**151 439**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	105 428	–	**105 428**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	173 426	–	**173 426**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve-months' retention period after vesting date
R Leas	1 June 2015	Nil	15 000	–	(15 000)	**–**	£4.39	£65 799	
	2 June 2016	Nil	20 000	–	(10 000)	**10 000**	£4.39	£43 866	Final one third exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	8 June 2017	Nil	60 000	–	(20 000)	**40 000**	£4.29	£85 784	50% exercisable on 8 December 2020 and the balance on 8 June 2022 and subject to six-months' retention after each exercise date
	31 May 2018	Nil	60 000	–	–	**60 000**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve-months' retention period after vesting date

Conditional awards to material risk takers at 31 March 2020 *(continued)*

Name	Date of grant	Ex-ercise price	Number of Investec plc shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
R Leas (continued)	31 May 2018	Nil	20 375	–	–	**20 375**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	37 933	–	**37 933**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	62 631	–	**62 631**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve-months' retention period after vesting date
KP McKenna	1 June 2015	Nil	12 500	–	(12 500)	**–**	£4.39	£54 833	
	2 June 2016	Nil	40 000	–	(20 000)	**20 000**	£4.39	£87 734	Final one third exercisable 2 December 2020 and subject to six-months' retention after each exercise date
	8 June 2017	Nil	60 000	–	–	**60 000**	–	–	20% exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six-month retentions' period after vesting date
	8 June 2017	Nil	15 080	–	–	**15 080**	–	–	50% exercisable on 8 June each year, commencing on 8 June 2023 until 8 June 2024, subject to a further six-month retention period after vesting date
	31 May 2018	Nil	60 000	–	–	**60 000**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve-months' retention period after vesting date
	31 May 2018	Nil	55 137	–	–	**55 137**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	75 866	–	**75 866**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	62 631	–	**62 631**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve-months' retention period after vesting date

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
C Meyer	1 June 2015	Nil	20 000	–	(20 000)	**–**	£4.39	£87 732	
	2 June 2016	Nil	46 667	–	(23 333)	**23 334**	£4.39	£102 353	Final one third exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	8 June 2017	Nil	70 000	–	(23 333)	**46 667**	£4.29	£100 080	50% exercisable on 8 December 2020 and the balance on 8 June 2022 and subject to six-months' retention after each exercise date
	31 May 2018	Nil	70 000	–	–	**70 000**	–	–	One third exercisable on 31 May 2020, one third on 30 November 2021 and the final third on 31 May 2023, subject to a further twelve-months' retention period after vesting date
	31 May 2018	Nil	148 243	–	(29 648)	**118 595**	£4.56	£135 153	One third exercisable on 29 May 2021, one third on 29 November 2022 and the final third on 29 May 2024, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	73 069	–	**73 069**	–	–	One third exercisable on 29 May 2021, one third on 29 November 2022 and the final third on 29 May 2024, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	81 121	–	**81 121**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve-months' retention period after vesting date
R Tholet	8 June 2017	Nil	50 000	–	(16 666)	**33 334**	£4.29	£71 484	One third exercisable on 8 December 2019; one third on 8 December 2020 and the final third on 8 December 2021 and subject to six-months' retention after each exercise date
	31 May 2018	Nil	50 000	–	–	**50 000**	–	–	One third exercisable on 30 November 2020, one third on 30 November 2021 and the final third on 31 May 2023, subject to a further six-months' retention period after vesting date
	31 May 2018	Nil	38 330	–	(7 666)	**30 664**	£4.56	£34 946	20% exercisable on 31 May each year, commencing on 31 May 2019 until 31 May 2023, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	62 631	–	**62 631**	–	–	One third exercisable on 29 November 2021, one third on 29 November 2022 and the final third on 29 May 2024, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	38 396	–	**38 396**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve-months' retention period after vesting date

Name	Date of grant	Ex-ercise price	Number of Investec plc shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
JKC Whelan	1 June 2015	Nil	31 250	–	(31 250)	**–**	£4.42	£138 125	
	2 June 2016	Nil	100 000	–	(50 000)	**50 000**	£4.42	£221 000	Final one third exercisable on 2 December 2020 and subject to six-month retention after each exercise date
	8 June 2017	Nil	125 000	–	(41 666)	**83 334**	£4.29	£178 747	50% exercisable on 8 December 2020 and the balance on 8 June 2022 and subject to six-month retention after each exercise date
	31 May 2018	Nil	125 000	–	–	**125 000**	–	–	One third exercisable on 31 May 2020, one third on 30 November 2021 and the final third on 31 May 2023, subject to a further twelve-months' retention period after vesting date
	31 May 2018	Nil	77 558	–	(15 511)	**62 047**	£4.61	£71 506	20% exercisable on 31 May each year, commencing on 31 May 2019 until 31 May 2023, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	104 385	–	**104 385**	–	–	One third exercisable on 29 May each year, commencing on 29 May 2021 until 29 May 2024, subject to a further twelve-months' retention period after vesting date
	29-May-19	Nil	–	138 009	–	**138 009**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve-months' retention period after vesting date
IR Wohlman	1 June 2015	Nil	15 000	–	(15 000)	**–**	£4.39	£65 799	
	02 Jun 2016	Nil	40 000	–	(20 000)	**20 000**	£4.39	£87 732	Final one third exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	8 June 2017	Nil	60 000	–	–	**60 000**	–	–	20% exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six-months' retention period after vesting date
	8 June 2017	Nil	5 497	–	–	**5 497**	–	–	50% exercisable on 8 June each year, commencing on 8 June 2023 until 8 June 2024, subject to a further six-month retention period after vesting date
	31 May 2018	Nil	50 000	–	–	**50 000**	–	–	One third exercisable on 31 May each year, commencing on 31 May 2020 until 31 May 2023, subject to a further twelve-months' retention period after vesting date
	31 May 2018	Nil	18 497	–	(3 699)	**14 798**	£4.55	£16 846	20% exercisable on 31 May each year until 31 May 2023, subject to a further twelve-months' retention period after vesting date
	29 May 2019	Nil	–	22 843	–	**22 843**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve-months' retention period after vesting date

Conditional awards to material risk takers at 31 March 2020 *(continued)*

Ninety One Awards

As a result of the demerger of Investec Asset Management (now Ninety One), in respect of the above awards, the following Ninety One shares were granted

Name	Date of grant	Exercise price	Number of Ninety One shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
DM van der Walt	16 March 2020	Nil	–	25 000	–	**25 000**			Fully exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	16 March 2020	Nil	–	62 500	–	**62 500**			20% exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six-month retention period after vesting date
	16 March 2020	Nil	–	22 335	–	**22 335**			50% exercisable on 8 June each year, commencing on 8 June 2023 until 8 June 2024, subject to a further six-month retention period after vesting date
	16 March 2020	Nil	–	62 500	–	**62 500**			20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	75 720	–	**75 720**			20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	52 714	–	**52 714**			20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	86 713	–	**86 713**			20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date
R Leas	16 March 2020	Nil	–	5 000	–	**5 000**			Fully exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	16 March 2020	Nil	–	20 000	–	**20 000**			50% exercisable on 8 December 2020 and on 8 June 2022, subject to six-months' retention after each exercise date
	16 March 2020	Nil	–	30 000	–	**30 000**			20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	10 188	–	**10 188**			20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date

Name	Date of grant	Exercise price	Number of Ninety One shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
R Leas (continued)	16 March 2020	Nil	–	31 316	–	**31 316**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	18 967	–	**18 967**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date
KP McKenna	16 March 2020	Nil	–	10 000	–	**10 000**	–	–	Fully exercisable on 2 December 2020 and subject to six-months' retention
	16 March 2020	Nil	–	30 000	–	**30 000**	–	–	20% exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six-month retentions' period after vesting date
	16 March 2020	Nil	–	7 540	–	**7 540**	–	–	50% exercisable on 8 June each year, commencing on 8 June 2023 until 8 June 2024, subject to a further six-month retention period after vesting date
	16 March 2020	Nil	–	30 000	–	**30 000**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	27 569	–	**27 569**	–	–	20% exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	31 316	–	**31 316**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	37 933	–	**37 933**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date
C Meyer	16 March 2020	Nil	–	11 667	–	**11 667**	–	–	Fully exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	16 March 2020	Nil	–	23 334	–-	**23 334**	–	–	50% exercisable on 8 December 2020 and 8 June 2022, subject to six-months' retention after each exercise date
	16 March 2020	Nil	–	35 000	–	**35 000**	–	–	One third exercisable on 31 May 2020, 30 November 2021 and the final third on 31 May 2023, subject to a further twelve months' retention period after vesting date

Conditional awards to material risk takers at 31 March 2020 *(continued)*

Name	Date of grant	Exercise price	Number of Ninety One shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
C Meyer (continued)	16 March 2020	Nil	–	59 298	–	**59 298**	–	–	25% exercisable on 31 May each year, commencing on 31 May 2020 until 31 May 2023, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	36 535	–	**36 535**	–	–	One third exercisable on 29 May 2021, one third on 29 November 2022 and the final third on 29 May 2024, subject to a further twelve-months' retention period after vesting date
	16 March 2020	Nil	–	40 561	–	**40 561**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve months' retention period after vesting date
R Tholet	16 March 2020	Nil	–	16 667	–	**16 667**	–	–	50% exercisable on 8 December 2020 and 8 December 2021, subject to six-months' retention after each exercise date
	16 March 2020	Nil	–	25 000	–	**25 000**	–	–	One third exercisable on 30 November 2020, 30 November 2021 and the final third on 31 May 2023, subject to a further six-months' retention period after vesting date
	16 March 2020	Nil	–	15 332	–	**15 332**	–	–	25% exercisable on 31 May each year, commencing on 31 May 2020 until 31 May 2023, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	31 316	–	**31 316**	–	–	One third exercisable on 29 November 2021, 29 November 2022 and the final third on 29 May 2024, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	19 198	–	**19 198**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve months' retention period after vesting date
JKC Whelan	16 March 2020	Nil	–	25 000	–	**25 000**	–	–	Fully exercisable on 2 December 2020 and subject to six-month retention after each exercise date
	16 March 2020	Nil	–	41 667	–	**41 667**	–	–	50% exercisable 8 December 2020 and on 8 June 2022 and subject to six-month retention after each exercise date
	16 March 2020	Nil	–	62 500	–	**62 500**	–	–	One third exercisable on 31 May 2020, 30 November 2021 and the final third on 31 May 2023 May, subject to a further twelve months' retention period after vesting date

Name	Date of grant	Exercise price	Number of Ninety One shares at 1 April 2019	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2020**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
JKC Whelan (continued)	16 March 2020	Nil	–	31 024	–	**31 024**	–	–	25% exercisable on 31 May each year, commencing on 31 May 2020 until 31 May 2023, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	52 193	–	**52 193**	–	–	One third exercisable on 29 May 2021, 29 November 2022 and the final third on 29 May 2024, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	69 005	–	**69 005**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve months' retention period after vesting date
IR Wohlman	16 March 2020	Nil	–	10 000	–	**10 000**	–	–	Fully exercisable on 2 December 2020 and subject to six-months' retention after each exercise date
	16 March 2020	Nil	–	30 000	–	**30 000**	–	–	20% exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six-months' retention period after vesting date
	16 March 2020	Nil	–	2 749	–	**2 749**	–	–	50% exercisable on 8 June 2023 and 8 June 2024, subject to a further six-month retention period after vesting date
	16 March 2020	Nil	–	25 000	–	**25 000**	–	–	One third exercisable on 31 May 2020, 30 November 2021 and the final third on 31 May 2023, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	7 399	–	**7 399**	–	–	25% exercisable on 31 May each year, commencing on 31 May 2020 until 31 May 2023, subject to a further twelve months' retention period after vesting date
	16 March 2020	Nil	–	11 422	–	**11 422**	–	–	20% exercisable on 29 May each year, commencing on 29 May 2020 until 29 May 2024, subject to a further twelve months' retention period after vesting date

The above awards to Material Risk Takers are subject to performance conditions and a six or 12-month retention period after the award vests. In addition, these awards are subject to clawback in respect of some or all of the unvested portion of the award in terms of the PRA Remuneration Code.

The performance conditions will be assessed by the IBP Remuneration Committee and the DLC Remuneration Committee, in accordance with the rules and requirements of the PRA from time to time, at the end of each financial year of the performance period. For each year within the performance period that the return on risk weighted assets for Investec Bank plc is equal to or greater than 0.3%, the performance condition for 25% of the award is satisfied, in which case 25% of the award will vest on the relevant vesting date (subject to clawback).

Outstanding unvested deferred share awards not subject to performance conditions

Name	Award type	Performance conditions	Eligible for dividends	Vesting period	Total number outstanding at 31 March 2020
DM van der Walt	Forfeitable shares	None	Yes	From 1 to 7 years	66 999
R Leas	Forfeitable shares	None	Yes	From 1 to 7 years	3 141
KP McKenna	Forfeitable shares	None	Yes	From 1 to 7 years	22 617
C Meyer	Forfeitable shares	None	Yes	From 1 to 7 years	38 929
R Tholet*	Forfeitable shares	None	Yes	From 1 to 7 years	4 422
JKC Whelan	Forfeitable shares	None	Yes	From 1 to 7 years	24 175
IR Wohlman	Forfeitable shares	None	Yes	From 1 to 7 years	8 241

* *These awards were made under a South African scheme*

Ninety One Awards

As a result of the demerger of Investec Asset Management (now Ninety One), in respect of the above awards, the following Ninety One shares were granted

Name	Award type	Performance conditions	Eligible for dividends	Vesting period	Total number outstanding at 31 March 2020
DM van der Walt	Forfeitable shares	None	Yes	From 1 to 7 years	33 500
R Leas	Forfeitable shares	None	Yes	From 1 to 7 years	1 571
KP McKenna	Forfeitable shares	None	Yes	From 1 to 7 years	11 309
C Meyer	Forfeitable shares	None	Yes	From 1 to 7 years	19 465
R Tholet*	Forfeitable shares	None	Yes	From 1 to 7 years	2 211
JKC Whelan	Forfeitable shares	None	Yes	From 1 to 7 years	12 088
IR Wohlman	Forfeitable shares	None	Yes	From 1 to 7 years	4 121

* *These awards were made under a South African scheme*

Directors' emoluments

	2020	2019
Aggregate emoluments (excluding pension contributions)	9 712	9 663
Contributions to defined contributions scheme	269	171
	9 981	**9 834**
Number of directors in defined contributions scheme	8	5
Number of directors in closed defined benefits scheme	–	–

Included in aggregate emoluments for the current year are performance awards to executive directors excluding Investec group executive directors, whose remuneration is disclosed individually in the Investec group's 2020 integrated annual report. Performance awards comprise £0 in upfront cash, £0 in upfront shares (vesting immediately and subject to 12 months' retention thereafter), £0 in deferred cash (vesting equally over one to five years, or three to seven years, subject to regulatory requirements), and £0 in deferred short-term share awards (vesting equally over one to five years, or three to seven years, subject to regulatory requirements).

Emoluments of the highest paid director were £2 490 000 (2019: £2 903 211) excluding £42 000 of pension contribution to the defined contribution scheme. The performance awards of the highest paid director comprise £0 in upfront cash, £0 in upfront shares (vesting immediately and subject to 12 months' retention thereafter) and £0 in deferred short-term share awards (vesting equally over one to five years). The emoluments include long-term incentives with vesting subject to achievement against future performance conditions.

The directors have, during the year, exercised options granted to them under various of the Investec plc group's long-term incentive plans. Full details are included on pages 146 to 158.

Non-executive directors receive fees based on their board and committee membership and roles.

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below

Summary: Investec plc and Investec Limited share statistics

Pre-Demerger	31 March 2020	31 March 2019	High over the year	Low over the year
Investec plc share price	£3.04	£4.42	£5.19	£2.98
Investec Limited share price	R64.99	R84.34	R94.60	R64.09
Number of Investec plc shares in issue (million)	696.1	682.1	–	–
Number of Investec Limited shares in issue (million)	318.9	318.9	–	–

Investec Share price pre the demerger of Investec Asset Management (now Ninety One), 01 April 2019 to 13 March 2020

Post-Demerger	31 March 2020	31 March 2019	High price – post-demerger High over the year	Low price – post-demerger Low over the year
Investec plc share price	£1.52	–	£1.88	£1.29
Investec Limited share price	R33.99	–	R37.66	R27.11
Number of Investec plc shares in issue (million)	696.1	682.1	–	–
Number of Investec Limited shares in issue (million)	318.9	318.9	–	–

Investec Share price post the demerger of Investec Asset Management (now Ninety One), 16 March 2020 to 31 March 2020

Additional remuneration disclosures (unaudited)

PRA and FCA Remuneration Code and Pillar III disclosures

In terms of the PRA's Chapter on Disclosure Requirements and Part 8 of the Capital Requirements Regulation the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to Material Risk Takers.

Material Risk Takers are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 59 individuals were Material Risk Takers at 31 March 2020.

The bank's qualitative remuneration disclosures are provided on pages 137 to 145 and further information is provided in the Investec group's 2020 integrated annual report.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of Material Risk Takers for the year ended 31 March 2020.

Aggregate remuneration by remuneration type awarded during the financial year

	Senior management	Other Material Risk Takers	Total
Fixed remuneration			
– Cash	11.1	14.0	25.1
– Shares	1.7	–	1.7
Variable remuneration*			
– Upfront Cash	–	–	–
– Deferred cash	–	–	–
– Upfront shares	–	–	–
– Deferred shares	–	–	–
– Deferred shares – long-term incentive awards**	3.5	3.6	7.1
Total aggregate remuneration and deferred incentives (£'million)	**16.3**	**17.6**	**33.9**
Number of employees***	21	33	54
Ratio of variable to fixed pay	0.3	0.3	0.3

* *Total number of employees receiving variable remuneration was 30.*

** *Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and vest over a period of two and a half to four and a half years, up to three to seven years, determined by regulatory requirements. They are also subject to a six or 12-month retention period after vesting.*

*** *This excludes non-executive directors.*

Material Risk Takers received total remuneration in the following bands:

	Number of Material Risk Takers
£800 000 – £1 200 000	7
£1 200 001 – £1 600 000	2
£1 600 001 – £2 000 000	1
£2 000 001 – £2 400 000	–
£2 400 001 – £2 800 000	1
£2 800 001 – £3 200 000	–
£3 200 001 – £3 600 000	–
£3 600 001 – £4 000 000	–
£4 000 001 – £4 400 000	–
£4 400 001 – £4 800 000	–
£4 800 001 – £5 200 000	–
> £5 200 001	–

Additional disclosure on deferred remuneration

£'million	Senior management	Other Material Risk Takers	**Total**
Deferred unvested remuneration outstanding at the beginning of year	47.2	19.0	66.2
Deferred unvested remuneration adjustment – employees no longer MRT staff and reclasifications	(21.5)	5.9	(15.6)
Deferred remuneration awarded in the year	3.5	3.6	7.1
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration reduced in year through malus and clawback adjustments^^	–	–	–
Deferred remuneration vested in year	(4.9)	(5.5)	(10.4)
Deferred unvested remuneration outstanding at end of year	**24.3**	**23.0**	**47.3**

^^ *All employees are subject to clawback provisions as discussed on pages 143 and 144. No remuneration was reduced for ex post implicit adjustments during the year.*

£'million	Senior management	Other Material Risk Takers	**Total**
Deferred unvested remuneration outstanding at the end of the year			
– Equity	22.3	18.6	40.9
– Cash	2.0	4.4	6.4
	24.3	**23.0**	**47.3**

£'million	Senior management	Other Material Risk Takers	**Total**
Deferred remuneration vested in year			
– For awards made in 2018 financial year	0.8	1.5	2.3
– For awards made in 2017 financial year	1.2	2.2	3.4
– For awards made in 2016 financial year	2.9	1.8	4.7
	4.9	**5.5**	**10.4**

Other remuneration disclosures

£'million	Senior management	Other Material Risk Takers	Total
Sign-on payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Severance payments			
Made during the year (£'million)	–	0.8	0.8
Number of beneficiaries	–	4.0	4.0
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

Key Management Personnel (audited)

Details of directors' remuneration and interest in shares are disclosed on pages 146 to 158. IAS 24 "Related party disclosures" requires the following additional information for key management compensation.

Compensation of key management personnel	**2020 £'000**	2019 £'000
Short-term employee benefits	13 362	20 797
Other long-term employee benefits	5 735	4 302
Share-based payments	5 365	6 927
Total	**24 462**	**32 026**

Shareholdings, options and other securities of key management personnel

	2020 £'000	2019 £'000
Number of options held over Investec plc or Investec Limited ordinary shares under employee share schemes	5 187	4 693

	2020 £'000	2019 £'000
Number of Investec plc or Investec Limited Ordinary shares held beneficially and non-beneficially	4 073	12 137

We have defined key management personnel as the directors of Investec Bank plc and Investec Limited plus those classified as persons discharging managerial responsibility. In addition to the directors listed in the report, those are Hendrik du Toit, Marc Kahn, Malcolm Fried, Kim McFarland, Nishlan Samujh and Lyndon Subroyen.

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The directors present their directors' report and financial statements for the year ended 31 March 2020.

Section 414A of the UK Companies Act 2006 (the UK Companies Act) requires the directors to present a strategic report in the annual report and accounts. The information can be found on pages 3 to 32.

The company has chosen, in accordance with section 414C(11) of the UK Companies Act, to include certain matters in its strategic report that would otherwise be disclosed in the directors' report.

An indication of likely future developments may be found in the strategic report.

Authorised and issued share capital

Details of the share capital at 31 March 2020 are set out in note 41 to the bank's annual financial statements.

During the year the following shares were issued:

- 31 250 000 ordinary shares on 28 June 2019 at 160 pence per share
- 62 500 000 ordinary shares on 25 March 2020 at 160 pence per share.

Results and dividends

The results for the year are shown on page 179. Movements in reserves are shown in the reconciliation of equity on pages 184 and 185 of the financial statements. The following interim dividends were declared and paid during the year: £18 million was declared and paid on 31 May 2019 and £17 million was declared and paid on 19 November 2019.

Directors and their interests

The directors of the bank for the year ended 31 March 2020 are shown on page 135.

The names of the current directors of Investec Bank plc, along with their biographical details, are set out on pages 104 to 107, and are incorporated into this report by reference. Changes to the composition of the board since 1 April 2019 up to date of this report are shown in the table below:

	Appointed to the board	*Retired from the board*
Paul Seward	1 April 2019	
Haruko Fukuda		8 August 2019
Chris Meyer	19 November 2019	
Alistair Stuart	19 November 2019	
Ryan Tholet	19 November 2019	
David van der Walt		19 November 2019
Ciaran Whelan		19 November 2019
Ian Wohlman		19 November 2019

The interests of the directors are set out within the remuneration report on pages 147 to 158. Except as disclosed in this report, no other director held any beneficial interest in the shares of the company or the group.

Environment

The group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

Further information is provided in Investec group's 2020 integrated annual report.

Stakeholder engagement

The directors' section 172 statement, as required under the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) may be found in the strategic report on pages 22 to 25. This statement also provides details of how the directors have engaged with and had regard to the interests of our key stakeholders, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) regulations 2018).

Employees

The group's policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants.

In the event of employees becoming disabled, every effort is made to ensure their continued employment.

The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and to incentivise staff to take an interest in the group's performance by means of employee share and option schemes.

Further information is provided in Investec group's 2020 integrated annual report.

Going concern

Refer to page 116 for the directors' statement in relation to going concern.

Independent auditor and audit information

Ernst & Young LLP have indicated their willingness to continue in office as auditors. A resolution proposing their reappointment as auditors will be submitted to the annual general meeting.

Each person who is a director at the date of approval of this report, confirms that, so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given pursuant to section 418 the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 166 to 178, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 2006 to prepare group and company accounts for each financial year and, with regards to group accounts, in accordance with Article 4 of the IAS Regulation. The directors have prepared group and company accounts in accordance with IFRS as adopted by the EU. Under the Companies Act 2006, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of their profit or loss for that period.

The directors consider that, in preparing the financial statements the group and company has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Having taken all the matters considered by the board and brought to the attention of the board during the year into account, the directors are satisfied that the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Directors' responsibility statement

The directors have responsibility for ensuring that the company and the group keep accounting records which disclose with reasonable accuracy the financial position of the company and the group and which enable them to ensure that the accounts comply with the Companies Act 2006.

The directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement in accordance with applicable law and regulations.

The directors are responsible for the maintenance and integrity of the annual report and financial statements as they appear on the group's website.

The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors, whose names and functions are set out on pages 104 to 107, confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

(b) the management report, on pages 4 to 21, which is incorporated in the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approval of financial statements

The directors' report and the financial statements of the bank, which appear on pages 164 and 165, and pages 179 to 306, were approved by the board of directors on 16 June 2020.

Signed on behalf of the board.

Ruth Leas
Chief executive officer
16 June 2020

Brian Stevenson
Chairman
16 June 2020

Opinion

In our opinion:

- Investec Bank plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the International Accounting Standards Regulation.

We have audited the financial statements of Investec Bank plc which comprise:

Group	*Parent company*
Consolidated balance sheet as at 31 March 2020	Balance sheet as at 31 March 2020
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 8, 13 to 31, 34 to 35, 37 to 38, 40 to 41, 44 to 50, 53 to 54, 56, and 60 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 59 to the financial statements, including a summary of significant accounting policies	
Information identified as 'audited' in the annual report on risk management in section Three	
Information identified as 'audited' in the annual report on remuneration in section Four	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and; as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

As stated on page 130 the directors have voluntarily complied with the UK Corporate Governance Code (the "Code").

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 21 of section One in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 123 of section Three in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern is materially inconsistent with our knowledge obtained in the audit; or
- the directors' viability statement set out on pages 132 to 134 of section Three in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Impact of COVID-19; • Adequacy of the allowance for expected credit losses on loans and advances to customers; • Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans; • Adequacy of the provisions for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne: and • IT systems and controls impacting financial reporting.
Audit scope	• We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further one component. • The components where we performed full or specified audit procedures accounted for 96% of operating profit before acquired intangibles and strategic actions ("operating profit"), 96% of total operating income before expected credit loss impairment charges ("revenue") and 99% of total assets.
Materiality	• We applied group materiality of £14.5m which represents 7.5% of adjusted operating profit before acquired intangibles and strategic actions ("adjusted operating profit").

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. We also addressed the risk of management override of internal controls including whether there was evidence of bias by management or the directors that represented a risk of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Impact of COVID-19		
Refer to the Audit Committee Report (pages 122 to 123 of section Three); Accounting policies (pages 192 to 193, 195 and 197); and Note 58 of the Consolidated Financial Statements (page 298). The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. As a result of the pandemic there are significant judgements and assumptions that impact financial reporting that need to be considered within the financial statements. The areas of our audit most impacted by COVID-19 include:		
Going concern The group financial statements are prepared on the going concern basis of accounting. This basis is dependent on the group's ability to meet its liabilities as they fall due. The directors are required to determine the appropriateness of preparing the financial statements on a going concern basis. Management has performed a COVID-19 impact analysis to support the directors' going concern assessment using information available to the date of issue of these financial statements.	**Going concern** We evaluated whether management's going concern assessment appropriately considered the impact of COVID-19. With the support of EY working capital specialists our procedures included: • Assessed the level of liquidity within the group to support ongoing requirements and the ability to refinance debt for a period of at least 12-months from the date of approval of the financial statements. • Evaluated the reasonableness of management's adverse forecasts and associated stress testing, and their impact on the group's capital and liquidity positions.	**Going concern** As a result of our procedures, we concluded as follows: The directors have an appropriate basis on which to conclude that there is no material uncertainty relating to going concern. We have reviewed the disclosures relating to going concern and determined that they are appropriate.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
***Impact of COVID-19** (continued)*		
Going concern *(continued)* In addition to their existing stress test scenarios, management has modelled two scenarios to assess the potential impact that COVID-19 may have on the group's operations, liquidity, solvency and regulatory capital position. Management has also performed a reverse stress test that analyses the factors that would have to simultaneously occur for the group to be forced into a wind-down scenario or sale. The duration and impact of the COVID-19 pandemic remains highly uncertain. There is a risk that the directors' going concern assessment has not appropriately considered the full effect of COVID-19 on the group.	**Going concern** *(continued)* • Obtained the reverse stress test performed by management and reviewing the assumptions used for appropriateness including the plausibility of management actions available to mitigate the impact of the reverse stress test. • Discussed with management and the directors their governance structure and protocols relating to their going concern assessment and corroborated our understanding by attending Audit Committee meetings that debated and approved the assessment. • Assessed the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and in compliance with the relevant reporting requirements.	
Adequacy of the allowance for expected credit losses on loans and advances to customers: Refer to the separate Key Audit Matter below for details.	**Adequacy of the allowance for expected credit losses on loans and advances to customers:** Refer to the separate Key Audit Matter below for details of our audit response.	**Adequacy of the allowance for expected credit losses on loans and advances to customers:** Refer to the separate Key Audit Matter below for details.
Significant judgements related to fair value: *Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans* Refer to the separate Key Audit Matter below for details. *Level 1 & 2 financial instruments* Market conditions towards the end of the financial year resulted in less liquidity and greater volatility in the values of certain level 1 and 2 financial instruments. Where there is a lack of observable liquid market inputs, determining appropriate valuations is highly judgmental and this may result in subjective fair value movements which are material.	**Significant judgements related to fair value:** *Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans* Refer to the separate Key Audit Matter below for details of our audit response. *Level 1 & 2 financial instruments* • We tested the design and operating effectiveness of key controls supporting the valuation of level 1 and 2 financial instruments. • We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of inputs, key assumptions and contractual obligations. As part of this assessment we also considered the appropriateness of the financial instrument levelling within the fair value hierarchy. We have engaged valuation specialists to assist with these procedures.	**Significant judgements related to fair value:** As a result of our procedures, we concluded as follows: We are satisfied that management's valuations for level 1 and 2 financial instruments, which were within our range of expected outcomes, were reasonable. Refer to the separate Key Audit Matter below further information on level 3 instruments.
Events after the balance sheet date: COVID-19 was an evolving crisis as at the 31 March 2020. As a result, judgements were made by management to determine and evidence the conditions that existed at the balance sheet date and in determining whether events occurring after that date were adjusting or non-adjusting events.	**Events after the balance sheet date:** • We have reviewed relevant management information, as well as key meeting minutes, and held discussions with management. We also reviewed and assessed the implications for the group of external market pronouncements. • We evaluated the completeness and appropriateness of the financial statement disclosures as they pertain to events after the balance sheet date in relation to the impact of COVID-19.	**Events after the balance sheet date:** As a result of our procedures, we concluded as follows: We are satisfied that the financial statements appropriately capture significant events after the balance sheet date.
The impact of COVID-19 is a new risk this year.	The primary audit engagement team and component auditors have considered the impact of COVID-19 throughout the year-end audit.	

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Adequacy of the allowance for expected credit losses on loans and advances to customers		
Refer to the Audit Committee Report (page 122 of section Three); Accounting policies (pages 192 and 197); and Note 26 of the Consolidated Financial Statements (page 250). The appropriateness of the allowance for expected credit losses is highly subjective and judgmental. The impact of COVID-19 across the group resulted in additional judgments and assumptions being applied as at 31 March 2020. At the year-end the group reported total gross loans and advances to customers subject to Expected Credit Loss (ECL) of £11,354 million (2019: £9,864 million); impairment provisions of £173 million (2019: £148 million); and credit losses of £73 million (2019: £36 million). Given the subjective nature of the calculation of ECL there is a heightened risk that the extent of allowances could be misstated.	To address the significant judgments and estimates we focused on the following key procedures: **Assessment of significant increase in credit risk** We assessed the design effectiveness and tested the operating effectiveness of key controls focusing on the following: • Assessment and approval of a significant increase or reduction in credit risk and credit-impaired criteria and monitoring of asset levels in each stage. As part of the assessment we considered the impact of any payment holidays granted to counterparties during the period as a result of COVID-19; • Approval of staging criteria; • Assessment and governance of manual overrides to staging outcomes; and • Data quality. We also performed substantive testing for a sample of assets in stages 1, 2 and 3 (including assets granted payment holidays as a result of COVID-19) to verify they were included in the appropriate stage. **ECL model** We assessed the design effectiveness and tested the operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9 and obtained evidence that appropriate interpretations were reflected in the models. We involved our modelling specialists to test assumptions and calculations used in the ECL model.	Based on the testing performed we concluded that impairment provisions made by management were within a reasonable range of outcomes and in compliance with IFRS 9. We reported to the Audit Committee that our testing of models and model assumptions highlighted some design and judgmental differences; however, these did not result in a material impact on the financial statements. For individually assessed impairments and the COVID-19 overlay, judgmental differences both increasing and decreasing impairment levels were identified; however, none of these individually or in aggregate were material to the financial statements.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
***Adequacy of the allowance for expected credit losses on loans and advances to customers** (continued)*		
We focused on the following significant judgments and estimates: • The assumptions used in the models to calculate expected credit losses (ECL), including: – Completeness and accuracy of historical data used to build the models; – Completeness and accuracy of data used to run the models; and – Key model assumptions and techniques. Modelled ECL represent 22% (2019: 13%) of the total ECL. • Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages (this testing includes the impact of payment holidays on staging of customers); • The inputs and assumptions used to estimate the impact of multiple economic scenarios; • Completeness and valuation of post model adjustments, including a new post-model adjustment in relation to Covid-19 (these represented 15% (2019: 5%) of the total ECL); • Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. Individually assessed provisions represent 64% (2019: 82%) of ECL; and • Finance and credit processes to produce the financial statement disclosures. As a result of the impact of COVID-19 the risk has increased since the prior year.	This included performing an assessment of: • estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9; • the model design documentation; and • the appropriateness of the methodology, considering alternative techniques; and that the programming code was consistent with the design documentation. We also tested samples of the data used in the models by tracing back to the source systems. **Multiple economic scenarios** We assessed the design effectiveness and tested the operating effectiveness of key controls focusing on the following: • Generation and approval of base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We also reviewed the governance processes that the group have put in place to review and approve the economic scenarios. As part of this assessment we attended the Board Risk and Capital Committee where the economic scenarios were approved. We used our economists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. As part of this they also assessed management's COVID-19 short and COVID-19 long scenarios used in the calculation of the UK COVID-19 overlay. In performing this assessment, we considered economic scenarios from a variety of external sources, as well as forecasts that we developed internally. We involved our modelling specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios. **Post-model adjustments** Post-model adjustments were made as a result of limitations in existing models and as a result of COVID19. For the limitations in existing models we verified the extent of the model shortcoming and recalculated and assessed the appropriateness of the adjustments. For the COVID-19 overlay we used our economists to help us assess the economic scenarios generated as well as the weightings applied and assessed the adjustment made by management to reflect the expected impact from government measures not captured in the scenarios.	

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Adequacy of the allowance for expected credit losses on loans and advances to customers *(continued)*		
	Individually assessed provisions We assessed the design effectiveness and tested the operating effectiveness of key controls focusing on the following: • The processes and controls over the calculation of the provision, including timing of collateral valuations, work out strategies and annual credit reviews; • Where work out strategies require additional funding to execute, we obtained evidence of the approval for such funding through the bank's risk management governance process and assessed the track- record of management in approving the utilisation of the additional funding; • Estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; and • Approval of final provision amount by management's impairment decision committee. We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our selection criteria was updated to consider exposures in sectors vulnerable to COVID-19, including retail and property. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered the potential alternative scenarios and the probability weights assigned. We checked the discount rates used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigated any differences arising. **Disclosures** Our testing focused on: • Financial statement close process used to record the ECL journal entries; • Agreeing disclosures to source systems tested; • Reconciliations between finance and risk systems; and • The adequacy of the disclosure of the impact of COVID-19 on the ECL.	
	The audit work was performed centrally by the Investec Bank plc audit team supported by relevant component audit teams, as required. We have performed audit work over 100% of the ECL.	

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans		
Refer to the Audit Committee Report (page 122 of section Three); Accounting policies (pages 191 to 195 and 197); and Note 14 of the Consolidated Financial Statements (page 222). There are £5,435m (2019: £4,880m) of assets that are required to be fair valued under the IFRS accounting framework. For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans, unlisted investments or large bespoke derivative structures there is necessarily a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgmental. This may result in subjective fair value movements which are material. At the year-end the group reported level 3 assets of £1,692 million (2019: £1,884 million) and level 3 liabilities of £138 million (2019: £130 million). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgments, are the aircraft loans at fair value, property investments and the private equity portfolio. Significant judgment is required by management due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. The level of risk has increased from prior year as a result of the impact of COVID-19 on market conditions, including the lack of liquidity for certain asset classes.	We assessed the design effectiveness and tested the operating effectiveness of key controls for the valuation of level 3 financial instruments. For certain unlisted investments in private equity businesses and investment properties where it was more effective to do so a substantive approach was taken. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. Where such inputs and assumptions were not observable in the market, we engaged our valuation specialists to critically assess if the inputs and assumptions fell within an acceptable range, based on relevant knowledge and experience of the market. As a result of COVID-19 the extent of our use of specialists has increased year-on-year. In relation to the most material assets within the aircraft loans at fair value, property investments and the private equity portfolio additional procedures were performed including: • Engaged our business valuations specialists to assess the appropriateness of the fair value methodology used by management; • Engaged our business valuations specialists to use an independent valuation model to revalue a sample of aviation loans, in addition to assessing the reasonableness of key inputs and assumptions based on market data. As part of this, the specialists also assessed the collateral values of the aircraft that were used for the LGD input. Alternative inputs and assumptions were used to develop an independent range of values that management's valuations were compared against; • Engaged our business valuations specialists to assess the reasonableness of key inputs and assumptions used in the private equity investments valuation models based on market data. Alternative inputs and assumptions were used to develop an independent range of values that management's valuations were compared against; and • Engaged our business valuations specialists to build an independent valuation model for a sample of property investments, in addition to assessing the reasonableness of key inputs and assumptions based on market data. Alternative inputs and assumptions were used to produce an independent range of values that management's valuations were compared against. We performed full audit procedures over this risk area for three components, which covered 100% (2019: 99%) of the risk amount.	Based on the testing performed we concluded for the key controls tested that they were designed and operated effectively; therefore, we could place reliance on these key controls for the purposes of our audit. We highlighted the following matters to the Audit Committee: • Our substantive testing of Level 3 positions highlighted some judgmental differences both increasing and decreasing valuation levels; however, none of these individually or in aggregate were material to the financial statements.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Adequacy of the provisions for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne		
Refer to the Audit Committee Report (page 123 of section Three); Accounting policies (pages 196 to 197); and Notes 9 and 47 of the Consolidated Financial Statements (pages 209 and 271 respectively). At the balance sheet date Investec Bank plc is dealing with: • litigation with HRMC relating to certain legacy structured transactions, the outcome of which is dependent upon the result of the litigation with HMRC; and • investigations into historical German dividend tax arbitrage transactions, where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne. Consequently, management made judgments about the size of potential liabilities which are subject to change in future periods as more information becomes available. The level of risk on legacy structured transactions has reduced due to the settlement with HMRC after the year-end while the level of risk on the dividend tax arbitrage transactions has increased since the prior year.	For the legacy structured transaction we examined the latest court rulings and analysis performed by management which set out the basis for the judgments in relation to material tax exposures. We also inspected the settlement agreement with HMRC. For the dividend tax arbitrage transactions we inspected the correspondence between the group and its external advisors and between the group and the Office of the Public Prosecutor in Cologne. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of the investigations. Using our tax specialists, we considered the matter and used our knowledge of the law to assess the available evidence. We also evaluated the related disclosure made by management. We performed full scope audit procedures over this risk area in the component impacted by the risk.	We concluded that management's treatment of the settlement with HMRC, in relation to the legacy structured transactions, as an adjusting post balance sheet event and the related disclosure is appropriate. Based on the information that is currently available in respect of the investigation by the Office of the Public Prosecutor in Cologne we considered the related treatment and disclosure to be appropriate.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
IT systems and controls impacting financial reporting		
The group audit relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to: • User access management across application, database and operating systems; • Controls over changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT-dependent controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data. A series of remediation programmes were in place during the year to address previously identified control deficiencies, decreasing the risk compared to the prior year.	We: • Evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting; • Tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations; and • Tested the completeness and accuracy of system and data feeds. The primary audit engagement team and component auditors have considered the impact of IT systems and controls impacting financial reporting throughout the audit.	We noted an improvement in the control environment due to the remediation programmes management put in place, however, we have still identified control deficiencies in relation to user access, monitoring database changes and manage change controls. In response to these findings we performed the following additional testing procedures to mitigate the risks identified: • Where inappropriate access was identified, we understood the nature of the access and, where possible, obtained further evidence to support the appropriateness of any activities performed; • Tested downstream compensating business controls; and • Performed incremental substantive testing in relation to external confirmations and key year-end reconciliations. We are satisfied, based on the initial and additional testing outlined above, that the findings identified in relation to the IT control environment relevant to the financial statements have not resulted in a material misstatement.

In the current year's auditor's report, we have included one new key audit matter in relation to:

– Impact of COVID-19.

We have also updated the following key audit matter to reflect events that have occurred during the year:

– Adequacy of the provisions for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements.

We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

We performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size. For one other component ("specified procedures scope component") we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the consolidated financial statements either because of the size of these accounts or their risk profile.

Component	*Scoping*
Investec Bank plc – parent company	Full
Investec Wealth & Investment Limited*	Full
Investec Channel Islands	Full
Investec Australia	Specified Procedures

* *This component is audited by KPMG LLP.*

The reporting components where we performed audit procedures accounted for 96% (2019: 98%) of the group's operating profit, 96% (2019: 94%) of the group's revenue and 99% (2019: 98%) of the group's total assets.

For the current year, the full scope components contributed 93% (2019: 92%) of the group's operating profit, 93% (2019: 90%) of the group's revenue and 98% (2019: 97%) of the group's total assets.

The component allocated specified audit procedures contributed 3% (2019: 6%) of the group's operating profit, 3% (2019: 4%) of the group's revenue and 0.4% (2019: 1%) of the group's total assets. The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

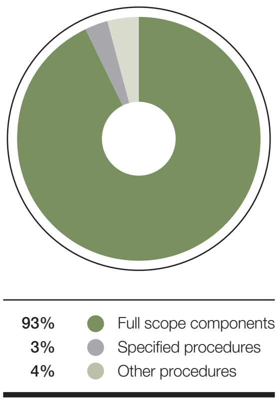
The remaining components represent 4% (2019: 2%) of the group's operating profit and for those components we performed analytical review.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

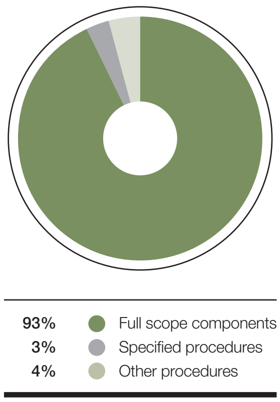
Changes from the prior year

The only scope change in the current year, is that we did not require specified audit procedures to be performed by our Investec Switzerland component team based on our reduced risk assessment for this entity (2019: specified audit procedures scope).

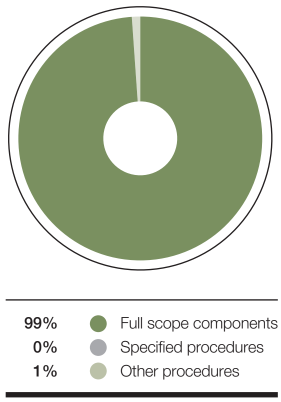
Operating profit



Revenue



Total assets



Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms and other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The primary audit engagement team interacted regularly with the component audit teams, where appropriate, throughout the course of the audit, which included planning meetings, maintaining regular communications on the status of the audits, discussing any issues arising from their work, year-end meetings (including review of key working papers) and taking responsibility for the scope and direction of the audit process. We also attended audit team meetings with component management and component Audit Committees.

As a result of the COVID-19 pandemic, from March all oversight procedures were performed remotely.

This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £14.5 million (2019: £15.5 million), which is 7.5% (2019: 7.5%) of adjusted operating profit before acquired intangibles and strategic actions. We believe that an adjusted operating profit before acquired intangibles and strategic actions provides us with the most appropriate measure to reflect the performance of the group. The adjustment to operating profit before acquired intangibles and strategic actions was the removal of the impact of the COVID-19 overlay on ECL (as set out on page 43 of section Three). During the course of our audit we reassessed initial materiality and determined, other than the adjustment noted above, there were no significant changes made to our materiality calculations.

We determined materiality for the parent company to be £8.5 million (2019: £7.6 million), which is 1% (2019: 1%) of distributable equity. There has been no change in the basis from the prior year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £7.3 million (2019: £7.7 million). We have set performance materiality at this percentage based on our understanding of the group and past experience with the audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.6 million to £4.1 million (2019: £0.8 million to £5.1 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.7 million (2019: £0.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report and accounts, including the Strategic Report (Operational and Strategic Overview set out on pages 3 to 25 and Financial Review set out on pages 27 to 32), Risk Management (set out on pages 34 to 95), Credit Ratings (set out on page 96), Internal Audit (set out on page 97), Compliance (set out on pages 98 to 99), Corporate Governance (set out on pages 100 to 134), Directorate (set out on page 135), Remuneration Report (set out on pages 137 to 162), Directors' Report (set out on pages 164 to 165), Alternative Performance Measures (set out on page 307), Definitions (set out on page 308), Glossary (set out on page 309), Contact Details (set out on pages 310 to 311) and Corporate Information (set out on page 312), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** [set out on page 123 of section Three] – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** [set out on pages 120 to 125 of section Three] – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** [set out on page 130 of section Three] – the parts of the directors' statement relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor by ISAs (UK) ISAs do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 165, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the group and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
  - The regulations, licence conditions and supervisory requirements of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA)
  - Companies Act 2006
  - Financial Reporting Council (FRC) and the UK Corporate Governance Code
  - Tax Legislation

- We obtained a general understanding of how Investec Bank plc complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the group and company and regulatory bodies; reviewed minutes of the board, Audit Committee and Risk Committee; and gained an understanding of the group and company's approach to governance, demonstrated by the board's approval of the group and company's governance framework and the board's review of the group's risk management framework and internal control processes.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA and PRA.
- The group and company operate in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by considering the controls that the group and company has established to address risks identified by the group and company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified above. Our procedures included inquiries of management, internal audit and those responsible for legal and compliance matters; as well as focused testing referred to in the Key Audit Matters section above. In addition, we performed procedures to identify any significant items inappropriately held in suspense and also any significant inappropriate adjustments made to the accounting records.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the group on 8 November 1996 to audit the financial statements for the year ending 31 March 1997 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 24 years, covering the years ending 31 March 1997 to 31 March 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP.

Kenneth Eglinton
(Senior statutory auditor)

for and on behalf of
Ernst & Young LLP,

Statutory Auditor

London
16 June 2020

Notes:
1. *The maintenance and integrity of the Investec Bank plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

£'000	Notes	Year to 31 March 2020	Year to 31 March 2019^
Interest income	2	784 421	723 321
Interest expense	2	(374 872)	(325 037)
Net interest income		**409 549**	**398 284**
Fee and commission income	3	495 789	500 095
Fee and commission expense	3	(13 766)	(13 207)
Investment income	4	6 591	92 095
Share of post-taxation profit of associates and joint venture holdings	28	2 128	2 680
Trading income arising from			
– customer flow		50 980	86 766
– balance sheet management and other trading activities		(528)	12 653
Other operating income	5	6 464	10 476
Total operating income before expected credit loss impairment charges		**957 207**	**1 089 842**
Expected credit loss impairment charges	6	(75 706)	(24 987)
Operating income		**881 501**	**1 064 855**
Operating costs	7	(705 626)	(792 380)
Depreciation on operating leased assets	31	(1 407)	(2 137)
Operating profit before acquired intangibles and strategic actions		**174 468**	**270 338**
Amortisation of acquired intangibles	34	(12 915)	(12 958)
Closure and rundown of the Hong Kong direct investments business	57	(89 257)	(65 593)
Operating profit		**72 296**	**191 787**
Financial impact of group restructures	57	(26 898)	(14 595)
Profit before taxation		**45 398**	**177 192**
Taxation on operating profit before acquired intangibles and strategic actions	9	(7 638)	(37 353)
Taxation on acquired intangibles and strategic actions	9	20 926	17 599
Profit after taxation		**58 686**	**157 438**
Profit / Loss attributable to non-controlling interests		(864)	4 479
Earnings attributable to shareholder		**57 822**	**161 917**

^ *Restated as detailed in note 57.*

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Notes	Year to 31 March 2020	Year to 31 March 2019^
Profit after taxation		**58 686**	**157 438**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Gains on realisation of debt instruments at FVOCI recycled through the income statement*	9	(1 372)	(1 907)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*		3 271	1 517
Foreign currency adjustments on translating foreign operations**		(1 002)	2 381
Effect of rate change on deferred tax relating to adjustment for IFRS 9		(1 761)	(1 572)
Items that will never be reclassified to the income statement:			
Gains attributable to own credit risk*		9 440	9 104
Movement in post-retirement benefit liabilities		51	–
Total comprehensive income		**67 313**	**166 961**
Total comprehensive income attributable to non-controlling interests		864	(4 891)
Total comprehensive income attributable to ordinary shareholder		49 574	157 958
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities		16 875	13 894
Total comprehensive income		**67 313**	**166 961**

* *Net of taxation (except for the impact of rate changes on deferred tax, as shown separately above).*
^ *Restated as detailed in note 57*
** *Includes £834k gains on recycling of currency translation differences from sale of Ireland Wealth business.*

		Group	
£'000	Notes	**At 31 March 2020**	At 31 March 2019
Assets			
Cash and balances at central banks	17	2 277 318	4 445 430
Loans and advances to banks	18	1 793 867	954 938
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 627 246	633 202
Sovereign debt securities	20	1 688 670	1 298 947
Bank debt securities	21	51 238	52 265
Other debt securities	22	695 818	508 142
Derivative financial instruments	23	1 251 394	642 530
Securities arising from trading activities	24	582 693	798 224
Investment portfolio	25	350 662	486 493
Loans and advances to customers	26	11 834 207	10 488 022
Other loans and advances	26	266 501	246 400
Other securitised assets	27	106 218	118 143
Interests in associated undertakings and joint venture holdings	28	6 579	8 855
Deferred taxation assets	29	129 715	133 344
Other assets	30	1 462 159	847 604
Property and equipment	31	216 955	94 714
Investment properties	32	–	14 500
Goodwill	33	252 958	260 858
Intangible assets	34	75 341	88 409
		24 669 539	**22 121 020**
Liabilities			
Deposits by banks		1 450 463	1 318 776
Derivative financial instruments	23	1 246 109	719 027
Other trading liabilities	36	118 572	80 217
Repurchase agreements and cash collateral on securities lent	19	396 811	314 335
Customer accounts (deposits)		15 505 883	13 499 234
Debt securities in issue	37	1 026 474	2 050 141
Liabilities arising on securitisation of other assets	27	110 679	113 711
Current taxation liabilities		43 470	136 818
Deferred taxation liabilities	29	22 112	21 341
Other liabilities	38	1 630 764	900 493
		21 551 337	**19 154 093**
Subordinated liabilities	40	787 030	803 699
		22 338 367	**19 957 792**
Equity			
Ordinary share capital	41	1 280 550	1 186 800
Share premium		199 538	143 288
Capital reserve		153 177	162 789
Other reserves		(11 071)	(19 647)
Retained income		455 609	447 924
Shareholder's equity excluding non-controlling interests		**2 077 803**	**1 921 154**
Additional Tier 1 securities in issue	42	250 000	250 000
Non-controlling interests in partially held subsidiaries	43	3 369	(7 926)
Total equity		**2 331 172**	**2 163 228**
Total liabilities and equity		**24 669 539**	**22 121 020**

Ruth Leas

Chief executive officer

16 June 2020

£'000	Notes	Company At 31 March 2020	Company At 31 March 2019
Assets			
Cash and balances at central banks	17	2 235 286	4 416 585
Loans and advances to banks	18	988 928	226 974
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 627 246	633 202
Sovereign debt securities	20	1 144 266	725 756
Bank debt securities	21	51 238	52 265
Other debt securities	22	1 177 064	1 027 786
Derivative financial instruments	23	1 242 566	587 326
Securities arising from trading activities	24	576 493	791 107
Investment portfolio	25	61 075	100 083
Loans and advances to customers	26	8 857 194	7 724 160
Other loans and advances	26	2 749 651	2 735 286
Other securitised assets	27	6 137	6 831
Interests in associated undertakings and joint venture holdings	28	645	610
Deferred taxation assets	29	82 714	98 008
Other assets	30	705 880	541 607
Property and equipment	31	99 383	49 891
Intangible assets	34	1 056	120
Investments in subsidiaries	55	858 286	864 539
		22 465 108	**20 582 136**
Liabilities			
Deposits by banks		1 537 317	1 516 768
Derivative financial instruments	23	1 233 733	680 878
Other trading liabilities	36	118 572	80 217
Repurchase agreements and cash collateral on securities lent	19	396 811	314 335
Customer accounts (deposits)		14 559 110	12 659 032
Debt securities in issue	37	981 968	2 011 998
Current taxation liabilities		15 453	94 160
Deferred taxation liabilities	29	6 774	4 595
Other liabilities	38	869 225	583 269
		19 718 963	**17 945 252**
Subordinated liabilities	40	787 030	803 699
		20 505 993	**18 748 951**
Equity			
Ordinary share capital	41	1 280 550	1 186 800
Share premium		199 538	143 288
Capital reserve		153 177	162 789
Other reserves		(14 618)	(23 904)
Retained income		90 468	114 212
Shareholder's equity excluding non-controlling interests		**1 709 115**	**1 583 185**
Additional Tier 1 securities in issue	42	250 000	250 000
Total equity		**1 959 115**	**1 833 185**
Total liabilities and equity		**22 465 108**	**20 582 136**

The company's profit for the year, determined in accordance with the Companies Act 2006, was £24.1 million (2019 restated: £71.9 million).

Ruth Leas
Chief executive officer

16 June 2020

		Group		Company	
For the year to 31 March **£'000**	Notes	**2020**	2019^	**2020**	2019^
Profit before taxation adjusted for non-cash items	45	144 478	234 248	73 382	96 343
Taxation paid		(12 415)	(74 301)	21 476	(38 234)
Adjustment for adoption of IAS 12 non-cash item	57	–	2 640	–	2 640
Increase in operating assets	45	(3 921 007)	(1 183 864)	(3 677 081)	(1 032 428)
Increase in operating liabilities	45	1 999 565	1 930 219	1 719 341	1 892 055
Net cash (outflow)/inflow from operating activities		**(1 789 379)**	**908 942**	**(1 862 882)**	**920 376**
Cash flow on acquisition of group operations		–	–	(12 499)	(15 736)
Cash flow on disposal of group operations and subsidiaries		44 913	–	–	–
Derecognition of cash on disposal of subsidiaries		(3 259)	–	–	–
Cash flow on disposal of non-controlling interest		9 459	25	–	–
Cash flow on net acquisition of associates and joint venture holdings		500	(327)	–	–
Cash flow on acquisition of property, equipment and intangible assets		(9 102)	(63 537)	(3 213)	(49 966)
Cash flow on disposal of property, equipment and intangible assets		1 473	2 998	174	1 099
Return of capital by subsidiary		–	–	18 736	29 123
Net cash inflow/(outflow) from investing activities		**43 984**	**(60 841)**	**3 198**	**(35 480)**
Dividends paid to ordinary shareholder		(35 000)	(35 000)	(35 000)	(35 000)
Dividends paid to other equity holders		(16 875)	(13 894)	(16 875)	(13 894)
Cash flow on issue of shares, net of related costs		150 000	–	150 000	–
Proceeds from issue of debt instruments		–	415 687	–	415 687
Redemption of debt instruments		–	(335 541)	–	(335 541)
Proceeds on issue of Additional Tier 1 securities		–	50 000	–	50 000
Lease liabilities paid		(51 214)	–	(4 989)	–
Net cash inflow from financing activities		**46 911**	**81 252**	**93 136**	**81 252**
Effects of exchange rates on cash and cash equivalents		**(5 574)**	**(3 994)**	**(824)**	**(264)**
Net (decrease)/increase in cash and cash equivalents		**(1 704 058)**	**925 359**	**(1 767 372)**	**965 884**
Cash and cash equivalents at the beginning of the year		5 048 080	4 122 721	4 617 185	3 651 301
Cash and cash equivalents at the end of the year		**3 344 022**	**5 048 080**	**2 849 813**	**4 617 185**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		2 277 318	4 445 430	2 235 286	4 416 585
On-demand loans and advances to banks		1 066 704	602 650	614 527	200 600
Cash and cash equivalents at the end of the year		**3 344 022**	**5 048 080**	**2 849 813**	**4 617 185**

Cash and cash equivalents have a maturity profile of less than three months.

^ *Restated as detailed in note 57.*

£'000	Ordinary share capital	Share premium	Capital reserve account
At 31 March 2018	**1 186 800**	**143 288**	**162 789**
Adoption of IFRS 9	–	–	–
At 1 April 2018	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2018 – 31 March 2019			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Issue of Additional Tier 1 security instruments	–	–	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer own credit reserve on sale of subordinated liabilities	–	–	–
Net equity impact of non-controlling interest movements	–	–	–
At 31 March 2019	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Movement in post-retirement benefit liabilities	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Employee benefit liability recognised	–	–	–
Issue of ordinary shares	93 750	56 250	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer from capital reserve	–	–	(9 612)
Net equity impact of non-controlling interest movements	–	–	–
At 31 March 2020	**1 280 550**	**199 538**	**153 177**

^ *Restated as detailed in note 57.*

Other reserves							
Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
10 490	**(3 146)**	**–**	**512 006**	**2 012 227**	**200 000**	**(3 060)**	**2 209 167**
(7 970)	–	(55 388)	(148 306)	(211 664)	–	–	(211 664)
2 520	**(3 146)**	**(55 388)**	**363 700**	**1 800 563**	**200 000**	**(3 060)**	**1 997 503**
–	–	–	161 917	161 917	–	(4 479)	157 438
(47)	–	(817)	(708)	(1 572)	–	–	(1 572)
(1 907)	–	–	–	(1 907)	–	–	(1 907)
1 517	–	–	–	1 517	–	–	1 517
1	2 792	–	–	2 793	–	(412)	2 381
–	–	9 104	–	9 104	–	–	9 104
(436)	**2 792**	**8 287**	**161 209**	**171 852**	**–**	**(4 891)**	**166 961**
–	–	–	(2 367)	(2 367)	–	–	(2 367)
–	–	–	–	–	50 000	–	50 000
–	–	–	(35 000)	(35 000)	–	–	(35 000)
–	–	–	(13 894)	(13 894)	13 894	–	–
–	–	–	–	–	(13 894)	–	(13 894)
–	–	25 724	(25 724)	–	–	–	–
–	–	–	–	–	–	25	25
2 084	**(354)**	**(21 377)**	**447 924**	**1 921 154**	**250 000**	**(7 926)**	**2 163 228**
–	–	–	57 822	57 822	–	864	58 686
(1 514)	–	(247)	–	(1 761)	–	–	(1 761)
(1 372)	–	–	–	(1 372)	–	–	(1 372)
3 271	–	–	–	3 271	–	–	3 271
–	(1 002)	–	–	(1 002)	–	–	(1 002)
–	–	9 440	–	9 440	–	–	9 440
–	–	–	51	51	–	–	51
385	**(1 002)**	**9 193**	**57 873**	**66 449**	**–**	**864**	**67 313**
–	–	–	(1 599)	(1 599)	–	–	(1 599)
–	–	–	(5 354)	(5 354)	–	–	(5 354)
–	–	–	–	150 000	–	–	150 000
–	–	–	(35 000)	(35 000)	–	–	(35 000)
–	–	–	(16 875)	(16 875)	16 875	–	–
–	–	–	–	–	(16 875)	–	(16 875)
–	–	–	9 612	–	–	–	–
–	–	–	(972)	(972)	–	10 431	9 459
2 469	**(1 356)**	**(12 184)**	**455 609**	**2 077 803**	**250 000**	**3 369**	**2 331 172**

£'000	Ordinary share capital	Share premium	Capital reserve account
Company			
At 31 March 2018	**1 186 800**	**143 288**	**162 789**
Adoption of IFRS 9	–	–	–
At 1 April 2018	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2018 – 31 March 2019			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9			
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Issue of Other Additional Tier security instruments	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer own credit reserve on sale of subordinated liabilities	–	–	–
At 31 March 2019	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Employee benefit liability recognised	–	–	–
Issue of ordinary shares	93 750	56 250	–
Dividends paid to ordinary shareholders	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer from capital reserve	–	–	(9 612)
At 31 March 2020	**1 280 550**	**199 538**	**153 177**

^ *Restated as detailed in note 57.*

Other reserves						
Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholders' equity excluding non-controlling interests**	Additional Tier 1 securities in issue	**Total equity**
778	**(3 811)**	**–**	**261 370**	**1 751 214**	**200 000**	**1 951 214**
1 695	–	(55 388)	(141 794)	(195 487)	–	(195 487)
2 473	**(3 811)**	**(55 388)**	**119 576**	**1 555 727**	**200 000**	**1 755 727**
–	–	–	71 976	71 976	–	71 976
(47)	–	(817)	(708)	(1 572)	–	(1 572)
(1 907)	–	–	–	(1 907)	–	(1 907)
1 493	–	–	–	1 493	–	1 493
–	(728)	–	–	(728)	–	(728)
		9 104	–	9 104	–	9 104
(461)	**(728)**	**8 287**	**71 268**	**78 366**		**78 366**
–	–	–	(2 014)	(2 014)	–	(2 014)
–	–	–	–		50 000	50 000
–	–	–	(35 000)	(35 000)	–	(35 000)
–	–	–	(13 894)	(13 894)	13 894	–
–	–	–	–	–	(13 894)	(13 894)
–	–	25 724	(25 724)	–	–	–
2 012	**(4 539)**	**(21 377)**	**114 212**	**1 583 185**	**250 000**	**1 833 185**
–	–	–	24 103	24 103	–	24 103
(887)	–	(247)	–	(1 134)	–	(1 134)
(1 372)	–	–	–	(1 372)	–	(1 372)
2 160	–	–	–	2 160	–	2 160
–	192	–	–	192	–	192
–	–	9 440	–	9 440	–	9 440
(99)	**192**	**9 193**	**24 103**	**33 389**	**–**	**33 389**
–	–	–	(1 597)	(1 597)	–	(1 597)
–	–	–	(3 987)	(3 987)	–	(3 987)
–	–	–	–	150 000	–	150 000
–	–	–	(35 000)	(35 000)	–	(35 000)
–	–	–	(16 875)	(16 875)	16 875	–
–	–	–	–	–	(16 875)	(16 875)
–	–	–	9 612	–	–	–
1 913	**(4 347)**	**(12 184)**	**90 468**	**1 709 115**	**250 000**	**1 959 115**

Basis of presentation

These group and company annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRS as issued by the International Accounting Standards Board (IASB). At 31 March 2020, IFRS as endorsed by the EU are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards.

The group and company annual financial statements have been prepared on a historical cost basis, except for investment properties, debt instruments at FVOCI, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting.

As stated on page 123, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The group has elected to separately disclose the financial impact of a number of strategic actions as the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, the group considers it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement. Further details are given in note 57.

The accounting policies adopted by the group are consistent with the prior year except as noted below.

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will with some limited exemptions, apply to all leases and result in bringing them on balance sheet.

The implementation and impact of IFRS 16 is included on page 294. As permitted by IFRS 16, the group has applied a modified retrospective basis and therefore comparative information has not been restated.

Additionally, an amendment to IAS 12, effective for annual reporting periods beginning on or after 1 January 2019, is applied to the income tax consequences of distributions recognised on or after the beginning of the earliest comparative period. As a result, the tax relief of all payments on financial instruments that are classified as equity for accounting purposes previously taken directly to retained profits will now be reported as a reduction to the tax charge in the income statement. Comparatives have been restated.

In addition to the changes noted above, IFRS 9, IAS 39 and IFRS 7 are all currently being reviewed as a result of planned reforms to interest rate benchmarks.

This is a global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives.

Consequently, financial contracts referencing these benchmarks with a maturity beyond 2021 may need to be amended to reference the alternative RFR in the applicable currency. There remain many uncertainties associated with the IBOR transition, including the prospective assessment of hedge accounting effectiveness.

The IFRS amendments include reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform by allowing entities to assume the benchmark interest rate is not altered as a result of IBOR reform.

Following endorsement of the amendments by the EU, the group has elected to early adopt the interest rate benchmark reform amendments for the current period. The amendments would have otherwise taken mandatory effect 1 January 2020.

This election reduces the effects of potential uncertainty arising from IBOR reform on the current period's financial statements. Had it not made this election, the uncertainty arising from IBOR reform could have resulted in the discontinuation of hedge relationships. The amendments are applied retrospectively to all designated hedge relationships that were either in force as of the start of the reporting period or designated subsequently. During the period the group has assessed the impact of IBOR reform on the designated hedge relationships and concluded that it was not necessary to apply the reliefs, which the amendments provide.

The reliefs allow the group to assume that the interest rate benchmark on which the cash flows of the hedged item and/or hedging instrument are based is not altered by IBOR reform.

The group expects that the IASB will issue further amendments to these standards concerning the potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative RFR.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 34 to 95.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 137 to 162.

Basis of consolidation

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between the group and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it recognises the related assets (including goodwill), liabilities, non-controlling interest and other component of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The group also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings and joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates and joint venture holdings, the consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The group's interests in associated undertakings and joint venture holdings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associated undertakings and joint venture holdings.

The consolidated balance sheet reflects the associated undertakings and joint venture holdings net of accumulated impairment losses.

Investments in subsidiaries and interests in associated undertakings and joint venture holdings are carried at their cost less any accumulated impairment in the company financial statements.

All intergroup balances, transactions and unrealised gains or losses within the group that do not reflect an impairment to the asset are eliminated in full regarding subsidiaries and to the extent of the interest in associated undertakings and joint venture holdings.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by chief operating decision-makers which are considered to be executive members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's two principal business divisions, namely, Wealth & Investment and Specialist Banking.

For further detail on the group's segmental reporting basis, refer to the divisional review section of the integrated annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees. These are the shares of the company's parent, Investec plc, and are accounted for as equity-settled share-based payments at an Investec plc level but, in accordance with IFRS 2, as cash-settled share-based payment transactions by subsidiaries of Investec plc.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Employee benefits

The group operates various defined contribution schemes. In addition, employees of the bank participate in one closed defined benefit scheme along with employees of other subsidiary undertakings of Investec plc, the bank's parent.

In respect of the defined contribution schemes, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

As there is no contractual agreement or stated policy for charging the net defined benefit cost for the defined benefit plans as a whole measured in accordance with IAS 19 to individual Investec plc group entities, the bank accounts for these schemes on a defined contribution basis.

The long-term employment benefits liability relates to the obligation of Investec to deliver ordinary shares of Ninety One plc and Ninety One Limited to employees over a determined vesting period. The fair value of this liability is calculated by applying the Black-Scholes option pricing model at each reporting date. The changes in fair value will be recognised as an employee benefit expense. The liability is included in Other liabilities on the balance sheet

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec Bank plc.

Foreign operations are subsidiaries, interests in associated undertakings and joint venture holdings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical cost are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

On loss of control of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss and included in the profit on loss of control.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Interest income on debt instruments at amortised cost or fair value through OCI is recognised in the income statement using the effective interest rate method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transactions costs.

The effective interest rate method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life. Interest on instruments at fair value through profit or loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management and also includes rental income from investment properties.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established and the cash is received.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement.

All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at trade date.

Business model assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model:

- **Hold to collect:** it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI
- **Hold to sell/managed on a fair value basis:** the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- Elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- A debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the group's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation below.

The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Impairment of financial assets held at amortised cost or FVOCI

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1', financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2', and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit-impaired are in 'stage 3'.

The group calculates the credit-adjusted effective interest rate on Stage 3 assets, which is calculated based on the amortised cost of the financial asset (i.e. gross carrying amount less ECL allowance) instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cash flows.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading, those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial liabilities or both financial assets and financial liabilities is managed and its performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- A financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that

would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Changes in own credit risk on financial liabilities designated at fair value are recognised in other comprehensive income. Any other changes are recognised in the income statement.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to, or rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Day-one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income.

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit or loss, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit valuation adjustment (CVA).

Hedge accounting

When the group first implemented IFRS 9, it made an election to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The group applies either fair value or hedge accounting of net investments in foreign operations when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- The effectiveness of the hedge can be reliably measured, i.e. the fair value of the hedged item that is attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured

- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that are attributable to the hedged risk are also recognised in the income statement.

For qualifying hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value, and notional and timing differences between the hedged items and hedging instruments.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec Bank plc are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec Bank plc shareholder.

Sale and repurchase agreements (including securities borrowing and lending)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment are as follows:

- Computer and related equipment 20% to 33%
- Motor vehicles 20% to 25%
- Furniture and fittings 10% to 20%
- Freehold buildings 2%
- Right of use assets*
- Leasehold property and improvements*

* *Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property and right of use asset depreciation rates are determined by reference to the period of the lease.*

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Leases

At inception of a contract the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right of control the use of an identified asset, the group assesses whether:

- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The group has the right to direct the use of the asset.

As a lessee, the group recognises a right of use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement of the date, discounted using the group's incremental borrowing rate.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently re-measured when there is a change in future lease payments arising from a change in index or rate, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

When the group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless other systematic basis is more appropriate.

For the balance sheet, the ROU assets are included within property, plant and equipment, finance lease receivables are included within loans and advances to customers and other assets and the lease liabilities are included within other liabilities. Where the group has a head lease and sublease arrangement with external partners, the finance lease receivable is recognised in other assets on the balance sheet.

Investment properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried at fair value, with fair value gains or losses recognised in the income statement in investment income.

Fair value of investment properties are calculated by taking into account the expected rental stream associated with the property, and are supported by market evidence.

Trading properties

Trading properties are carried at the lower of cost and net realisable value.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments. Intangible assets with a finite life are amortised over the useful economic life (currently three to twenty years) on a straight line basis. The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset.

Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying value of non-financial assets, other than investment properties for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of assets under management.

Taxation and deferred taxation

Current taxation payable is provided for based on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- Temporary differences associated with the investments in subsidiaries and interests in associated undertakings and joint venture holdings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation assets can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations issued but not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group.

These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 is effective from 1 January 2023, and the group is considering its impact.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions

In preparation of the annual financial statements, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on page 42 to 47 in section 3, page 132 to 134 of section 3 and throughout section 5, the annual financial statements
- The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 14.

Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on pages 67 to 68.

- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the group's assessment of ECLs can be found on pages 42 to 47.
- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.

  In making any estimates, management's judgement has been based on various factors, including:

  – the current status of tax audits and enquiries;
  – the current status of discussions and negotiations with the relevant tax authorities;
  – the results of any previous claims; and
  – any changes to the relevant tax environments.
- In accordance with IFRS 16 Leases, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the lease. The discount rate is the rate implicit in the lease unless this cannot be readily determined in which case the lessee's incremental borrowing rate is used instead. For each lease entered prior to 1 April 2019, the incremental borrowing rate at initial application has been used. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate applied for the purposes of IFRS 16, is the wholesale borrowing rate quoted 1-5 year tenors and in currency as the group has reliable data points available in order to be able to arrive at the final discount rate. This is a key requirement for determining an incremental borrowing rate and therefore, the wholesale funding rate has been determined to be the most appropriate for this type of borrowing.

1. Segmental business analysis – income statement

Segmental business analysis – income statement For the year to 31 March 2020 £'000	Wealth & Investment	Specialist Banking	**Total group**
Net interest income	12 604	396 945	409 549
Fee and commission income	305 090	190 699	495 789
Fee and commission expense	(678)	(13 088)	(13 766)
Investment income	(436)	7 027	6 591
Share of post-taxation profit of associates and joint venture holdings	–	2 128	2 128
Trading income arising from			
– customer flow	862	50 118	50 980
– balance sheet management and other trading activities	108	(636)	(528)
Other operating income	181	6 283	6 464
Total operating income before expected credit loss impairment charges	**317 731**	**639 476**	**957 207**
Expected credit loss impairment release/(charges)	1	(75 707)	(75 706)
Operating income	**317 732**	**563 769**	**881 501**
Operating costs	(254 714)	(450 912)	(705 626)
Depreciation on operating leased assets	–	(1 407)	(1 407)
Operating profit before acquired intangibles and strategic actions	**63 018**	**111 450**	**174 468**
Profit attributable to non-controlling interests	–	(864)	(864)
Adjusted operating profit	**63 018**	**110 586**	**173 604**
Selected returns and key statistics			
Cost to income ratio	80.2%	70.8%	73.9%
Total assets (£'million)	1 013	23 657	24 670

Segmental business analysis – income statement^ For the year to 31 March 2019 £'000	Wealth & Investment	Specialist Banking	**Total group**
Net interest income	9 189	389 095	398 284
Fee and commission income	306 070	194 025	500 095
Fee and commission expense	(724)	(12 483)	(13 207)
Investment income	1 185	90 910	92 095
Share of post-taxation profit of associates and joint venture holdings	–	2 680	2 680
Trading income arising from			
– customer flow	793	85 973	86 766
– balance sheet management and other trading activities	(1)	12 654	12 653
Other operating income	342	10 134	10 476
Total operating income before expected credit loss impairment charges	**316 854**	**772 988**	**1 089 842**
Expected credit loss impairment charges	(24)	(24 963)	(24 987)
Operating income	**316 830**	**748 025**	**1 064 855**
Operating costs	(246 201)	(546 179)	(792 380)
Depreciation on operating leased assets	–	(2 137)	(2 137)
Operating profit before acquired intangibles and strategic actions	**70 629**	**199 709**	**270 338**
Loss attributable to non-controlling interests	–	4 479	4 479
Adjusted operating profit	**70 629**	**204 188**	**274 817**
Selected returns and key statistics			
Cost to income ratio	77.7%	70.4%	72.6%
Total assets (£'million)	866	21 255	22 121

^ *Restated as detailed in note 57*

2. Net interest income

For the year to 31 March £'000	Notes	2020 Balance sheet value	2020 Interest income	2019^ Balance sheet value	2019^ Interest income
Cash, near cash and bank debt and sovereign debt securities	1	7 438 339	73 872	7 384 782	61 817
Loans and advances	2	11 834 207	587 379	10 488 022	578 605
Private client		5 075 380	191 199	4 197 181	165 397
Corporate, institutional and other clients		6 758 827	396 180	6 290 841	413 208
Other debt securities and other loans and advances#		962 319	106 026	754 542	82 899
Finance lease receivables*		322 211	17 144	–	–
Total interest-earning assets		**20 557 076**	**784 421**	**18 627 346**	**723 321**

For the year to 31 March £'000	Notes	2020 Balance sheet value	2020 Interest expense	2019^ Balance sheet value	2019^ Interest expense
Deposits by banks and other debt-related securities**	3	2 873 748	125 460	3 683 252	119 259
Customer accounts (deposits)**		15 505 883	184 742	13 499 234	154 727
Subordinated liabilities		787 030	48 319	803 699	51 051
Lease liabilities*		478 558	16 351	–	–
Total interest-bearing liabilities		**19 645 219**	**374 872**	**17 986 185**	**325 037**
Net interest income			**409 549**		**398 284**
Net interest margin			**2.09%**		**2.26%**

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) deposits by banks; debt securities in issue; and repurchase agreements and cash collateral on securities lent.*

^ *Restated as detailed in note 57*

* *The group adopted IFRS 16 from 1 April 2019. The impact has been to recognise interest income and interest expense on the unwind of finance lease receivables and lease liabilities respectively. The prior period comparatives have not been restated.*

\# *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.*

** *As at 31 March 2020, certain Investec structured products amounting to £823 million have been reclassified from Debt securities in issue to Customer accounts (deposits) in order to better reflect the underlying characteristics, contractual terms and liquidity of these products. The prior year balance of £825 million has not been restated. Please refer to page 262 for further information.*

3. Net fee and commission income

For the year to 31 March £'000	2020	2019^
Wealth & Investment businesses net fee and commission income	**304 412**	**305 346**
Fund management fees/fees for assets under management	261 093	258 299
Private client transactional fees	43 997	47 771
Fee and commission expense	(678)	(724)
Specialist banking net fee and commission income	**177 611**	**181 542**
Corporate and institutional transactional and advisory services	179 301	183 621
Private client transactional fees	11 398	10 404
Fee and commission expense	(13 088)	(12 483)
Net fee and commission income	**482 023**	**486 888**
Annuity fees (net of fees payable)	280 037	275 963
Deal fees	201 986	210 925

^ *Restated as detailed in note 57*

4. Investment income

For the year to 31 March £'000	2020	2019^
Realised	67 378	19 256
Unrealised*	(66 440)	61 873
Dividend income	2 899	4 233
Funding and other net related income	2 754	6 733
	6 591	**92 095**

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2020								
Realised	(765)	51 038	15 558	65 831	4 274	(3 616)	889	67 378
Unrealised*	(9 571)	(39 600)	(7 329)	(56 500)	(3 743)	1 814	(8 011)	(66 440)
Dividend income	7	2 892	–	2 899	–	–	–	2 899
Funding and other net related income	–	–	–	–	–	2 754	–	2 754
	(10 329)	**14 330**	**8 229**	**12 230**	**531**	**952**	**(7 122)**	**6 591**
2019^								
Realised	(7 566)	22 251	18 373	33 058	7 313	(7 231)	(13 884)	19 256
Unrealised*	(9 771)	46 978	(769)	36 438	1 530	13 267	10 638	61 873
Dividend income	72	4 161	–	4 233	–	–	–	4 233
Funding and other net related income	23	–	–	23	–	6 710	–	6 733
	(17 242)	**73 390**	**17 604**	**73 752**	**8 843**	**12 746**	**(3 246)**	**92 095**

* *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*
^ *Restated as detailed in note 57*

5. Other operating income

For the year to 31 March £'000	2020	2019
Rental income from properties	1 193	1 422
(Losses)/gains on realisation of properties	(18)	503
Unrealised (losses)/gains on other investments	(17)	1 489
Income from operating leases	2 046	4 853
Income from government grants	3 260	2 209
	6 464	**10 476**

6. Expected credit loss impairment charges or (release)

For the year to 31 March £'000	2020	2019^
Expected credit losses has arisen on the following items:		
Loans and advances to customers	73 487	35 676
Other loans and advances	25	(2 835)
Other balance sheet assets	442	(6 624)
Off-balance sheet commitments	1 752	(1 230)
	75 706	**24 987**

^ *Restated as detailed in note 57.*

7. Operating costs

For the year to 31 March £'000	2020	2019^
Staff compensation costs	498 414	570 690
– Salaries and wages (including directors' remuneration)**	398 353	466 700
– Share-based payment expense	26 854	31 250
– Social security costs	44 981	45 824
– Pensions and provident fund contributions	28 226	26 916
Training and other costs	10 615	13 507
Staff costs	509 029	584 197
Premises expenses***	39 886	50 176
– Premises expenses (excluding depreciation)	15 936	43 821
– Premises depreciation	23 950	6 355
Equipment expenses (excluding depreciation)	47 840	42 634
Business expenses*	81 384	84 929
Marketing expenses	17 766	22 434
Depreciation, amortisation and impairment on equipment and intangibles	9 721	8 010
	705 626	**792 380**
Depreciation on operating leased assets	1 407	2 137
	707 033	**794 517**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:		
Ernst & Young fees		
Total fees paid to the audit firm by virtue of being the group's auditor	**5 462**	**4 105**
Audit of the group's accounts	2 574	2 374
Audit of the group's subsidiaries pursuant to legislation	2 226	1 206
Audit related assurance services	662	481
Other assurance services	–	44
Total fees paid to the audit firm not in the capacity of being the group's auditor	**286**	**861**
Audit related assurance services	43	42
Tax compliance services	125	132
Tax advisory services	–	98
Services related to corporate finance transactions	18	180
Services related to information technology	100	32
Services related to other regulatory services	–	49
Other non-audit services	–	328
	5 748	**4 966**

During the year, the average number of staff employed was 4 021 (2019: 4 031).

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*
** *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 137 to 162.*
*** *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by £17.2 million as a result of recognising a right of use asset and to reduce the premises expense in the year to 31 March 2020. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability.*
^ *Restated as detailed in note 57.*

7. Operating costs *(continued)*

For the year to 31 March £'000	2020	2019^
KPMG fees		
Total fees paid to the audit firm by virtue of being the group's subsidiary auditor	**429**	**358**
Audit of the group's subsidiaries pursuant to legislation	227	193
Audit related assurance services	202	165
Total fees paid to the audit firm not in the capacity of being the group's subsidiary auditor	**247**	**106**
Tax compliance services	109	64
Tax advisory services	65	42
Other non-audit services	73	–
	676	**464**
Total	**6 424**	**5 430**

^ *Restated as detailed in note 57.*

8. Share-based payments and employee benefits

The group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis in Investec plc but in accordance with IFRS 2 are cash settled in the company as set out in the accounting policies on page 188 to 197. The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec group's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term incentive plans are provided on page 147 of the remuneration report and on our website.

For the year to 31 March £'000	Wealth & Investment	Specialist Banking	**Total group**
Share-based payment expense:			
Group			
2020			
Cash settled (equity-settled at group)	5 160	21 920	27 080
Total income statement charge	**5 160**	**21 920**	**27 080**
2019			
Cash settled (equity-settled at group)	4 751	27 001	31 752
Total income statement charge	**4 751**	**27 001**	**31 752**

Group

For the year to 31 March £'000	**2020**	2019
Weighted average fair value of options granted in the year		
UK schemes	**23 621**	**35 521**

	2020		**2019**	
Details of options outstanding during the year	**Number of share options**	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	19 187 737	0.05	19 645 893	0.07
Granted during the year	5 219 646	0.00	6 861 836	0.00
Exercised during the year^	(5 135 486)	0.00	(6 620 536)	0.02
Options forfeited during the year	(1 520 462)	0.35	(699 456)	0.52
Outstanding at the end of the year	**17 751 435**	**0.02**	**19 187 737**	**0.05**
Exercisable at the end of the year	**463 457**	**–**	**568 717**	**–**

^ *The weighted average share price during the year was £4.41 (2019: £5.11).*

8. Share-based payments and employee benefits *(continued)*

Additional information relating to options:	2020	2019
Options with strike prices		
Exercise price range	£3.58-£4.27	£5.03–£6.00
Weighted average remaining contractual life	0.98 years	1.29 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.12 years	2.19 years
Weighted average fair value of options and long-term grants at measurement date	£3.91	£5.18
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£4.38-£4.79	£4.93–£5.59
– Exercise price	£0	£0
– Expected volatility	n/a	n/a
– Option life	4-7 years	3–7 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

In the current year, 755 278 Investec plc shares (LTIP & LTSA) were awarded to Investec Australian staff *in lieu* of Ninety One plc shares. The Fair Value of the Adjusted Share Awards was compared to the Fair Value of the Original Awards at 13 March 2020 and no incremental value was identified.

Long-term employment benefit liability – Ninety One shares

As part of the Investec Asset Management Limited ("IAM") demerger, each participant of the Investec share option and long-term share incentive plans for employees, received the right to received one Ninety One plc share option for every two Investec plc share options they held. The Ninety One plc share options were granted on the same terms and vesting period as the Investec plc options they related to.

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share options, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £5 354 000 was calculated as the fair value of the liability at the date of demerger for the portion of the options already vested. The total value of the liability represented past service cost and resultingly was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended March 2020 was £208 000.

8. Share-based payments and employee benefits *(continued)*

Details of options outstanding during the year	2020 Number of Ninety One options & shares	2020 Weighted average exercise price £
IAM Demerger-Ninety One Share Awards Issued 16 March 2020	8 169 283	0.00
Relocation of employees during the year	(319 953)	0.00
Exercised during the year	(203 493)	0.00
Lapsed during the year	(20 178)	0.00
Outstanding at the end of the year	**7 625 659**	**–**
Exercisable at the end of the year	**210 149**	**–**

For the liability calculated on the date of demerger (16 March 2020) and as 31 March 2020, the inputs into the model were as follows:

Additional information relating to options:	2020
The fair value of the liability was calculated by using the Black-Scholes option pricing model.	
– Share price at date of grant	£1.54
– Exercise price	Nil, £3.46
– Expected volatility	56.8%
– Option life	0.12 - 6.45 years
– Expected dividend yields	0% - 7.46%
– Risk-free rate	0.30% - 0.66%

Management concluded that the share-price used to calculated the fair value of the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share-price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

8. Share-based payments and employee benefits *(continued)*

Company

For the year to 31 March	2020	2019
£'000		
UK schemes	14 197	23 699

Details of options outstanding during the year	2020 Number of share options	2020 Weighted average exercise price £	2019 Number of share options	2019 Weighted average exercise price £
Outstanding at the beginning of the year	11 642 145	0.00	11 447 467	0.00
Granted during the year	2 506 726	0.00	4 485 151	0.00
Exercised during the year^	(2 920 946)	0.00	(3 878 557)	0.00
Options forfeited during the year	(806 592)	0.01	(411 916)	0.00
Outstanding at the end of the year	**10 421 333**	**–**	**11 642 145**	**–**
Exercisable at the end of the year	**276 694**	**–**	**348 977**	**–**

^ *The weighted average share price during the year was £4.41 (2019: £5.11).*

Additional information relating to options:	2020	2019
Company		
Options with strike prices		
Exercise price range	£4.27	–
Weighted average remaining contractual life	0.17 years	–
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.08 years	2.19 years
Weighted average fair value of options and long-term grants at measurement date	£4.50	£5.27
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£4.38-£4.79	£4.93–£5.59
– Exercise price	0	£0
– Expected volatility	n/a	n/a
– Option life	4-7 years	3–7 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

8. Share-based payments and employee benefits *(continued)*

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

Long-term employment benefit liability – Ninety One shares

As part of the Investec Asset Management Limited ("IAM") demerger, each participant of the Investec share option and long-term share incentive plans for employees, received the right to received one Ninety One plc share option for every two Investec plc share options they held. The Ninety One plc share options were granted on the same terms and vesting period as the Investec plc options they related to.

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share options, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £3 987 000 was calculated as the fair value of the liability at the date of demerger for the portion of the options already vested. The total value of the liability represented past service cost and resultingly was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2020 was £162 000.

	2020	
Details of options outstanding during the year	**Number of Ninety One options & shares**	**Weighted average exercise price £**
IAM Demerger-Ninety One Share Awards Issued 16 March 2020	5 628 435	0.00
Relocation of employees during the year	(252 342)	0.00
Exercised during the year	(149 206)	0.00
Lapsed during the year	(18 366)	0.00
Outstanding at the end of the year	**5 208 521**	**–**
Exercisable at the end of the year	**136 039**	**–**

For the liability calculated on the date of demerger (16 March 2020) and as 31 March 2020, the inputs into the model were as follows:

Additional information relating to options:	**2020**
The fair value of the liability was calculated by using the Black-Scholes option pricing model.	
– Share price at date of grant	£1.54
– Exercise price	£nil, £3.46
– Expected volatility	56.8%
– Option life	0.12 - 6.45 years
– Expected dividend yields	0% - 7.46%
– Risk-free rate	0.30% - 0.66%

Management concluded that the share-price used to calculated the fair value of the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share-price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

9. Taxation

For the year to 31 March £'000	2020	2019^
Income statement tax charge		
Current taxation		
UK		
Current tax on income for the year	(6 535)	29 496
Adjustments in respect of prior years	(2 413)	(11 204)
Corporation tax before double tax relief	**(8 948)**	**18 292**
Double tax relief	–	–
	(8 948)	**18 292**
Europe	2 387	3 749
Australia	208	183
Other	(311)	(578)
	2 284	**3 354**
Total current taxation	**(6 664)**	**21 646**
Deferred taxation		
UK	4 502	(102)
Europe	27	(1 790)
Australia	(13 244)	–
Other	2 091	–
Total deferred taxation	**(6 624)**	**(1 892)**
Total taxation charge for the year	**(13 288)**	**19 754**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	7 638	37 353
Taxation on acquired intangibles and goodwill	(20 926)	(17 599)
	(13 288)	**19 754**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(8 268)	(14 073)
Changes in tax rates	1 285	2 408
Adjustment in respect of prior years	359	9 773
	(6 624)	**(1 892)**
The deferred taxation charge/(credit) in the Income Statement arose from:		
Deferred capital allowances	(1 865)	6 109
Income and expenditure accruals	(6 035)	201
Asset in respect of unexpired options	8 173	(46)
Unrealised fair value adjustment on financial instruments	782	(1 240)
Losses carried forward	(6 414)	(4 577)
Asset/(Liability) in respect of pension deficit/(surplus)	(33)	33
Deferred tax on acquired intangibles	(947)	(2 197)
Other temporary differences	(285)	(175)
	(6 624)	**(1 892)**
The deferred taxation charge/(credit) in OCI/Equity arise from:		
Asset in respect of unexpired options	739	3 991
Unrealised fair value adjustment on financial instruments	8 619	(51 343)
Other temporary differences	–	(277)
	9 358	**(47 629)**

9. Taxation *(continued)*

For the year to 31 March £'000	2020	2019^
	%	%
The rates of corporation tax for the relevant years are:		
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**45 398**	**177 192**
Taxation on profit before taxation	**(13 288)**	**19 754**
Effective tax rate	**(29.3%)**	**11.1%**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2019: 19%) Taxation adjustments relating to foreign earnings	8 626	33 666
Taxation adjustments relating to foreign earnings	295	(1 767)
Taxation relating to prior years	(2 054)	(1 433)
Goodwill and non-operating items	2 116	126
Share options accounting expense	6 010	2 012
Non-taxable income	(1 204)	(2 019)
Net other permanent differences	(13 597)	359
Capital gains – non-taxable/covered by losses	(2 323)	(5 539)
Movement in unrecognised trading losses	(12 442)	(8 061)
Change in tax rate	1 285	2 410
Total taxation charge as per income statement	**(13 288)**	**19 754**
Other comprehensive income taxation effects		
Gains on realisation of debt instruments at FVOCI recycled through the income statement	(1 372)	(1 907)
Pre-taxation	(1 694)	(2 355)
Taxation effect	322	448
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	3 271	1 470
Pre-taxation	3 604	2 056
Taxation effect	(333)	(586)
Own credit risk	9 440	7 579
Pre-taxation	12 460	12 017
Taxation effect	(3 020)	(4 438)
Statement of changes in equity taxation effects		
Additional Tier 1 capital	(16 875)	(13 894)
Pre-taxation	(16 875)	(13 894)
Taxation effect	–	–
Share-based payment adjustment	(317)	(2 139)
Pre-taxation	–	–
Taxation effect	(317)	(2 139)
IFRS 9 transitional adjustments	(1 761)	(211 664)
Pre-taxation	–	(275 732)
Taxation effect	(1 761)	64 068

^ *Restated as detailed in note 57.*

10. Dividends

For the year to 31 March £'000	2020	2019
Ordinary dividends		
Interim dividends for current year	35 000	35 000
Total dividends attributable to ordinary shareholder	**35 000**	**35 000**

For the year to 31 March £'000	2020^	2019^
Dividend attributable to Additional Tier 1 securities	**16 875**	13 894

The £200 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ('AT1 securities'), issued on 16 October 2018, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 December 2018.

A further £50 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 000 000 2024 notes issued on 16 October 2018.

^ The dividend is shown gross of UK corporation tax following the amendment to IAS 12. The prior year has been restated as detailed in note 57.

11. Operating lease income and expense

For the year to 31 March £'000	2020	2019
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	107	28 014
Sublease income	–	(2 443)
	107	**25 571**
Operating lease income recognised in income:		
Minimum lease payments	–	30 907
Sublease payments	–	(35 760)
	–	**(4 853)**

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases; this resulted in operating leases being brought on balance sheet. The exemptions to this were short term leases which continued to be expensed and are presented above.

12. Analysis of income and impairments by category of financial instrument

For the year to 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory: Trading*	Non-trading*	Designated at inception
2020			
Net interest income	(12 212)	68 162	(30 063)
Fee and commission income	19 207	5 190	–
Fee and commission expense	–	–	–
Investment income	8 229	(564)	789
Share of post-taxation profit of associates and joint venture holdings	–	–	–
Trading income arising from:			
– customer flow	47 492	6 692	(3 204)
– balance sheet management and other trading activities	(8 653)	3 051	12 097
Other operating income	–	–	–
Total operating income/(expense) before expected credit loss	**54 063**	**82 531**	**(20 381)**
Expected credit loss impairments charges*	–	–	–
Operating income/(expense)	**54 063**	**82 531**	**(20 381)**

* *Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of income and expenses from positions held for trading intent or to hedge elements of the trading book. Non-trading consists of income and expenses from positions that are expected to be held to maturity.*

For the year to 31 March £'000	Trading*	Non-trading*	Designated at inception
2019^			
Net interest income	(5 287)	62 894	(38 507)
Fee and commission income	19 730	4 935	–
Fee and commission expense	–	–	–
Investment income	17 287	52 137	4 521
Share of post-taxation profit of associates and joint venture holdings	–	–	–
Trading income arising from:			
– customer flow	80 768	5 362	9 925
– balance sheet management and other trading activities	895	(655)	11 171
Other operating income	–	–	-
Total operating income/(expense) before expected credit loss	**113 393**	**124 673**	**(12 890)**
Expected credit loss impairments charges*	–	–	–
Operating income/(expense)	**113 393**	**124 673**	**(12 890)**

* *Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of income and expenses from positions held for trading intent or to hedge elements of the trading book. Non-trading consists of income and expenses from positions that are expected to be held to maturity.*

^ *Restated as detailed in note 57.*

At fair value through comprehensive income

Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income	**Total**
35 481	341 384	800	5 997	409 549
–	103 481	–	367 911	495 789
–	(2 423)	–	(11 343)	(13 766)
1 809	807	(4 479)	–	6 591
–	–	2 128	–	2 128
–	–	–	–	50 980
–	(7 023)	–	–	(528)
–	2 046	1 175	3 243	6 464
37 290	**438 272**	**(376)**	**365 808**	**957 207**
–	(75 706)	–	–	(75 706)
37 290	**362 566**	**(376)**	**365 808**	**881 501**

Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income	**Total**
29 876	326 433	–	22 875	398 284
–	84 393	39	390 998	500 095
–	(2 737)	–	(10 470)	(13 207)
2 034	2 969	13 147	–	92 095
–	–	2 718	(38)	2 680
–	–	–	(9 288)	86 766
–	1 242	–	–	12 653
–	–	6 778	3 698	10 476
31 910	**412 300**	**22 682**	**397 775**	**1 089 842**
–	(24 987)	–	–	(24 987)
31 910	**387 313**	**22 682**	**397 775**	**1 064 855**

13. Analysis of financial assets and liabilities by category of financial instruments

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March **£'000**	Trading*	Non–trading*	Designated at initial recognition
Group			
2020			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	–	–
Sovereign debt securities	–	603 712	–
Bank debt securities	–	51 238	–
Other debt securities	–	217 364	–
Derivative financial instruments**	1 251 394	–	–
Securities arising from trading activities	325 546	6 200	250 947
Investment portfolio	–	350 662	–
Loans and advances to customers	–	653 338	–
Other loans and advances	–	–	–
Other securitised assets	–	–	106 218
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	27 221	–	–
Property and equipment	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	1 688 358	**1 882 514**	**357 165**
Liabilities			
Deposits by banks	–	–	336
Derivative financial instruments**	1 246 109	–	–
Other trading liabilities	118 572	–	–
Repurchase agreements and cash collateral on securities lent	21 679	–	–
Customer accounts (deposits)	–	–	–
Debt securities in issue	–	–	219 915
Liabilities arising on securitisation of other assets	–	–	110 679
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	1 386 360	**–**	**330 930**
Subordinated liabilities	–	–	343 233
	1 386 360	**–**	**674 163**

* *Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.*

** *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

For more information on hedges, please refer to note 49 on pages 275 to 278.

At fair value through other comprehensive income					
Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non–financial instruments or scoped out of IFRS 9**	**Total BS**
–	–	2 277 318	–	2 277 318
–	–	1 793 867	–	1 793 867
–	84 197	1 543 049	–	1 627 246
1 084 958	1 688 670	–	–	1 688 670
–	51 238	–	–	51 238
–	217 364	478 454	–	695 818
–	1 251 394	–	–	1 251 394
–	582 693	–	–	582 693
–	350 662	–	–	350 662
421 841	1 075 179	10 759 028	–	11 834 207
–	–	266 501	–	266 501
–	106 218	–	–	106 218
–	–	–	6 579	6 579
–	–	–	129 715	129 715
–	27 221	885 036	549 902	1 462 159
–	–	–	216 955	216 955
–	–	–	252 958	252 958
–	–	–	75 341	75 341
1 506 799	**5 434 836**	**18 003 253**	**1 231 450**	**24 669 539**
–	336	1 450 127	–	1 450 463
–	1 246 109	–	–	1 246 109
–	118 572	–	–	118 572
–	21 679	375 132	–	396 811
–	–	15 505 883	–	15 505 883
–	219 915	806 559	–	1 026 474
–	110 679	–	–	110 679
–	–	–	43 470	43 470
–	–	–	22 112	22 112
–	–	1 039 298	591 466	1 630 764
–	**1 717 290**	**19 176 999**	**657 048**	**21 551 337**
–	343 233	443 797	–	787 030
–	**2 060 523**	**19 620 796**	**657 048**	**22 338 367**

13. Analysis of financial assets and liabilities by category of financial instruments
(continued)

At 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory – Trading*	At fair value through profit or loss – IFRS 9 mandatory – Non–trading*	At fair value through profit or loss – Designated at initial recognition
Group			
2019			
Assets			
Cash and balances at central banks	–	1	–
Loans and advances to banks	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	–
Sovereign debt securities	–	318 798	–
Bank debt securities	–	52 265	–
Other debt securities	–	275 268	–
Derivative financial instruments**	642 530	–	–
Securities arising from trading activities	283 071	7 117	508 036
Investment portfolio	–	486 493	–
Loans and advances to customers	–	772 084	–
Other loans and advances	–	–	–
Other securitised assets	–	–	118 143
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	–	13 822	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	950 464	**1 925 848**	**626 179**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments**	719 027	–	–
Other trading liabilities	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	–
Customer accounts (deposits)	–	–	–
Debt securities in issue	–	–	368 895
Liabilities arising on securitisation of other assets	–	–	113 711
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	821 177	**–**	**482 606**
Subordinated liabilities	–	–	367 707
	821 177	**–**	**850 313**

* *Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.*

** *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

For more information on hedges, please refer to note 49 on pages 275 to 278.

At fair value through other comprehensive income				
Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non–financial instruments or scoped out of IFRS 9**	**Total BS**
–	1	4 445 429	–	4 445 430
–	–	954 938	–	954 938
–	24 863	608 339	–	633 202
980 149	1 298 947	–	–	1 298 947
–	52 265	–	–	52 265
–	275 268	232 874	–	508 142
–	642 530	–	–	642 530
–	798 224	–	–	798 224
–	486 493	–	–	486 493
397 068	1 169 152	9 318 870	–	10 488 022
–	–	246 400	–	246 400
–	118 143	–	–	118 143
–	–	–	8 855	8 855
–	–	–	133 344	133 344
–	13 822	570 737	263 045	847 604
–	–	–	94 714	94 714
–	–	–	14 500	14 500
–	–	–	260 858	260 858
–	–	–	88 409	88 409
1 377 217	**4 879 708**	**16 377 587**	**863 725**	**22 121 020**
–	–	1 318 776	–	1 318 776
–	719 027	–	–	719 027
–	80 217	–	–	80 217
–	21 933	292 402	–	314 335
–	–	13 499 234	–	13 499 234
–	368 895	1 681 246	–	2 050 141
–	113 711	–	–	113 711
–	–	–	136 818	136 818
–	–	–	21 341	21 341
–	–	699 789	200 704	900 493
–	**1 303 783**	**17 491 447**	**358 863**	**19 154 093**
–	367 707	435 992	–	803 699
–	**1 671 490**	**17 927 439**	**358 863**	**19 957 792**

13. Analysis of financial assets and liabilities by category of financial instruments
(continued)

At 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory – Trading*	Non–trading*	Designated at initial recognition
Company			
2020			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	–	–
Sovereign debt securities	–	603 712	–
Bank debt securities	–	51 238	–
Other debt securities	–	217 364	1 404
Derivative financial instruments**	1 242 566	–	–
Securities arising from trading activities	325 546	–	250 947
Investment portfolio	–	61 075	–
Loans and advances to customers	–	600 055	–
Other loans and advances	–	71 807	–
Other securitised assets	–	–	6 137
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	27 221	–	–
Property and equipment	–	–	–
Intangible assets	–	–	–
Investment in subsidiaries	–	–	–
	1 679 530	**1 605 251**	**258 488**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments**	1 233 733	–	–
Other trading liabilities	118 572	–	–
Repurchase agreements and cash collateral on securities lent	21 679	–	–
Customer accounts (deposits)	–	–	–
Debt securities in issue	–	–	219 915
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	1 373 984	**–**	**219 915**
Subordinated liabilities	–	–	343 233
	1 373 984	**–**	**563 148**

* *Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.*

** *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

For more information on hedges, please refer to note 49 on pages 275 to 278.

At fair value through other comprehensive income					
Debt instrument with dual business model	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total BS
–	–	2 235 286	–	2 235 286
–	–	988 928	–	988 928
–	84 197	1 543 049	–	1 627 246
540 554	1 144 266	–	–	1 144 266
–	51 238	–	–	51 238
–	218 768	958 296	–	1 177 064
–	1 242 566	–	–	1 242 566
–	576 493	–	–	576 493
–	61 075	–	–	61 075
421 841	1 021 896	7 835 298	–	8 857 194
–	71 807	2 677 844	–	2 749 651
–	6 137	–	–	6 137
–	–	–	645	645
–	–	–	82 714	82 714
–	27 221	605 485	73 174	705 880
–	–	–	99 383	99 383
–	–	–	1 056	1 056
–	–	–	858 286	858 286
962 395	**4 505 664**	**16 844 186**	**1 115 258**	**22 465 108**
–	–	1 537 317	–	1 537 317
–	1 233 733	–	–	1 233 733
–	118 572	–	–	118 572
–	21 679	375 132	–	396 811
–	–	14 559 110	–	14 559 110
–	219 915	762 053	–	981 968
–	–	–	15 453	15 453
–	–	–	6 774	6 774
–	–	742 456	126 769	869 225
–	**1 593 899**	**17 976 068**	**148 996**	**19 718 963**
–	343 233	443 797	–	787 030
–	**1 937 132**	**18 419 865**	**148 996**	**20 505 993**

13. Analysis of financial assets and liabilities by category of financial instruments
(continued)

At 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory – Trading*	At fair value through profit or loss – IFRS 9 mandatory – Non–trading*	At fair value through profit or loss – Designated at initial recognition
Company			
2019			
Assets			
Cash and balances at central banks	–	1	–
Loans and advances to banks	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	–
Sovereign debt securities	–	318 798	–
Bank debt securities	–	52 265	–
Other debt securities	–	275 268	1 556
Derivative financial instruments**	587 326	–	–
Securities arising from trading activities	283 071	–	508 036
Investment portfolio	–	100 083	–
Loans and advances to customers	–	724 716	–
Other loans and advances	–	10 024	–
Other securitised assets	–	–	6 831
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	–	13 822	–
Property and equipment	–	–	–
Intangible assets	–	–	–
Investment in subsidiaries	–	–	–
	895 260	**1 494 977**	**516 423**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments**	680 878	–	–
Other trading liabilities	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	–
Customer accounts (deposits)	–	–	–
Debt securities in issue	–	–	368 895
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	783 028	**–**	**368 895**
Subordinated liabilities	–	–	367 707
	783 028	**–**	**736 602**

* *Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.*

** *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

For more information on hedges, please refer to note 49 on pages 275 to 278.

At fair value through other comprehensive income					
Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non–financial instruments or scoped out of IFRS 9**	**Total BS**
–	1	4 416 584	–	4 416 585
–	–	226 974	–	226 974
–	24 863	608 339	–	633 202
406 958	725 756	–	–	725 756
–	52 265	–	–	52 265
–	276 824	750 962	–	1 027 786
–	587 326	–	–	587 326
–	791 107	–	–	791 107
–	100 083	–	–	100 083
397 068	1 121 784	6 602 376	–	7 724 160
–	10 024	2 725 262	–	2 735 286
–	6 831	–	–	6 831
–	–	–	610	610
–	–	–	98 008	98 008
–	13 822	371 450	156 335	541 607
–	–	–	49 891	49 891
–	–	–	120	120
–	–	–	864 539	864 539
804 026	**3 710 686**	**15 701 947**	**1 169 503**	**20 582 136**
–	–	1 516 768	–	1 516 768
–	680 878	–	–	680 878
–	80 217	–	–	80 217
–	21 933	292 402	–	314 335
–	–	12 659 032	–	12 659 032
–	368 895	1 643 103	–	2 011 998
–	–	–	94 160	94 160
–	–	–	4 595	4 595
–	–	459 817	123 452	583 269
–	**1 151 923**	**16 571 122**	**222 207**	**17 945 252**
–	367 707	435 992	–	803 699
–	**1 519 630**	**17 007 114**	**222 207**	**18 748 951**

14. 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).

		Fair value category		
At 31 March £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
Group				
2020				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	–	84 197	–
Sovereign debt securities	1 688 670	1 688 670	–	–
Bank debt securities	51 238	–	51 238	–
Other debt securities	217 364	–	74 369	142 995
Derivative financial instruments	1 251 394	–	1 221 749	29 645
Securities arising from trading activities	582 693	552 922	23 571	6 200
Investment portfolio	350 662	7 120	4 456	339 086
Loans and advances to customers	1 075 179	–	7 803	1 067 376
Other securitised assets	106 218	–	–	106 218
Other assets	27 221	27 221	–	–
	5 434 836	**2 275 933**	**1 467 383**	**1 691 520**
Liabilities				
Deposits by banks	336	–	–	336
Derivative financial instruments	1 246 109	13 853	1 205 575	26 681
Other trading liabilities	118 572	118 572	–	–
Repurchase agreements and cash collateral on securities lent	21 679	–	21 679	–
Debt securities in issue	219 915	–	219 915	–
Liabilities arising on securitisation of other assets	110 679	–	–	110 679
Subordinated liabilities	343 233	343 233	–	–
	2 060 523	**475 658**	**1 447 169**	**137 696**
Net assets at fair value	**3 374 313**	**1 800 275**	**20 214**	**1 553 824**

14. Fair value hierarchy *(continued)*

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
2019				
Assets				
Cash and balances at central banks	1	1	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	24 863	–
Sovereign debt securities	1 298 947	1 298 947	–	–
Bank debt securities	52 265	–	52 265	–
Other debt securities	275 268	–	192 098	83 170
Derivative financial instruments	642 530	–	603 895	38 635
Securities arising from trading activities	798 224	767 337	23 769	7 118
Investment portfolio	486 493	12 265	6 582	467 646
Loans and advances to customers	1 169 152	–	19	1 169 133
Other securitised assets	118 143	–	–	118 143
Other assets	13 822	13 822	–	–
	4 879 708	**2 092 372**	**903 491**	**1 883 845**
Liabilities				
Derivative financial instruments	719 027	5 857	696 544	16 626
Other trading liabilities	80 217	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	21 933	–
Debt securities in issue	368 895	–	368 895	–
Liabilities arising on securitisation of other assets	113 711	–	–	113 711
Subordinated liabilities	367 707	367 707	–	–
	1 671 490	**453 781**	**1 087 372**	**130 337**
Net assets/(liabilities) at fair value	**3 208 218**	**1 638 591**	**(183 881)**	**1 753 508**

Transfers between level 1 and level 2

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

14. Fair value hierarchy *(continued)*

Level 3 instruments

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:

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Group					
Assets					
Balance as at 1 April 2018	**426 148**	**1 301 365**	**132 172**	**135 573**	**1 995 258**
Total gains or (losses)	23 350	69 261	(2 834)	16 865	106 642
In the income statement	23 350	69 056	(2 834)	16 865	106 437
In the statement of comprehensive income	–	205	–	–	205
Purchases	130 643	1 263 362	–	6 909	1 400 914
Sales	(59 003)	(889 145)	–	(8 404)	(956 552)
Settlements	(59 851)	(624 061)	(11 196)	(29 456)	(724 564)
Foreign exchange adjustments	6 359	48 351	1	7 436	62 147
Balance as at 31 March 2019	**467 646**	**1 169 133**	**118 143**	**128 923**	**1 883 845**
Total gains or (losses)	(30 258)	33 246	(1 425)	25 725	27 288
In the income statement	(30 258)	32 768	(1 425)	25 725	26 810
In the statement of comprehensive income	–	478	–	–	478
Purchases	37 944	1 349 058	–	59 048	1 446 050
Sales	(132 642)	(1 039 464)	–	(1 082)	(1 173 188)
Settlements	(6 091)	(475 929)	(10 500)	(33 357)	(525 877)
Transfers into level 3	106	–	–	–	106
Transfers out of level 3	(4 785)	–	–	–	(4 785)
Foreign exchange adjustments	7 166	31 332	–	(417)	38 081
Balance as at 31 March 2020	**339 086**	**1 067 376**	**106 218**	**178 840**	**1 691 520**

1. *Comprises of other debt securities, derivative financial instruments and securities arising from trading.*

For the year ended 31 March 2020, there were no transfers from level 3 into level 2. There were transfers from level 3 into level 1 of £4.8 million due to the listing of two securities during the year (31 March 2019: £nil). In the current year, there were £106k assets transfers from level 2 to level 3 as the inputs are no longer based on observable market data (31 March 2019: £nil).

14. Fair value hierarchy *(continued)*

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Group			
Liabilities			
Balance as at 1 April 2018	**127 853**	**15 641**	**143 494**
Total (gains) or losses	(5 084)	(12 653)	(17 737)
In the income statement	(5 084)	(12 653)	(17 737)
Purchases	–	23 798	23 798
Sales	–	(11 800)	(11 800)
Settlements	(9 058)	–	(9 058)
Transfers into level 3	–	2 854	2 854
Foreign exchange adjustments	–	(1 214)	(1 214)
Balance as at 31 March 2019	**113 711**	**16 626**	**130 337**
Total (gains) or losses	(2 094)	10 341	8 247
In the income statement	(2 094)	10 341	8 247
Purchases	–	390	390
Issues	7 306	–	7 306
Settlements	(8 244)	(719)	(8 963)
Foreign exchange adjustments	–	379	379
Balance as at 31 March 2020	**110 679**	**27 017**	**137 696**

2. *Comprises of 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.

14. 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 year to 31 March £'000	**Total**	Realised	Unrealised
Group			
2020			
Total gains or (losses) included in the income statement for the year			
Net interest income	77 586	60 922	16 664
Fee and commission income	(3 184)	–	(3 184)
Investment income*	(53 944)	62 989	(116 933)
Trading income arising from customer flow	(1 895)	–	(1 895)
	18 563	**123 911**	**(105 348)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	1 694	1 694	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	478	–	478
	2 172	**1 694**	**478**
2019			
Total gains or (losses) included in the income statement for the year			
Net interest income	99 951	86 118	13 833
Investment income	27 495	1 939	25 556
Trading income arising from customer flow	(3 272)	6 910	(10 182)
	124 174	**94 967**	**29 207**
Total gains or (losses) included in other comprehensive income for the year			
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	205	–	205
	205	**–**	**205**

* *Included within the investment income balance are unrealised losses of £75.8 million presented within operational items in the income statement.*

14. Fair value hierarchy *(continued)*

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2020 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/TECHNIQUES	MAIN ASSUMPTIONS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation,	Discount rates
Bank debt securities	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	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Net assets
Loans and advances to customers	Earnings multiple	Company earnings
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flow model	Discount rates

14. Fair value hierarchy *(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 following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

31 March 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	142 995	Potential impact on income statement		4 427	(12 439)
		Credit spreads	0.38% - 0.88%	23	(144)
		Cash flow adjustments	CPR 6.8%	9	(9)
		Discount rate	5.56%	7	(43)
		Underlying asset value^^	^^	454	(442)
		Other^	^	3 934	(11 801)
Derivative financial instruments	29 645	Potential impact on income statement		8 232	(8 846)
		Volatilities	4.1% - 25.3%	94	(283)
		Cash flow adjustments	CPR 6.8%	33	(31)
		Underlying asset value^^	^^	7 891	(7 891)
		Other^	^	214	(641)
Securities arising from trading activities	6 200	Potential impact on income statement			
		Cash flow adjustments	CPR 9.8%	736	(870)
Investment portfolio	339 086	Potential impact on income statement		41 133	(101 468)
		Price earnings multiple	5.3x -9.7 x	5 210	(12 742)
		Underlying asset value^^	^^	9 553	(8 695)
		Other^	^	26 370	(80 031)
Loans and advances to customers	1 067 376	Potential impact on income statement		19 020	(51 451)
		Credit spreads	0.05% -5.9% & PAR	1 099	(7 041)
		Price earnings multiple	3.85x-7x	636	(466)
		Underlying asset value^^	^^	647	(352)
		Other^	^	16 638	(43 592)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% -5.8% & PAR	4 645	(724)
Other securitised assets	106 218	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	2 543	(2 530)
Total level 3 assets	**1 691 520**			**80 736**	**(178 328)**
Liabilities					
Deposits by banks	336	Potential impact on income statement			
		Underlying asset value^^	^^	–	48
Derivative financial instruments	26 681	Potential impact on income statement		(7 929)	7 937
		Cash flow adjustments	5.6%	(24)	4
		Volatilities	4.1% -25.3%	(14)	42
		Underlying asset value^^	^^	(7 891)	7 891
Liabilities arising on securitisation of other assets*	110 679	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	(546)	489
Total level 3 liabilities	**137 696**			**(8 475)**	**8 474**
Net level 3 assets	**1 553 824**				

* *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, discount rates and 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.*

Within the Hong Kong direct investment portfolio in rundown there are exposures within the investment portfolio with a balance sheet value of £26 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £2.8 million and a unfavourable change of £8.4 million, included within the table above.

14. Fair value hierarchy *(continued)*

31 March 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	83 170	Potential impact on income statement		7 741	(7 543)
		Credit spreads	5.8%	117	(114)
		Other^	^	7 624	(7 429)
Derivative financial instruments	38 635	Potential impact on income statement		22 720	(5 882)
		Volatilities	4.0% – 9.0%	129	(129)
		Credit spreads	7.1%	6	(9)
		Cash flow adjustments	CPR 6.2% –10.2%	134	(124)
		Underlying asset value^^	^^	7 731	(3 731)
		Other^	^	14 720	(1 889)
Securities arising from trading activities	7 118	Potential impact on income statement			
		Cash flow adjustments	CPR 9.2%	1 119	(1 480)
Investment portfolio	467 646	Potential impact on income statement			(78 504)
		Price earnings multiple	3.2 x – 9.0 x	8 852	(8 563)
		Underlying asset value^^	^^	16 426	(10 448)
		Other^	^	83 149	(59 493)
Loans and advances to customers	1 169 133	Potential impact on income statement		58 774	(74 960)
		Credit spreads	0.1% – 6.2%	6 327	(9 089)
		Price earnings multiple	4.9 x	703	(493)
		Underlying asset value^^	^^	2 778	(2 347)
		Other^	^	48 966	(63 031)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% – 2.1%	1 673	2 933
Other securitised assets	118 143	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	496	(473)
Total level 3 assets	**1 883 845**			**200 950**	**(171 775)**
Liabilities					
Derivative financial instruments	16 626	Potential impact on income statement		(8 035)	8 045
		Cash flow adjustments	CPR 6.2% –10.2%	(107)	116
		Volatilities	5.0% – 9.0%	(174)	174
		Underlying asset value^^	^^	(7 754)	7 755
Liabilities arising on securitisation of other assets*	113 711	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	(365)	344
Total level 3 liabilities	**130 337**			**(8 400)**	**8 389**
Net level 3 assets	**1 753 508**				

* *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, discount rates and 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.*

14. Fair value hierarchy *(continued)*

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

Credit spreads

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

Discount rates

Discount rates (including WACC) 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 flows 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.

EBITDA

A company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

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.

14. Fair value hierarchy *(continued)*

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Company				
2020				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	–	84 197	–
Sovereign debt securities	1 144 266	1 144 266	–	–
Bank debt securities	51 238	–	51 238	–
Other debt securities	218 768	–	74 369	144 399
Derivative financial instruments	1 242 566	–	1 234 089	8 477
Securities arising from trading activities	576 493	552 922	23 571	–
Investment portfolio	61 075	1 692	1 669	57 714
Loans and advances to customers	1 021 896	–	7 801	1 014 095
Other loans and advances	71 807	–	–	71 807
Other securitised assets	6 137	–	–	6 137
Other assets	27 221	27 221	–	–
	4 505 664	**1 726 101**	**1 476 934**	**1 302 629**
Liabilities				
Derivative financial instruments	1 233 733	13 853	1 206 401	13 479
Other trading liabilities	118 572	118 572	–	–
Repurchase agreements and cash collateral on securities lent	21 679	–	21 679	–
Debt securities in issue	219 915	–	219 915	–
Subordinated liabilities	343 233	343 233	–	–
	1 937 132	**475 658**	**1 447 995**	**13 479**
Net assets	**2 568 532**	**1 250 443**	**28 939**	**1 289 150**

14. Fair value hierarchy *(continued)*

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Company				
2019				
Assets				
Cash and balances at central banks	1	1	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	24 863	–
Sovereign debt securities	725 756	725 756	–	–
Bank debt securities	52 265	–	52 265	–
Other debt securities	276 824	–	192 098	84 726
Derivative financial instruments	587 326	–	560 478	26 848
Securities arising from trading activities	791 107	767 338	23 769	–
Investment portfolio	100 083	3 965	4 204	91 914
Loans and advances to customers	1 121 784	–	19	1 121 765
Other loans and advances	10 024	–	–	10 024
Other securitised assets	6 831	–	–	6 831
Other assets	13 822	13 822	–	–
	3 710 686	**1 510 882**	**857 696**	**1 342 108**
Liabilities				
Derivative financial instruments	680 878	5 856	658 450	16 572
Other trading liabilities	80 217	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	21 933	–
Debt securities in issue	368 895	–	368 895	–
Subordinated liabilities	367 707	367 707	–	–
	1 519 630	**453 780**	**1 049 278**	**16 572**
Net assets	**2 191 056**	**1 057 102**	**(191 582)**	**1 325 536**

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

Transfers between level 1 and level 2

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

14. 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:

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Company					
Assets					
Balance as at 1 April 2018	**159 740**	**1 220 295**	**7 000**	**138 265**	**1 525 300**
Total gains or (losses)	(33 473)	67 819	947	11 838	47 131
In the income statement	(33 473)	67 614	947	11 838	46 926
In the statement of comprehensive income	–	205	–	–	205
Purchases	5 529	1 231 891	–	–	1 237 420
Sales	(6 715)	(873 954)	–	(8 404)	(889 073)
Settlements	(42 178)	(573 084)	(1 116)	(27 532)	(643 910)
Foreign exchange adjustments	9 011	48 798	–	7 431	65 240
Balance as at 31 March 2019	**91 914**	**1 121 765**	**6 831**	**121 598**	**1 342 108**
Total gains or (losses)	(37 654)	26 665	179	4 884	(5 926)
In the income statement	(37 654)	26 187	179	4 884	(6 404)
In the statement of comprehensive income	–	478	–	–	478
Purchases	9 353	1 324 319	–	104 166	1 437 838
Sales	(7 384)	(1 019 590)	–	(1 082)	(1 028 056)
Settlements	(1 675)	(475 929)	(874)	(4 655)	(483 133)
Foreign exchange adjustments	3 160	36 865	1	(228)	39 798
Balance as at 31 March 2020	**57 714**	**1 014 095**	**6 137**	**224 683**	**1 302 629**

1. *Comprises of other debt securities, derivative financial instruments and other loans and advances.*

For the year to £'000	Liabilities[2]	**Total**
Company		
Liabilities		
Balance as at 1 April 2018	**15 641**	**15 641**
Total (gains) or losses	(7 019)	(7 019)
In the income statement	(7 019)	(7 019)
Sales	(11 800)	(11 800)
Issues	16 897	16 897
Transfers into level 3	2 854	2 854
Foreign exchange adjustments	(1)	(1)
Balance as at 31 March 2019	**16 572**	**16 572**
Total (gains) or losses	(2 917)	(2 917)
In the income statement	(2 917)	(2 917)
Settlements	(719)	(719)
Foreign exchange adjustments	543	543
Balance as at 31 March 2020	**13 479**	**13 479**

2. *Comprises of 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 year ended 31 March 2020, there were no transfers between the levels (31 March 2019: £nil).

14. 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 year to 31 March £'000	Total	Realised	Unrealised
Company			
2020			
Total gains or (losses) included in the income statement for the year			
Net interest income	75 171	58 473	16 698
Fee and commission income	(3 184)	–	(3 184)
Investment income*	(73 785)	18 749	(92 534)
Trading income arising from customer flow	(1 689)	–	(1 689)
	(3 487)	**77 222**	**(80 709)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	1 694	1 694	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	478	–	478
	2 172	**1 694**	**478**
2019			
Total gains or (losses) included in the income statement for the year			
Net interest income	98 473	84 640	13 833
Investment income	(50 008)	(3 278)	(46 730)
Trading income arising from customer flow	5 480	6 918	(1 438)
	53 945	**88 280**	**(34 335)**
Total gains or (losses) included in other comprehensive income for the year			
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	205	–	205
	205	**–**	**205**

* *Included within the investment income balance are realised losses of £75.8 million presented within operational items in the income statement.*

Level 2 financial assets and financial liabilities

The company follows the group's principal valuation techniques set out on page 227 in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

14. Fair value hierarchy *(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 following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

31 March 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	144 399	Potential impact on income statement		4 427	(12 439)
		Credit spreads	0.38% - 0.88%	23	(144)
		Cash flow adjustments	CPR 6.8%	9	(9)
		Discount rate	5.56%	7	(43)
		Underlying asset value^^	^^	454	(442)
		Other^	^	3 934	(11 801)
Derivative financial instruments	8 477	Potential impact on income statement		308	(924)
		Volatilities	4.1% - 25.3%	94	(283)
		Other^	^	214	(641)
Investment portfolio	57 714	Potential impact on income statement		6 275	(16 432)
		Underlying asset value^^	^^	2 868	(6 210)
		Other^	^	3 407	(10 222)
Loans and advances to customers	1 014 095	Potential impact on income statement		13 156	(41 076)
		Credit spreads	0.05% -3.5% & PAR	948	(6 042)
		Underlying asset value^^	^^	647	(352)
		Other^	^	11 561	(34 682)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% - 5.8%& PAR	4 645	(724)
Other securitised assets	6 137	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	156	(986)
Other loans and advances	71 807	Potential impact on income statement		74 784	(67 852)
		Underlying asset value^^	^^	22 285	(18 239)
		Credit spreads	2.07%	40 829	(40 580)
		Other^	^	11 670	(9 033)
Total level 3 assets	**1 302 629**			**103 751**	**(140 433)**
Liabilities					
Derivative financial instruments	13 479	Potential impact on income statement		(11 796)	12 783
		Discount rate	5.6%-11.3%	(11 782)	12 741
		Volatilities	4.1% -25.3%	(14)	42
Total level 3 liabilities	**13 479**			**(11 796)**	**12 783**
Net level 3 assets	**1 289 150**				

* *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, discount rates and 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.*

Within the Hong Kong direct investment portfolio in rundown there are exposures within the investment portfolio with a balance sheet value of £26 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £2.8 million and a unfavourable change of £8.4 million, included within the table above.

14. Fair value hierarchy *(continued)*

31 March 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	**Favourable changes £'000**	**Unfavourable changes £'000**
Company					
Assets					
Other debt securities	84 726	Potential impact on income statement		7 747	(7 549)
		Cash flow adjustments	CPR 6.2%	6	(6)
		Credit spreads	5.8%	117	(114)
		Other^	^	7 624	(7 429)
Derivative financial instruments	26 848	Potential impact on income statement		14 971	(1 434)
		Volatilities	4.0% – 9.0%	129	(129)
		Credit spreads	7.1%	6	(9)
		Cash flow adjustments	CPR 10.2%	116	(107)
		Other^	^	14 720	(1 189)
Investment portfolio	91 914	Potential impact on income statement		61 903	(37 179)
		Underlying asset value^^	^^	4 192	(2 814)
		Other^	^	57 711	(34 365)
Loans and advances to customers	1 121 765	Potential impact on income statement		54 740	(67 455)
		Credit spreads	0.1% – 4.4%	6 205	(8 910)
		Underlying asset value^^	^^	2 778	(2 347)
		Other^	^	45 757	(56 198)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% – 2.1%	1 673	(2 933)
Other securitised assets	6 831	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	868	(817)
Other loans and advances	10 024	Potential impact on income statement			
		Underlying asset value^^	^^	4 611	(401)
Total level 3 assets	**1 342 108**			**146 513**	**(117 768)**
Liabilities					
Derivative financial instruments	16 572	Potential impact on income statement		(8 035)	8 045
		Cash flow adjustments	CPR 10.2%	(107)	116
		Volatilities	5.0% – 9.0%	(174)	174
		Underlying asset value^^	^^	(7 754)	7 755
Total level 3 liabilities	**16 572**			**(8 035)**	**8 045**
Net level 3 assets	**1 325 536**				

* *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, discount rates and 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.*

15. Fair value of financial instruments at amortised cost

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
Group					
2020					
Assets					
Cash and balances at central banks^	2 277 318	2 277 318	^	^	^
Loans and advances to banks	1 793 867	1 793 710	1 637 484	151 331	4 895
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 542 976	1 383 433	159 543	–
Other debt securities	478 454	445 886	14 614	423 735	7 537
Loans and advances to customers	10 759 028	10 790 016	5 629	1 139 085	9 645 302
Other loans and advances	266 501	254 259	29 514	224 745	–
Other assets	885 036	884 946	555 267	308 204	21 475
	18 003 253	**17 989 111**			
Liabilities					
Deposits by banks	1 450 127	1 453 423	106 188	1 343 333	3 902
Repurchase agreements and cash collateral on securities lent	375 132	388 347	312 287	76 060	–
Customer accounts (deposits)	15 505 883	15 514 588	8 457 109	7 057 479	–
Debt securities in issue	806 559	814 585	44 506	770 079	–
Other liabilities	1 039 298	1 038 501	659 671	324 552	54 278
Subordinated liabilities	443 797	409 723	409 723	–	–
	19 620 796	**19 619 167**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

15. Fair value of financial instruments at amortised cost *(continued)*

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
Group					
2019					
Assets					
Cash and balances at central banks^	4 445 429	4 445 429	^	^	^
Loans and advances to banks	954 938	954 927	946 576	–	8 351
Reverse repurchase agreements and cash collateral on securities borrowed	608 339	608 354	508 232	100 122	–
Other debt securities	232 874	223 906	17 853	136 524	69 529
Loans and advances to customers	9 318 870	9 370 480	–	967 844	8 402 636
Other loans and advances	246 400	248 294	329	245 510	2 455
Other assets	570 737	571 380	334 690	216 490	20 200
	16 377 587	**16 422 770**			
Liabilities					
Deposits by banks	1 318 776	1 325 870	155 526	1 170 344	–
Repurchase agreements and cash collateral on securities lent^	292 402	292 402	^	^	^
Customer accounts (deposits)	13 499 234	13 468 093	6 903 243	6 564 850	–
Debt securities in issue	1 681 246	1 687 922	38 143	1 649 779	–
Other liabilities	699 789	698 720	400 992	244 073	53 655
Subordinated liabilities	435 992	433 112	433 112	–	–
	17 927 439	**17 906 119**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

15. Fair value of financial instruments at amortised cost *(continued)*

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Loans and advances to banks	Calculation of the present value of future cash flows, discounted as appropriate.
Bank debt securities	Valued using a cash flow model of the bonds, discounted by observable market credit.
Other debt securities	Priced with reference to similar trades in an observable market.
Reverse repurchase agreements and cash collateral on securities borrowed	Calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
Deposits by banks	Calculation of fair value using appropriate funding rates.
Customer accounts (deposits)	Where the deposits are short-term in nature, carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities, they are valued using a cash flow model discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised, fair value is equal to the carrying value. Other debt securities are valued using a cash flow model discounted as appropriate to the securities for funding and interest rates.
Other liabilities	Where the other liabilities are short term in nature, carrying amounts are assumed to approximate fair value.
Subordinated liabilities	Valued with reference to market prices.

15. Fair value of financial instruments at amortised cost *(continued)*

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
Company					
2020					
Assets					
Cash and balances at central banks^	2 235 286	2 235 286	^	^	^
Loans and advances to banks	988 928	988 771	983 876	–	4 895
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 542 976	1 383 433	159 543	–
Other debt securities	958 296	931 949	14 614	909 798	7 537
Loans and advances to customers	7 835 298	7 860 526	5 629	95 185	7 759 712
Other loans and advances	2 677 844	2 672 077	29 513	2 642 564	–
Other assets	605 485	605 396	546 505	58 750	141
	16 844 186	**16 836 981**			
Liabilities					
Deposits by banks	1 537 317	1 533 768	96 835	1 433 031	3 902
Repurchase agreements and cash collateral on securities lent	375 132	388 347	312 287	76 060	–
Customer accounts (deposits)	14 559 110	14 567 803	8 286 392	6 281 411	–
Debt securities in issue	762 053	770 079	–	770 079	–
Other liabilities	742 456	741 466	655 486	79 259	6 721
Subordinated liabilities	443 797	409 723	409 723	–	–
	18 419 865	**18 411 186**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

15. Fair value of financial instruments at amortised cost *(continued)*

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
Company					
2019					
Assets					
Cash and balances at central banks^	4 416 584	4 416 584	^	^	^
Loans and advances to banks	226 974	226 963	218 612	–	8 351
Reverse repurchase agreements and cash collateral on securities borrowed	608 339	608 354	508 232	100 122	–
Other debt securities	750 962	741 994	17 853	134 515	589 626
Loans and advances to customers	6 602 376	6 659 769	–	86 055	6 573 714
Other loans and advances	2 725 262	2 726 978	329	2 724 194	2 455
Other assets	371 450	371 451	371 451	–	–
	15 701 947	**15 752 093**			
Liabilities					
Deposits by banks	1 516 768	1 514 011	436 479	1 077 532	–
Repurchase agreements and cash collateral on securities lent^	292 402	292 402	^	^	^
Customer accounts (deposits)	12 659 032	12 627 850	7 023 581	5 604 269	–
Debt securities in issue	1 643 103	1 649 779	–	1 649 779	–
Other liabilities	459 817	458 749	426 308	23 898	8 543
Subordinated liabilities	435 992	433 112	433 112	–	–
	17 007 114	**16 975 903**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

16. Designated at fair value

At 31 March £'000	Carrying value	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit risk
Group						
Financial assets designated at fair value through profit or loss						
2020						
Securities arising from trading activities	250 947	(31 876)	(24 112)	(2 236)	(2 158)	250 947
Other securitised assets	106 218	(3 959)	(9 332)	(3 959)	(9 332)	106 218
	357 165	**(35 835)**	**(33 444)**	**(6 195)**	**(11 490)**	**357 165**
2019						
Securities arising from trading activities	508 036	13 864	17 050	(244)	1 325	508 036
Other securitised assets	118 143	(4 607)	(13 170)	(4 607)	(13 170)	118 143
	626 179	**9 257**	**3 880**	**(4 851)**	**(11 845)**	**626 179**

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative
Financial liabilities designated at fair value through profit or loss						
2020						
Deposits by banks	336	1 478	(637)	(637)	–	–
Debt securities in issue	219 915	239 556	(28 672)	(24 857)	(2 332)	(2 062)
Liabilities arising on securitisation of other assets	110 679	122 496	(2 261)	(11 912)	(2 261)	(11 912)
Subordinated liabilities	343 233	307 962	(24 555)	31 698	(12 460)	14 675
	674 163	**671 492**	**(56 125)**	**(5 708)**	**(17 053)**	**701**
2019						
Debt securities in issue	368 895	413 524	15 991	19 021	(910)	1 969
Liabilities arising on securitisation of other assets	113 711	130 833	(4 234)	(10 308)	(4 234)	(10 308)
Subordinated liabilities	367 707	307 962	56 253	56 253	27 564	27 564
	850 313	**852 319**	**68 010**	**64 966**	**22 420**	**19 225**

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

16. Designated at fair value *(continued)*

At 31 March £'000	Carrying value	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit risk
Company						
Financial assets designated at fair value through profit or loss						
2020						
Other debt securities	1 404	(217)	128	(217)	128	1 404
Securities arising from trading activities	250 947	(31 876)	(24 112)	(2 236)	(2 158)	250 947
Other securitised assets	6 137	(694)	6 137	(694)	6 137	6 137
	258 488	**(32 787)**	**(17 847)**	**(3 147)**	**4 107**	**258 488**
2019						
Other debt securities	1 556	(84)	191	(84)	191	1 556
Securities arising from trading activities	508 036	13 864	17 050	(244)	1 325	508 036
Other securitised assets	6 831	(169)	6 831	(169)	6 831	6 831
	516 423	**13 611**	**24 072**	**(497)**	**8 347**	**516 423**

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative
Financial liabilities designated at fair value through profit or loss						
2020						
Debt securities in issue	219 915	239 556	(28 672)	(24 857)	(2 332)	(2 062)
Subordinated liabilities	343 233	307 962	(24 555)	31 698	(12 460)	14 675
	563 148	**547 518**	**(53 227)**	**6 841**	**(14 792)**	**12 613**
2019						
Debt securities in issue	368 895	413 524	15 991	19 021	(910)	1 969
Subordinated liabilities	367 707	307 962	56 253	56 253	27 564	27 564
	736 602	**721 486**	**72 244**	**75 274**	**26 654**	**29 533**

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

17. Cash and balances at central banks

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Gross cash and balances at central banks	2 277 318	4 445 431	2 235 286	4 416 585
Expected credit loss	–	(1)	–	–
Net cash and balances at central banks	**2 277 318**	**4 445 430**	**2 235 286**	**4 416 585**
The country risk of cash and bank balances at central banks lies in the following geographies:				
United Kingdom	2 235 296	4 404 486	2 235 286	4 404 472
Europe (excluding UK)	42 022	40 944	–	12 113
	2 277 318	**4 445 430**	**2 235 286**	**4 416 585**

18. Loans and advances to banks

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Gross loans and advances to banks	1 793 925	954 996	988 961	227 010
Expected credit loss	(58)	(58)	(33)	(36)
Net loans and advances to banks	**1 793 867**	**954 938**	**988 928**	**226 974**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	9 509	18 256	7 803	18 048
United Kingdom	811 686	497 523	399 723	138 378
Europe (excluding UK)	546 821	266 072	271 399	18 492
Australia	132 245	97 192	84 107	31 716
United States of America	270 782	63 701	219 521	20 340
Other	22 824	12 194	6 375	–
	1 793 867	**954 938**	**988 928**	**226 974**

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

	Group		Company	
At 31 March £'000	**2020**	2019	**2020**	2019
Assets				
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 627 250	633 204	1 627 250	633 204
Expected credit loss	(4)	(2)	(4)	(2)
Net reserve repurchase agreements and cash collateral on securities borrowed	**1 627 246**	**633 202**	**1 627 246**	**633 202**
Reverse repurchase agreements	1 597 446	575 891	1 597 446	575 891
Cash collateral on securities borrowed	29 800	57 311	29 800	57 311
	1 627 246	**633 202**	**1 627 246**	**633 202**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge. £371 million (2019: £103 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.				
Liabilities				
Repurchase agreements	370 910	201 022	370 910	201 022
Cash collateral on securities lent	25 901	113 313	25 901	113 313
	396 811	**314 335**	**396 811**	**314 335**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £37 million (2019: £105 million). They are pledged as security for the term of the underlying repurchase agreement.

20. Sovereign debt securities

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Gross sovereign debt securities	1 688 670	1 298 947	1 144 266	725 756
Expected credit loss	–	–	–	–
Net sovereign debt securities	**1 688 670**	**1 298 947**	**1 144 266**	**725 756**
Government securities	794 308	405 695	794 308	405 694
Treasury bills	894 362	893 252	349 958	320 062
	1 688 670	**1 298 947**	**1 144 266**	**725 756**
The country risk of sovereign debt securities lies in the following geographies:				
United Kingdom	1 189 195	1 069 409	841 444	617 869
Europe (excluding UK)*	45 359	13 460	45 359	13 460
United States of America	435 562	216 078	238 909	94 427
Australia	18 554	–	18 554	–
	1 688 670	**1 298 947**	**1 144 266**	**725 756**

* *Where Europe (excluding UK) largely includes securities held in Germany and France.*

21. Bank debt securities

At 31 March £'000	Group and Company 2020	Group and Company 2019
Bonds	51 238	52 265
	51 238	**52 265**
The country risk of bank debt securities lies in the following geographies		
United Kingdom	51 238	52 265
	51 238	**52 265**

22. Other debt securities

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Gross other debt securities	696 586	508 515	1 177 827	1 028 165
Expected credit loss	(768)	(373)	(763)	(379)
Net other debt securities	**695 818**	**508 142**	**1 177 064**	**1 027 786**
Bonds	219 226	215 631	737 222	733 719
Commercial paper	9 881	9 878	9 881	9 878
Asset-backed securities	466 711	282 633	429 961	284 189
	695 818	**508 142**	**1 177 064**	**1 027 786**
The country risk of other debt securities lies in the following geographies				
United Kingdom	202 081	175 346	699 160	696 999
Europe (excluding UK)	94 217	95 135	94 217	95 135
United States of America	328 268	152 404	312 435	150 395
Other	71 252	85 257	71 252	85 257
	695 818	**508 142**	**1 177 064**	**1 027 786**

23. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as a customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at the balance sheet date.

	2020			**2019**		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange contracts	19 242 983	320 673	364 851	16 423 044	215 150	125 361
Currency swaps	566 764	38 115	44 214	1 012 208	63 176	58 219
OTC options bought and sold	2 199 686	47 388	50 573	5 180 061	28 053	23 856
	22 009 433	**406 176**	**459 638**	**22 615 313**	**306 379**	**207 436**
Interest rate derivatives						
Caps and floors	9 449 836	21 618	17 912	7 857 100	13 182	5 625
Swaps	32 638 653	309 093	119 127	27 025 955	145 487	96 750
OTC derivatives	**42 088 489**	**330 711**	**137 039**	**34 883 055**	**158 669**	**102 375**
Exchange traded futures	744 388	50	36	–	–	–
	42 832 877	**330 761**	**137 075**	**34 883 055**	**158 669**	**102 375**
Equity and stock index derivatives						
OTC options bought and sold	6 228 658	308 070	107 633	6 796 107	91 242	158 053
Equity swaps and forwards	7 412	–	786	232 249	1 410	439
OTC derivatives	**6 236 070**	**308 070**	**108 419**	**7 028 356**	**92 652**	**158 492**
Exchange traded futures	286 862	–	–	467 477	7	–
Exchange traded options	9 896 516	–	237 424	10 689 326	–	153 046
Warrants	15 909	–	–	22 348	7 660	–
	16 435 357	**308 070**	**345 843**	**18 207 507**	**100 319**	**311 538**
Commodity derivatives						
OTC options bought and sold	483 474	42 191	49 487	257 431	19 231	25 928
Commodity swaps and forwards	974 060	147 963	141 701	769 662	36 870	34 227
	1 457 534	**190 154**	**191 188**	**1 027 093**	**56 101**	**60 155**
Credit derivatives	**1 090 981**	**14 096**	**112 365**	**1 152 409**	**10 211**	**37 523**
Other derivatives		**2 137**			**10 851**	
Derivatives per balance sheet		**1 251 394**	**1 246 109**		**642 530**	**719 027**

23. Derivative financial instruments *(continued)*

At 31 March £'000	2020 Notional principal amounts	2020 Positive fair value	2020 Negative fair value	2019 Notional principal amounts	2019 Positive fair value	2019 Negative fair value
Company						
Foreign exchange derivatives						
Forward foreign exchange contracts	18 570 477	321 002	372 781	15 921 019	213 594	124 323
Currency swaps	525 005	33 450	37 887	821 815	55 079	55 409
OTC options bought and sold	2 177 366	46 716	50 356	5 078 070	26 699	22 513
	21 272 848	**401 168**	**461 024**	**21 820 904**	**295 372**	**202 245**
Interest rate derivatives						
Caps and floors	9 196 705	21 618	17 898	7 844 837	13 182	5 625
Swaps	32 509 115	310 056	119 098	25 686 005	123 603	78 580
OTC options bought and sold	–	12 821	–	–	–	–
OTC derivatives	**41 705 820**	**344 495**	**136 996**	**33 530 842**	**136 785**	**84 205**
Exchange traded futures	744 388	50	36	–	–	–
	42 450 208	**344 545**	**137 032**	**33 530 842**	**136 785**	**84 205**
Equity and stock index derivatives						
OTC options bought and sold	6 227 951	308 070	107 633	6 795 431	91 242	158 053
Equity swaps and forwards	7 412	–	786	232 249	1 410	439
OTC derivatives	**6 235 363**	**308 070**	**108 419**	**7 027 680**	**92 652**	**158 492**
Exchange traded futures	286 862	–	–	467 477	7	–
Exchange traded options	9 896 516	–	237 424	10 689 326	–	153 046
Warrants	15 503	–	–	18 437	4 160	–
	16 434 244	**308 070**	**345 843**	**18 202 920**	**96 819**	**311 538**
Commodity derivatives						
OTC options bought and sold	244 587	48 073	36 304	29 205	4 165	14 593
Commodity swaps and forwards	852 248	124 477	141 165	657 168	33 123	30 774
	1 096 835	**172 550**	**177 469**	**686 373**	**37 288**	**45 367**
Credit derivatives	**1 090 981**	**14 096**	**112 365**	**1 152 409**	**10 211**	**37 523**
Other derivatives		**2 137**			**10 851**	
Derivatives per balance sheet		**1 242 566**	**1 233 733**		**587 326**	**680 878**

24. Securities arising from trading activities

	Group		Company	
At 31 March £'000	**2020**	2019	**2020**	2019
Asset-backed securities	6 200	7 118	–	–
Bonds	125 547	110 616	125 547	110 616
Government securities	372 785	419 350	372 785	419 350
Listed equities	78 161	261 140	78 161	261 141
	582 693	**798 224**	**576 493**	**791 107**

25. Investment portfolio

	Group		Company	
At 31 March £'000	**2020**	2019	**2020**	2019
Listed equities	7 531	21 189	2 147	13 762
Unlisted equities*	343 131	465 304	58 928	86 321
	350 662	**486 493**	**61 075**	**100 083**

* *Unlisted equities includes loan instruments that are convertible into equity.*

26. Loans and advances to customers and other loans and advances

	Group		Company	
At 31 March £'000	**2020**	2019	**2020**	2019
Gross loans and advances to customers at amortised cost	10 932 235	9 466 667	7 967 722	6 719 848
Gross loans and advances to customers at FVOCI	421 841	397 068	421 841	397 068
Gross loans and advances to customers subject to expected credit losses	**11 354 076**	**9 863 735**	**8 389 563**	**7 116 916**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(173 207)	(147 797)	(132 424)	(117 472)
Net loans and advances to customers at amortised cost and FVOCI^	**11 180 869**	**9 715 938**	**8 257 139**	**6 999 444**
Loans and advances to customers at fair value through profit and loss	653 338	772 084	600 055	724 716
Loans and advances to customers	**11 834 207**	**10 488 022**	**8 857 194**	**7 724 160**
Gross other loans and advances	266 624	246 514	2 764 436	2 759 734
Expected credit losses on other loans and advances	(123)	(114)	(14 785)	(24 448)
Net other loans and advances	**266 501**	**246 400**	**2 749 651**	**2 735 286**

^ *Expected credit losses above do not include £2 million (31 March 2019: £1 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.*

For further analysis on loans and advances for the group refer to pages 50 to 61 in the risk management section, for the company pages 304 to 306.

26. Loans and advances to customers and other loans and advances *(continued)*

At 31 March £'000	Group 2020	Company 2020
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^		
Balance as at 31 March 2018	**151 840**	**141 421**
Adoption of IFRS 9	93 895	75 364
Balance as at 1 April 2018	**245 735**	**216 785**
Charge to the income statement	36 133	23 820
Reversals and recoveries recognised in the income statement	(453)	(347)
Write-offs	(139 532)	(128 639)
Transfers	4 397	4 397
Exchange adjustments	1 517	1 456
Balance as at 31 March 2019	**147 797**	**117 472**
Charge to the income statement	73 261	51 677
Reversals and recoveries recognised in the income statement	(95)	(95)
Write-offs	(48 541)	(37 660)
Exchange adjustments	785	1 030
Balance as at 31 March 2020	**173 207**	**132 424**
Expected credit loss of other loans and advances		
Balance as at 31 March 2018	**822**	**16 152**
Adoption of IFRS 9	2 078	4 558
Balance as at 1 April 2018	**2 900**	**20 710**
(Release)/charge to the income statement	(2 835)	1 772
Write-offs	49	1 966
Balance as at 31 March 2019	**114**	**24 448**
(Release)/charge to the income statement	25	1 393
Write-offs	–	(11 056)
Exchange adjustments	(16)	–
Balance as at 31 March 2020	**123**	**14 785**

^ *Expected credit losses above do not include £2 million (31 March 2019: £1 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.*

27. Securitised assets and liabilities arising on securitisation

	Group		Company	
At 31 March £'000	**2020**	2019	**2020**	2019
Other securitised assets are made up of the following categories of assets:				
Loans and advances to customers	100 081	111 312	–	–
Other debt securities	6 137	6 831	6 137	6 831
Total other securitised assets	**106 218**	**118 143**	**6 137**	**6 831**
The associated liabilities are recorded on balance sheet in the following line items:				
Liabilities arising on securitisation of other assets	**110 679**	**113 711**	**–**	**–**

28. Interests in associated undertakings and joint venture holdings

At 31 March £'000	2020	2019
Group		
Interests in associated and joint venture holdings undertakings consist of:		
Net asset value	6 440	8 414
Goodwill	139	441
Investment in associated undertakings and joint venture holdings	**6 579**	**8 855**
Associated undertakings and joint venture holdings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At the beginning of the year	8 414	6 112
Exchange adjustments	(761)	56
Acquisitions	–	188
Disposals	(313)	–
Share of post-taxation profits of associates and joint venture holdings^	2 224	2 830
Dividends received	(3 124)	(772)
At the end of the year	**6 440**	**8 414**
Analysis of the movement in goodwill:		
At the beginning of the year	441	302
Disposals	(302)	–
Acquisitions	–	139
At the end of the year	**139**	**441**

^ *Included within the Share of post-taxation profit from associates and joint venture holdings balance is profit of £96 000 (31 March 2019: £150 000) presented within operational items in the income statement.*

At 31 March £'000	2020	2019
Company		
Analysis of the movement in investment:		
At the beginning of the year	610	571
Exchange adjustments	35	39
At the end of the year	**645**	**610**
Provision for impairment in value:		
At the beginning of the year	–	–
Disposals	–	–
At the end of the year	**–**	**–**
Net book value at the end of the year	**645**	**610**

29. Deferred taxation

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Deferred taxation assets*	129 715	133 344	82 714	98 008
Deferred taxation liabilities	(22 112)	(21 341)	(6 774)	(4 595)
Net deferred taxation assets	**107 603**	**112 003**	**75 940**	**93 413**
The net deferred taxation assets arise from:				
Deferred capital allowances	37 401	35 536	7 578	8 987
Income and expenditure accruals	16 229	10 194	12 150	11 685
Asset in respect of unexpired options	8 080	16 992	7 483	15 887
Unrealised fair value adjustments on financial instruments	40 124	49 527	38 861	47 676
Losses carried forward	18 211	13 428	9 868	9 178
Asset in respect of pension deficit	315	282	–	–
Deferred tax on acquired intangibles	(12 757)	(13 704)	–	–
Other temporary differences	–	(252)	–	–
Net deferred taxation assets	**107 603**	**112 003**	**75 940**	**93 413**
Reconciliation of net deferred taxation assets				
At the beginning of the year	**112 003**	**62 479**	**93 413**	**44 771**
Adoption of IFRS 9	–	64 068	–	62 288
Balance as at 1 April	**112 003**	**126 547**	**93 413**	**107 059**
Charge to income statement – current year taxation	6 624	1 892	(8 688)	2 679
Movement directly in other comprehensive income	(9 357)	(16 712)	(8 686)	(16 430)
Arising on acquisitions / disposals	(1 633)	–	–	–
Other	–	–	–	105
Exchange adjustments	(34)	276	(99)	–
At the end of the year	**107 603**	**112 003**	**75 940**	**93 413**

* *Following the adoption of IFRS 9 on 1 April 2018, additional deferred tax assets of £64 million (company £62 million) were recognised. The effect of this is included within the unrealised fair value adjustment on financial instruments line item in the disclosure above.*

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses and excess management expenses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £46.4 million (2019: £147 million) (company £nil million) (2019 company: £nil million), capital losses carried forward of £44.5 million (2019: £36 million) and excess management expenses of £1.2 million (2019: £6.1 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The Finance Act 2015 reduced the main rate of corporate taxation to 19% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020 but this reduction was reversed in the Finance Bill 2020 and given statutory effect under the provision of the Provisional Collection of Taxes Act 1968. The effect of these legislative changes is reflected in the above calculation of the deferred taxation asset as the rate was substantially enacted before 31 March 2020.

30. Other assets

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Gross other assets	1 462 159	847 604	705 880	541 607
Expected credit loss	–	–	–	–
Net other assets	**1 462 159**	**847 604**	**705 880**	**541 607**
Settlement debtors	790 884	498 534	537 142	305 388
Trading properties	36 081	55 529	4 293	9 621
Prepayments and accruals	107 684	118 425	63 037	70 638
Trading initial margin	27 221	13 822	27 221	13 822
Finance lease receivables*	322 211	–	–	–
Other	178 078	161 294	74 187	142 138
	1 462 159	**847 604**	**705 880**	**541 607**

* *The group adopted IFRS 16 from 1 April 2019. The group has a head lease and sublease arrangement with external partners and has recognised finance lease receivables of £330 million and corresponding lease liabilities of £325 million. The prior period comparatives have not been restated. Refer to Implementation of IFRS 16 note 56.*

31. Property and equipment

At 31 March £'000	Freehold properties	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
Group							
2020							
Cost							
At the beginning of the year	36	–	86 124	7 861	25 129	9 965	129 115
Exchange adjustments	–	–	1 687	(96)	(28)	–	1 563
Additions**	–	145 240	5 759	88	1 591	184	152 862
Disposals	–	(347)	(1 283)	(421)	(491)	(2 939)	(5 481)
Write off	–	–	(201)	–	–	–	(201)
At the end of the year	**36**	**144 893**	**92 086**	**7 432**	**26 201**	**7 210**	**277 858**
Accumulated depreciation							
At the beginning of the year	(36)	–	(17 421)	(2 168)	(7 391)	(7 385)	(34 401)
Exchange adjustments	–	(435)	361	(16)	27	–	(63)
Disposals	–	678	1 552	180	466	2 787	5 663
Depreciation charge for the year	–	(17 189)	(6 769)	(844)	(5 893)	(1 407)	(32 102)
At the end of the year	**(36)**	**(16 946)**	**(22 277)**	**(2 848)**	**(12 791)**	**(6 005)**	**(60 903)**
Net carrying value	**–**	**127 947**	**69 809**	**4 584**	**13 410**	**1 205**	**216 955**
2019							
Cost							
At the beginning of the year	2 755	–	78 647	6 487	30 653	10 515	129 057
Exchange adjustments	–	–	809	446	(53)	–	1 202
Additions**	–	–	39 611	5 824	11 030	244	56 709
Disposals	(2 719)	–	(32 943)	(4 896)	(16 501)	(794)	(57 853)
At the end of the year	**36**	**–**	**86 124**	**7 861**	**25 129**	**9 965**	**129 115**
Accumulated depreciation							
At the beginning of the year	(395)	–	(44 504)	(6 008)	(19 149)	(5 818)	(75 874)
Exchange adjustments	–	–	650	(7)	64	–	707
Disposals	359	–	33 335	4 823	15 898	570	54 985
Depreciation charge for the year	–	–	(6 902)	(976)	(4 204)	(2 137)	(14 219)
At the end of the year	**(36)**	**–**	**(17 421)**	**(2 168)**	**(7 391)**	**(7 385)**	**(34 401)**
Net carrying value	**–**	**–**	**68 703**	**5 693**	**17 738**	**2 580**	**94 714**

* *These are assets held by the group, in circumstances where the group is lessor.*

** *Additions include transfers from work in progress reported in other assets in the prior year. The group adopted IFRS 16 from 1 April 2019 and as a result, recognised right of use assets included within additions of £141 million. The prior period comparatives have not been restated. Refer to Implementation of IFRS 16 note 56.*

^ *Right of use assets primarily comprises property leases under IFRS 16.*

31. Property and equipment *(continued)*

At 31 March £'000	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Total
Company					
2020					
Cost					
At the beginning of the year	–	38 044	6 135	12 986	57 165
Additions**	60 451	3 372	–	945	64 768
Disposals	–	–	(192)	–	(192)
At the end of the year	**60 451**	**41 416**	**5 943**	**13 931**	**121 741**
Accumulated depreciation					
At the beginning of the year	–	(3 400)	(582)	(3 292)	(7 274)
Disposals	–	9	31	(22)	18
Depreciation charge for the year	(6 773)	(4 355)	(606)	(3 368)	(15 102)
At the end of the year	**(6 773)**	**(7 746)**	**(1 157)**	**(6 682)**	**(22 358)**
Net carrying value	**53 678**	**33 670**	**4 786**	**7 249**	**99 383**
2019					
Cost					
At the beginning of the year	–	32 844	5 275	22 088	60 207
Additions**	–	37 629	5 641	6 594	49 864
Disposals	–	(37 429)	(4 781)	(15 696)	(52 906)
At the end of the year	**–**	**38 044**	**6 135**	**12 986**	**57 165**
Accumulated depreciation					
At the beginning of the year	–	(31 283)	(4 943)	(15 951)	(52 177)
Disposals	–	31 920	4 781	15 235	51 936
Depreciation charge for the year	–	(4 037)	(420)	(2 576)	(7 033)
At the end of the year	**–**	**(3 400)**	**(582)**	**(3 292)**	**(7 274)**
Net carrying value	**–**	**34 644**	**5 553**	**9 694**	**49 891**

** *Additions include transfers from work in progress reported in other assets in the prior year. The company adopted IFRS 16 from 1 April 2019 and as a result recognised right of use assets included within additions of £60 million. The prior period comparatives have not been restated. Refer to Implementation of IFRS 16 note 56.*

^ *Right of use assets primarily comprises property leases under IFRS 16.*

On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation on these operating leased assets has been shown separately on the face of the income statement.

32. Investment properties

Group £'000	2020	2019
At the beginning of the year	14 500	14 500
Additions	–	–
Disposals	(14 500)	–
Fair value movement	–	–
Exchange adjustment	–	–
At the end of the year	**–**	**14 500**

The investment property was sold during the year. In the prior year the investment property was classified as level 3 in the fair value hierarchy.

Fair value hierarchy – Investment properties

For all investment properties that are measured at fair value, the current use of the property is considered the highest and best use.

Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method, a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property, the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

Significant unobservable inputs	*Relationship between unobservable inputs and fair value measurement*
Expected rental value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value

The unobservable inputs used in the valuation as at 31 March 2019 were an ERV of £1.3 million and an equivalent yield of 8.37%. Using a reasonably possible change in the inputs would lead to a favourable change of £1.45 million or an unfavourable change of £1.45 million.

33. Goodwill

At 31 March £'000	2020	2019
Cost		
At the beginning of the year	287 328	287 545
Adjustment of goodwill on acquisition within the measurement period	–	(44)
Disposal of subsidiaries	(7 988)	–
Exchange adjustments	88	(173)
At the end of the year	**279 428**	**287 328**
Accumulated impairments		
At the beginning of the year	(26 470)	(26 470)
Income statement amount	–	–
At the end of the year	**(26 470)**	**(26 470)**
Net carrying value	**252 958**	**260 858**
Analysis of goodwill by line of business:		
Wealth & Investment	241 139	249 130
Specialist Banking	11 819	11 728
Total group	**252 958**	**260 858**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment, which includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group) which was merged with Wealth & Investment in August 2012.

For Investec Wealth & Investment, goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 8.7% (2019: 8.6%) which incorporate an expected revenue growth rate of 2% in perpetuity (2019: 2%). The valuation is based on value in use of the business.

Sensitivity analysis has been carried out and it has been concluded that the key assumptions would need to increase to 18.7% for the discount rate or to reduce the present value of the future cash flows by 60% in order to cause an impairment to be recognised.

Movement in goodwill

Goodwill of £8 million was written off as part of the sale of the Ireland Wealth businesses during the current year, refer to note 35. There were no significant movements in goodwill for the prior year.

34. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Management contracts*	Client relationships*	Total
Group					
2020					
Cost					
At the beginning of the year	22 968	–	592	181 974	205 534
Exchange adjustments	52	–	–	46	98
Additions	4 085	–	–	–	4 085
Disposals	(1 840)	–	–	–	(1 840)
Write off	–	–	(592)	–	(592)
At the end of the year	**25 265**	**–**	**–**	**182 020**	**207 285**
Accumulated amortisation and impairments					
At beginning of year	(15 843)	–	(592)	(100 689)	(117 124)
Exchange adjustments	(209)	–	–	(30)	(239)
Disposals	717	–	–	–	717
Amortisation	(2 975)	–	–	(12 915)	(15 890)
Write off	–	–	592	–	592
At end of year	**(18 310)**	**–**	**–**	**(113 634)**	**(131 944)**
Net carrying value	**6 955**	**–**	**–**	**68 386**	**75 341**
2019					
Cost					
At the beginning of the year	40 845	3 101	605	182 033	226 584
Exchange adjustments	(8)	–	(13)	(59)	(80)
Additions	2 053	4 775	–	–	6 828
Disposals	(19 922)	–	–	–	(19 922)
Write off of internal software	–	(7 876)	–	–	(7 876)
At the end of the year	**22 968**	**–**	**592**	**181 974**	**205 534**
Accumulated amortisation and impairments					
At beginning of year	(33 368)	(861)	(531)	(87 852)	(122 612)
Exchange adjustments	30	–	13	46	89
Disposals	19 793	–	–	–	19 793
Amortisation	(2 298)	(994)	(74)	(12 884)	(16 250)
Write off of internal software	–	1 855	–	–	1 855
At the end of the year	**(15 843)**	**–**	**(592)**	**(100 690)**	**(117 125)**
Net carrying value	**7 125**	**–**	**–**	**81 284**	**88 409**

* *Management contracts and client relationships are acquired intangibles.*

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010, EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

34. Intangible assets *(continued)*

At 31 March £'000	Acquired software
Company	
2020	
Cost	
At the beginning of the year	1 203
Exchange adjustments	–
Additions	1 502
Disposals	–
At the end of the year	**2 705**
Accumulated amortisation and impairments	
At the beginning of the year	(1 083)
Exchange adjustments	–
Disposals	–
Amortisation	(566)
At the end of the year	**(1 649)**
Net carrying value	**1 056**
2019	
Cost	
At the beginning of the year	20 283
Exchange adjustments	–
Additions	102
Disposals	(19 182)
At the end of the year	**1 203**
Accumulated amortisation and impairments	
At the beginning of the year	(19 975)
Exchange adjustments	–
Disposals	19 053
Amortisation	(161)
At the end of the year	**(1 083)**
Net carrying value	**120**

35. Acquisitions and disposals

Group and Company

There were no significant acquisitions of subsidiaries during the current and prior years.

During the current year, the group completed the sale of its Republic of Ireland Wealth & Investment business for proceeds of €44 million. The decision to dispose of the business was taken in light of changes in Investec's Irish business model, brought about by Brexit planning and the ongoing consolidation taking place in the wealth management industry in Ireland. The sale did not impact the group's other Irish businesses which have the necessary regulatory structure in place to continue to provide their existing range of specialist financial services. There were no significant disposals of subsidiaries in the prior year.

36. Other trading liabilities

At 31 March £'000	2020	2019
Short positions		
– Equities	33 755	55 294
– Gilts	84 817	24 923
	118 572	**80 217**

37. Debt securities in issue

	Group		Company	
At 31 March £'000	**2020**	2019	**2020**	2019
Bonds and medium-term notes repayable:				
Less than three months	49 328	30 921	6 016	30 915
Three months to one year	35 471	129 046	35 471	129 046
One to five years	706 462	1 295 149	705 268	1 293 959
Greater than five years	235 213	595 025	235 213	558 076
	1 026 474	**2 050 141**	**981 968**	**2 011 996**
Analysis by customer type:				
Retail	92 207	933 498	92 207	933 498
Wholesale	934 267	1 116 643	889 761	1 078 500
	1 026 474	**2 050 141**	**981 968**	**2 011 998**

Reclassification of Deposits

Following a review of the contractual terms of certain Investec Structured Products, funds held within some Investment plans have been reclassified to Customer accounts (deposits) as at 31 March 2020 from Debt securities in issue. This reclassification is to better reflect the underlying characteristics of these plans and the liquidity of the products which is more aligned to Customer accounts (deposits). The balance of these plans was £823 million as at 31 March 2020. Management consider that this amount was not material to the users of the balance sheet in the prior year and so has not made the same reclassification in the prior year, if this change had been made at 31 March 2019 the impact would have been a movement of £825 million from Debt securities in issue to Customer accounts (deposits).

38. Other liabilities

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Settlement liabilities	813 820	503 336	567 915	312 182
Other creditors and accruals	239 179	295 217	137 430	173 929
Other non-interest bearing liabilities	95 594	100 022	88 506	95 626
Lease liabilities*	478 558	–	72 023	–
Expected credit losses on off-balance sheet	3 613	1 918	3 351	1 532
	1 630 764	**900 493**	**869 225**	**583 269**

* *The group adopted IFRS 16 from 1 April 2019 and as a result recognised lease liabilities. The prior period comparatives have not been restated. Refer to Implementation of IFRS 16 note 56.*

The maturity analysis of the lease liabilities is shown below.

At 31 March £'000	2020 Undiscounted lease payments	2020 Present value
Group		
Lease liabilities included in other liabilities		
Lease liabilities payable in:		
Less than one year	68 681	63 716
One to five years	250 195	223 402
Later than five years	224 573	191 440
	543 449	**478 558**

At 31 March £'000	2020 Undiscounted lease payments	2020 Present value
Company		
Lease liabilities included in other liabilities		
Lease liabilities payable in:		
Less than one year	9 117	7 969
One to five years	37 611	34 435
Later than five years	30 312	29 619
	77 040	**72 023**

Reconciliation from opening balance to closing balance

At 31 March £'000	Group 2020	Company 2020
Opening balance	–	–
Adoption of IFRS 16	500 001	77 012
Interest on lease liabilities	16 351	1 268
New leases	24 377	–
Disposals	(7 902)	–
Repayment of lease liabilities	(67 565)	(6 257)
Exchange adjustments	13 296	–
Closing balance	**478 558**	**72 023**

39. Pension commitments

At 31 March **£'000**	**2020**	2019
Income statement charge		
Cost of defined contribution schemes included in staff costs	28 226	27 177
Net income statement charge in respect of pensions	**28 226**	**27 177**

Investec Bank plc staff have in previous years participated in an Investec Plc group defined benefit scheme along with employees from other Investec group undertakings. During the year, the group completed the demerger transaction to incorporate Ninety One (previously Investec Asset Management) as an independent company (see Investec group's 2020 integrated annual report). As a result of this, the net assets of the Ninety One UK pension scheme (previously the Investec Asset Management Pension scheme) were derecognised from the consolidated Investec Plc group balance sheet. Investec plc has no ongoing involvement with the scheme and has no liabilities or obligations in respect of the scheme at 31 March 2020.

As a result of this no additional information is presented here as has been shown in previous years.

40. Subordinated liabilities

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Issued by Investec Bank plc				
Subordinated fixed rate medium-term notes – fair value	343 232	367 707	343 232	367 707
Subordinated fixed rate re-set callable medium-term notes – amortised cost	443 798	435 992	443 798	435 992
	787 030	**803 699**	**787 030**	**803 699**
Remaining maturity:				
In one year or less, or on demand	–	–	–	–
In more than one year, but not more than two years	343 232	–	343 232	–
In more than two years, but not more than five years	–	367 707	–	367 707
In more than five years	443 798	435 992	443 798	435 992
	787 030	**803 699**	**787 030**	**803 699**
Reconciliation from opening balance to closing balance				
At the beginning of the year	**803 699**	**579 673**	**803 699**	**580 529**
Adoption of IFRS 9	–	136 891	–	136 891
As at 1 April	**803 699**	**716 564**	**803 699**	**717 420**
Subordinated debt raised	–	417 939	–	417 939
Repayment of subordinated debt	–	(335 541)	–	(335 541)
Fair value movement	(24 556)	(23 190)	(24 556)	(23 190)
Effective interest rate adjustment/hedge accounting	7 887	27 927	7 887	27 071
At the end of the year	**787 030**	**803 699**	**787 030**	**803 699**

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium-term notes

Subordinated fixed rate medium term notes (denominated in Pounds Sterling)

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 1 April 2018 the group adopted IFRS 9 Financial instruments which replaced IFRS 39 Financial instruments: recognition and measurement". The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 564 000 against its amortised cost value £579 673 000 was an increase in disclosed liability of £136 891 000.

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 Pounds Sterling)

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 24 July 2023 subject to conditions.

41. Ordinary share capital

At 31 March £'000	Group and Company 2020	2019
Authorised		
The authorised share capital is £2 000 million (2019: £2 000 million) comprising:		
2 000 million ordinary shares of £1 each (2019: 2 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	1 186 800 000	1 186 800 000
Issued during the year	93 750 000	–
At the end of the year	**1 280 550 000**	**1 186 800 000**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	**1 186 800**	**1 186 800**
Issued during the year	93 750	–
At the end of the year	**1 280 550**	**1 186 800**

42. Additional Tier 1 securities in issue

At 31 March £'000	2020	2019	2020	2019
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**250 000**	**250 000**	**250 000**

On 16 October 2017, Investec Bank plc issued £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ('AT1' securities) to Investec plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. A further £50 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 million 2024 notes issued on 16 October 2018. At each distribution payment date, Investec Bank plc can decide whether to pay the distribution rate, which is non-cumulative in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and investors will lose their entire investment in the securities should the common equity tier 1 capital ratio of Investec Bank plc, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of Investec Bank plc on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

43. Non-controlling interests

At 31 March £'000	2020	2019
Non-controlling interests in partially held subsidiaries	**3 369**	**(7 926)**

During the year the group has restructured and disposed of one entity with a non-controlling interest and a new non-controlling interest has arisen in another subsidiary where the business plan is to gain additional external investors and ultimately deconsolidate the entity.

44. Finance lease disclosures

At 31 March £'000	2020 Total future minimum payments	2020 Present value	2019 Total future minimum payments	2019 Present value
Group				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	253 900	207 279	238 795	194 802
One to five years	440 342	389 582	415 228	367 123
Later than five years	5 015	4 684	4 935	4 640
	699 257	**601 545**	**658 958**	**566 565**
Unearned finance income	**(97 712)**		**(92 413)**	
Net investment in the lease	**601 545**		**566 545**	

At 31 March 2020, unguaranteed residual values accruing to the benefit of the company were £10.7 million (2019: £6.6 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2020 Total future minimum payments	2020 Present value
Group		
Finance lease receivables included in other assets		
Lease receivables due in:		
Less than one year	51 739	49 265
One to five years	182 472	162 389
Later than five years	149 367	110 557
	383 578	**322 211**
Unearned finance income	**(61 367)**	
Net investment in the lease	**322 211**	

The group adopted IFRS 16 from 1 April 2019. The group has a head lease and sublease arrangement with external partners and has recognised finance lease receivables of £330 million and corresponding lease liabilities of £325 million. The prior period comparatives have not been restated. Refer to Implementation of IFRS 16 note 56.

The company has no finance lease receivables at 31 March 2020.

45. Notes to the cash flow statement

	Group		Company	
At 31 March £'000	**2020**	2019	**2020**	2019
Profit before taxation adjusted for non-cash items is derived as follows:				
Profit before taxation	45 398	177 192	9 337	72 845
Adjustment for non-cash items included in net income before taxation:				
Amortisation of acquired intangibles	12 915	12 958	–	–
Net gain on disposal of subsidiaries	(18 662)	–	–	–
Depreciation of operating lease assets	1 407	2 137	–	–
Depreciation and impairment of property, equipment and intangibles	33 671	21 395	15 668	7 195
Expected credit loss impairment charges	75 706	24 991	53 961	18 317
Share of post-taxation profit of associates and joint venture holdings	(2 128)	(2 830)	–	–
Dividends received from associates and joint venture holdings	3 124	772	–	–
Share-based payments and employee benefit liability adjustments	(6 953)	(2 367)	(5 584)	(2 014)
Profit before taxation adjusted for non-cash items	**144 478**	**234 248**	**73 382**	**96 343**
(Increase)/decrease in operating assets				
Loans and advances to banks	(374 862)	(214 354)	(348 010)	468
Reverse repurchase agreements and cash collateral on securities borrowed	(994 046)	117 223	(994 046)	117 223
Sovereign debt securities	(389 781)	(141 324)	(418 569)	(234 482)
Bank debt securities	1 027	61 015	1 027	61 014
Other debt securities	(188 067)	(221 079)	(149 659)	(218 959)
Derivative financial instruments	(608 864)	(37 682)	(655 240)	1 617
Securities arising from trading activities	215 531	(96 496)	214 614	(96 133)
Investment portfolio	136 995	(14 937)	38 081	64 734
Other loans and advances	(20 126)	172 101	(22 836)	(237 510)
Loans and advances to customers	(1 419 672)	(988 240)	(1 176 257)	(653 895)
Securitised assets	11 925	14 029	694	169
Other assets	(305 567)	165 836	(166 880)	163 282
Goodwill	–	44	–	–
Investment properties	14 500	–	–	–
Investment in subsidiaries	–	–	–	44
	(3 921 007)	**(1 183 864)**	**(3 677 081)**	**(1 032 428)**
Increase/(decrease) in operating liabilities				
Deposits by banks	133 117	22 929	20 549	(196 109)
Derivative financial instruments	527 082	185 708	552 855	154 967
Other trading liabilities	38 355	(23 279)	38 355	(23 279)
Repurchase agreements and cash collateral on securities lent	82 476	145 695	82 476	145 695
Customer accounts	2 006 649	1 529 609	1 900 078	1 687 051
Debt securities in issue	(1 023 667)	107 272	(1 030 030)	108 438
Liabilities arising on securitisation of other assets	(3 032)	(14 142)	–	–
Other liabilities	238 585	(23 573)	155 058	15 292
	1 999 565	**1 930 219**	**1 719 341**	**1 892 055**

46. Commitments

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Undrawn facilities	1 318 079	1 484 240	1 275 266	1 312 608
Other commitments	101 016	27 839	19 382	646
	1 419 095	**1 512 079**	**1 294 648**	**1 313 254**
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.				
Operating lease commitments				
Future minimum lease payments under non-cancellable operating leases:				
Less than one year	n/a	64 561	n/a	8 236
One to five years	n/a	288 036	n/a	32 941
Later than five years	n/a	140 868	n/a	34 353
	n/a	**493 465**	**n/a**	**76 130**
Operating lease receivables				
Future minimum lease payments under non-cancellable operating leases:				
Less than one year	n/a	44 173	n/a	–
One to five years	n/a	220 852	n/a	–
Later than five years	n/a	58 155	n/a	–
	n/a	**323 180**	**n/a**	**–**

* *Expected credit losses on off-balance sheet positions of £4 million in the current year are reported with other liabilities.*

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases; this resulted in the group recognising a lease liability and a right of use (ROU) asset instead of operating lease commitments and receivables. The prior year figures have been included for the sake of reference.

46. Commitments *(continued)*

	Carrying amount of pledged assets		Related liability	
At 31 March £'000	**2020**	2019	**2020**	2019
Group				
Pledged assets				
Loans and advances to customers	306 768	268 099	251 202	251 289
Other loans and advances	29 513	101 643	26 566	95 426
Loans and advances to banks	471 040	53 693	423 970	55 596
Sovereign debt securities	475 538	456 004	417 348	377 056
Other debt securities	287 738	87 995	235 620	82 477
Securities arising from trading activities	158 101	585 906	143 971	464 748
	1 728 698	**1 553 340**	**1 498 677**	**1 326 592**
Company				
Pledged assets				
Loans and advances to customers	306 768	268 099	273 199	253 492
Other loans and advances	29 513	101 643	26 566	96 251
Loans and advances to banks	471 040	53 693	423 970	55 596
Sovereign debt securities	475 538	456 004	422 523	378 697
Other debt securities	724 581	524 795	645 290	496 203
Securities arising from trading activities	158 101	585 906	143 971	464 748
	2 165 541	**1 990 140**	**1 935 519**	**1 744 987**

The assets pledged by the group and company are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

47. Contingent liabilities

At 31 March £'000	Group 2020	Group 2019	Company 2020	Company 2019
Guarantees and assets pledged as collateral security:				
Guarantees and irrevocable letters of credit	346 212	496 926	321 673	446 404
	346 212	**496 926**	**321 673**	**446 404**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Bank plc on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. These claims, if any, cannot be reasonably estimated at this time but the group does not expect the ultimate resolution of any of the proceedings to which the group is party to have a significant adverse effect on the financial position of the group.

Investec Bank plc has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum ex transactions). Investigations are ongoing and no formal proceedings have yet been issued. Investec Bank plc is cooperating with the German authorities and is conducting its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences including financial penalties. The group has not disclosed whether it has established a provision or contingent liability with respect to this matter because it has concluded that such disclosure can be expected to seriously prejudice its outcome.

48. Related party transactions

For the year to 31 March £'000	2020	2019
Compensation of key management personnel		
Details of Directors' remuneration and interest in shares, including the disclosures required by IAS 24 Related party transactions for the compensation of key management personnel, are disclosed in the Directors' remuneration report on pages 137 to 162.		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Group and Company		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	3 476	31 942
Increase in loans	3 288	1 127
Repayment of loans	(1 305)	(29 564)
Exchange adjustments	–	(29)
At the end of the year	**5 459**	**3 476**
Guarantees		
At the beginning of the year	–	287
Additional guarantees granted	412	–
Guarantees cancelled	–	(287)
Exchange adjustments	–	–
At the end of the year	**412**	**–**
Deposits		
At the beginning of the year	(8 767)	(23 158)
Increase in deposits	(4 914)	(4 464)
Decrease in deposits	7 550	18 826
Exchange adjustments	–	29
At the end of the year	**(6 131)**	**(8 767)**

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans has been impaired.

48. Related party transactions *(continued)*

For the year ended 31 March 2020 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	9 258	9 258
Bank debt securities	9 881	–	9 881
Derivative financial instruments	259	3 616	3 875
Other loans and advances	74 534	–	74 534
Other assets	–	23 035	23 035
Liabilities			
Deposits by banks	–	67 107	67 107
Repurchase agreements and cash collateral on securities lent	–	21 423	21 423
Derivative financial instruments	776	10 787	11 563
Customer accounts (deposits)	225 580	8 058	233 638
Debt securities in issue	–	43 312	43 312
Other liabilities	–	42 217	42 217

For the year ended 31 March 2019 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	18 213	18 213
Bank debt securities	9 878	–	9 878
Derivative financial instruments	5 645	14 488	20 133
Other loans and advances	38 487	–	38 487
Other assets	–	13 949	13 949
Liabilities			
Deposits by banks	–	2 701	2 701
Repurchase agreements and cash collateral on securities lent	–	19 660	19 660
Derivative financial instruments	–	32 867	32 867
Customer accounts (deposits)	353 456	9 239	362 695
Debt securities in issue	–	36 949	36 949
Other liabilities	–	22 267	22 267

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

In the normal course of business, services are provided between Investec Bank plc and other companies in the group. In the year to 31 March 2020, Investec Bank plc paid £20.7 million (2019: £12.6 million) to Investec Limited group and its fellow subsidiaries and received £7.5 million (2019: £7.8 million) from Investec plc and its fellow subsidiaries for these services.

During the year to 31 March 2020, Investec Wealth & Investment Limited paid a net amount of £15 500 for research services provided by Grovepoint (UK) Limited (2019: received a net £1 600 for research services provided to Grovepoint (UK) Limited). Bradley Fried is a former non-executive director of Investec Wealth & Investment Limited, and is a current director of Grovepoint (UK) Limited.

During the year to 31 March 2020, interest of £3.1 million (2019: £2.6 million) was paid to entities in the Investec Limited group and £4.3 million (2019: £4.4 million) was paid to Investec plc and fellow subsidiaries. Interest of £360 000 (2019: £481 000) was received from the Investec Limited group and interest of £4.3 million (2019: £4.1 million) was received from Investec plc and fellow subsidiaries.

There are no amounts due from associates and joint venture holdings in the current or prior year.

48. Related party transactions *(continued)*

Balances and transactions between members of the Investec Bank plc group

In accordance with IFRS 10 Consolidated Financial Statements, transactions and balances between the company and its subsidiary undertakings, and between those subsidiary undertakings, have all been eliminated on consolidation and thus are not reported as related party transactions of the group.

The company, as a result of its position as parent of a banking group, has a large number of transactions with various of its subsidiary undertakings; these are included on the balance sheet of the company as follows:

For the year ended 31 March £'000	2020	2019
Company		
Assets		
Other debt securities	520 103	520 091
Derivative financial instruments	49 291	10 486
Other loans and advances	2 553 506	2 518 558
Other assets	34 613	51 253
Liabilities		
Deposits by banks	249 451	294 354
Derivative financial instruments	28 883	13 583
Customer accounts (deposits)	1 126 981	1 066 784
Other liabilities	34 306	35 403

Balances and transactions with Investec plc and Investec Limited and fellow subsidiaries of Investec Bank plc

The company and its subsidiaries have balances due to and from its parent company, Investec plc, and Investec Limited and fellow subsidiaries. These are included on the balance sheet as follows:

For the year ended 31 March 2020 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	7 803	7 803
Other debt securities	9 881	–	9 881
Derivative financial instruments	259	3 616	3 875
Other loans and advances	74 571	–	74 571
Other assets	–	18 095	18 095
Liabilities			
Deposits by banks	–	2 183	2 183
Repurchase agreements and cash collateral on securities lent	–	21 423	21 423
Derivative financial instruments	776	10 787	11 563
Customer accounts (deposits)	206 778	8 057	214 835
Other liabilities	3 675	42 217	45 892

48. Related party transactions *(continued)*

For the year ended 31 March 2019 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	18 048	18 048
Other debt securities	9 884	–	9 884
Derivative financial instruments	5 645	3 153	8 798
Other loans and advances	38 537	–	38 537
Other assets	–	12 621	12 621
Liabilities			
Deposits by banks	–	3 503	3 503
Repurchase agreements and cash collateral on securities lent	–	19 660	19 660
Derivative financial instruments	–	21 532	21 532
Customer accounts (deposits)	342 059	8 203	350 262
Other liabilities	40 438	14 803	55 241

49. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the requirement to identify a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Group						
2020						
Assets	Interest rate swap	(52 184)	(48 139)	(35 149)	48 140	35 276
Liabilities	Interest rate swap	831	831	(71)	(913)	(38)
		(51 353)	**(47 308)**	**(35 220)**	**47 227**	**35 238**
2019						
Assets	Interest rate swap	(13 190)	(13 190)	(1 428)	13 078	2 231
Liabilities	Interest rate swap	902	902	520	(875)	(623)
		(12 288)	**(12 288)**	**(908)**	**12 203**	**1 608**

* *Change in fair value used as the basis for recognising hedge effectiveness for the period.*

Included within balance sheet management and other trading activities in the Income Statement is a £185k gain (2019: £1.1 million gain) arising from hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

49. Hedges *(continued)*

Hedged Items

At 31 March £'000	Carrying amount of the hedged item 2020	2019
Group		
Assets		
Sovereign debt securities	42 066	39 234
Other debt securities	22 021	14 913
Loans and advances to customers	1 352 046	1 916 298
Other assets	185 206	–
Liabilities		
Customer accounts (deposits)	141 886	411 019

Maturity analysis of hedged item

At 31 March £'000	Up to one month	One month to three months	Three to six months	Six months to one year	One to five years	Greater than five years	Total
Group							
2020							
Assets – notionals							
Sovereign debt securities	–	–	–	–	40 171	–	**40 171**
Other debt securities	–	–	–	–	22 170	(417)	**21 753**
Loans and advances to customers	–	106	880	2 287	1 191 322	131 774	**1 326 369**
Other assets	1 629	4 841	7 315	14 851	131 037	25 533	**185 206**
Liabilities – notionals							
Customer accounts (deposits)	33 300	12 775	3 235	29 300	58 888	3 711	**141 209**
2019							
Assets – notionals							
Sovereign debt securities	–	–	–	–	38 378	–	38 378
Other debt securities	–	–	–	–	9 478	5 087	14 565
Loans and advances to customers	–	3 021	315	9 497	1 709 721	183 744	1 906 298
Liabilities – notionals							
Customer accounts (deposits)	2 171	2 385	100 926	130 175	169 398	3 661	408 716

49. Hedges *(continued)*

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable on interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative gains fair value or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Company						
2020						
Assets	Interest rate swap	(39 363)	(39 363)	(26 373)	39 267	26 403
Liabilities	Interest rate swap	831	831	(71)	(913)	(38)
		(38 532)	**(38 532)**	**(26 444)**	**38 354**	**26 365**
2019						
Assets	Interest rate swap	(12 991)	(12 991)	(927)	12 864	1 745
Liabilities	Interest rate swap	902	902	520	(875)	(623)
		(12 089)	**(12 089)**	**(407)**	**11 989**	**1 122**

* *Change in fair value used as the basis for recognising hedge effectiveness for the period.*

Included within balance sheet management and other trading activities in the Income Statement is a £185k gain (2019: £1.1 million gain) arising from hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

Hedged items

At 31 March £'000	Carrying amount of the hedged item 2020	2019
Company		
Assets		
Sovereign debt securities	42 066	39 234
Other debt securities	22 021	14 913
Loans and advances to customers	1 352 046	1 883 849
Liabilities		
Customer accounts (deposits)	141 886	411 019

49. Hedges *(continued)*

Maturity analysis of hedged item

At 31 March £'000	Up to one month	One month to three months	Three to six months	Six months to one year	One to five years	Greater than five years	Total
Company							
2020							
Assets – notionals							
Sovereign debt securities	–	–	–	–	40 171	–	**40 171**
Other debt securities	–	–	–	–	22 170	(417)	**21 753**
Loans and advances to customers	–	106	880	2 287	1 191 322	131 774	**1 326 369**
Liabilities – notionals							
Customer accounts (deposits)	33 300	12 775	3 235	29 300	58 888	3 711	**141 209**
2019							
Assets – notionals							
Sovereign debt securities	–	–	–	–	38 378	–	38 378
Other debt securities	–	–	–	–	9 478	5 087	14 565
Loans and advances to customers	–	8	315	9 497	1 709 721	151 613	1 871 154
Liabilities – notionals							
Customer accounts (deposits)	2 171	2 385	100 926	130 175	169 398	3 661	408 716

Hedges of net investments in foreign operates

Investec Bank plc has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in Australia Dollars, in the Australian operations of the group.

At 31 March	2020	2019
Group		
Hedging instrument positive fair value	(191)	–
Hedging instrument negative fair value	20	533

There was no ineffective portion recognised in the income statement for the current or prior year.

50. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2020								
Liabilities								
Deposits by banks	131 751	4 195	2 066	4 134	82 168	1 257 064	599	1 481 977
Derivative financial instruments	373 627	108 519	207 783	135 782	153 791	249 239	66 988	1 295 729
Derivative financial instruments – held for trading	136 166	-	-	-	-	-	-	136 166
Derivative financial instruments – held for hedging risk	237 461	108 519	207 783	135 782	153 791	249 239	66 988	1 159 563
Other trading liabilities	118 572	-	-	-	-	-	-	118 572
Repurchase agreements and cash collateral on securities lent	47 324	21 679	264 963	10 001	-	52 844	-	396 811
Customer accounts (deposits)	4 930 577	800 965	2 356 702	3 407 189	1 356 220	2 345 742	385 604	15 582 999
Debt securities in issue	43 312	(4 145)	10 083	13 340	57 119	769 016	235 222	1 123 947
Liabilities arising on securitisation of other assets	-	-	3 305	3 197	6 120	40 159	77 075	129 856
Other liabilities	69 632	899 709	79 990	43 267	66 360	288 805	235 603	1 683 366
Subordinated liabilities	-	-	-	17 850	29 641	409 003	491 400	947 894
Total on balance sheet liabilities	**5 714 795**	**1 830 922**	**2 924 892**	**3 634 760**	**1 751 419**	**5 411 872**	**1 492 491**	**22 761 151**
Contingent liabilities	4 728	842	28 895	32 211	30 564	182 225	66 748	346 213
Commitments	233 553	9 315	13 677	94 663	113 302	818 994	276 063	1 559 567
Total liabilities	**5 953 076**	**1 841 079**	**2 967 464**	**3 761 634**	**1 895 285**	**6 413 091**	**1 835 302**	**24 666 931**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows please refer to pages 77 to 78.

50. Liquidity analysis of financial liabilities based on undiscounted cash flows *(continued)*

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2019								
Liabilities								
Deposits by banks	152 431	1 293	5 540	7 101	357 580	831 094	16 461	1 371 500
Derivative financial instruments	272 122	2 305	79 951	63 738	96 270	191 531	36 011	741 928
Derivative financial instruments – held for trading	119 079	–	–	–	–	–	–	119 079
Derivative financial instruments – held for hedging risk	153 043	2 305	79 951	63 738	96 270	191 531	36 011	622 849
Other trading liabilities	80 217	–	–	–	–	–	–	80 217
Repurchase agreements and cash collateral on securities lent	132 973	–	181 362	–	–	–	–	314 335
Customer accounts (deposits)	4 367 848	1 224 485	2 320 403	2 174 276	1 608 825	1 779 543	118 806	13 594 186
Debt securities in issue	–	87 817	59 684	129 671	323 128	1 305 722	270 740	2 176 762
Liabilities arising on securitisation of other assets	–	–	2 951	2 767	5 345	44 422	84 315	139 800
Other liabilities	89 466	544 157	130 327	28 000	19 858	58 425	31 381	901 614
Subordinated liabilities	–	–	29 641	–	17 850	468 286	509 250	1 025 027
Total on balance sheet liabilities	**5 095 057**	**1 860 057**	**2 809 859**	**2 405 553**	**2 428 856**	**4 679 023**	**1 066 964**	**20 345 369**
Contingent liabilities	5 601	2 471	2 970	110 774	23 683	305 835	44 155	495 489
Commitments	129 098	113 996	31 169	39 690	142 088	815 987	240 051	1 512 079
Total liabilities	**5 229 756**	**1 976 524**	**2 843 998**	**2 556 017**	**2 594 627**	**5 800 845**	**1 351 170**	**22 352 937**

50. Liquidity analysis of financial liabilities based on undiscounted cash flows *(continued)*

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2020								
Liabilities								
Deposits by banks	306 925	4 171	713	2 943	79 900	1 165 217	599	1 560 468
Derivative financial instruments	327 044	107 010	203 288	133 341	148 621	247 461	66 968	1 233 733
Derivative financial instruments – held for trading	89 499	–	–	–	–	–	–	89 499
Derivative financial instruments – held for hedging risk	237 545	107 010	203 288	133 341	148 621	247 461	66 968	1 144 234
Other trading liabilities	118 572	–	–	–	–	–	–	118 572
Repurchase agreements and cash collateral on securities lent	47 324	21 679	264 963	10 001	–	52 844	–	396 811
Customer accounts (deposits)	4 149 046	762 721	1 935 448	3 419 179	1 537 577	2 455 256	376 397	14 635 624
Debt securities in issue	–	(4 865)	10 803	13 340	57 119	767 822	235 222	1 079 441
Other liabilities	87 009	611 740	33 042	21 157	14 108	65 856	38 394	871 306
Subordinated liabilities	–	–	–	17 850	29 641	409 003	491 400	947 894
Total on balance sheet liabilities	**5 035 920**	**1 502 456**	**2 448 257**	**3 617 811**	**1 866 966**	**5 163 459**	**1 208 980**	**20 843 849**
Contingent liabilities	5 570	842	28 574	32 120	28 033	159 786	66 748	321 673
Commitments	87 041	8 822	12 145	91 581	106 541	780 322	275 765	1 362 217
Total liabilities	**5 128 531**	**1 512 120**	**2 488 976**	**3 741 512**	**2 001 540**	**6 103 567**	**1 551 493**	**22 527 739**

The balances in the above table will not agree directly to the balances in the company balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

50. Liquidity analysis of financial liabilities based on undiscounted cash flows *(continued)*

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2019								
Liabilities								
Deposits by banks	433 385	1 293	4 118	5 564	354 655	737 036	16 461	1 552 512
Derivative financial instruments	222 266	2 305	79 951	63 738	96 270	191 531	35 957	692 018
Derivative financial instruments – held for trading	69 223	–	–	–	–	–	–	69 223
Derivative financial instruments – held for hedging risk	153 043	2 305	79 951	63 738	96 270	191 531	35 957	622 795
Other trading liabilities	80 217	–	–	–	–	–	–	80 217
Repurchase agreements and cash collateral on securities lent	132 973	–	181 362	–	–	–	–	314 335
Customer accounts (deposits)	3 950 363	1 154 175	1 840 316	2 336 606	1 597 846	1 766 817	107 544	12 753 667
Debt securities in issue	–	87 301	59 028	128 962	321 775	1 300 471	260 124	2 157 661
Other liabilities	99 060	330 200	83 605	6 928	8 750	32 985	22 514	584 042
Subordinated liabilities	–	–	29 641	–	17 850	468 286	509 250	1 025 027
Total on balance sheet liabilities	**4 918 264**	**1 575 274**	**2 278 021**	**2 541 798**	**2 397 146**	**4 497 126**	**951 850**	**19 159 479**
Contingent liabilities	5 601	903	2 970	110 774	14 953	265 417	44 348	444 966
Commitments	11 285	113 959	31 222	38 533	134 704	743 941	239 612	1 313 256
Total liabilities	**4 935 150**	**1 690 136**	**2 312 213**	**2 691 105**	**2 546 803**	**5 506 484**	**1 235 810**	**20 917 701**

51. Principal subsidiaries and associated companies – Investec Bank plc

At 31 March	Principal activity	Country of incorporation	Interest 2020	Interest 2019
Direct subsidiaries of Investec Bank plc				
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Asset Finance PLC	Leasing	England and Wales	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment banking	Hong Kong	100.0%	100.0%
Investec Finance Limited	Debt issuer	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holdings (Australia) Limited	Holding company	Australia	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
Indirect subsidiary undertakings of Investec Bank plc				
Investec Europe Limited	MiFiD Firm	Ireland	100.0%	100.0%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

A complete list of subsidiary, associated undertakings and joint ventures holdings as required by the Companies Act 2006 is included in note 59 on pages 299 to 303.

Consolidated structured entities

Investec Bank plc has no equity interest in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	*Type of structured entity*
Landmark Mortgage Securities No 2 plc	Securitised residential mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 2 Plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation refer to note 27

Details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 69.

51. Principal subsidiaries and associated companies – Investec Bank plc *(continued)*

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of equity notes combined with its control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the group's retention of equity notes and because it continues to act as the collateral manager. The group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables

The group has securitised a portfolio of medium-term lease and hire purchase receivables. These structured entities are consolidated as the group has retained the equity notes and control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations

The group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds where the group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity-like returns and ability to influence the strategic and financial decision-making.

The group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £98.7 million (2019: £93.7 million).

Significant restrictions

As is typical for a large group of companies, there are restrictions on the ability of the group to obtain distributions of capital, access the assets or repay the liabilities of members of the group due to the statutory, regulatory and contractual requirements of its subsidiaries.

These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG which must maintain compliance with the regulatory minimum.

Capital management within the group is discussed in the risk management report on pages 89 to 91.

Statutory requirements

The group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in notes 19 and 54.

51. Principal subsidiaries and associated companies – Investec Bank plc *(continued)*

Structured associates

The group has investments in a number of structured funds specialising in aircraft financing where the group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the group has significant influence over the fund and therefore the funds are treated as associates.

The group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	*Nature and purpose*	*Interest held by the group/income earned*
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

The table below sets out an analysis of the carrying amounts of interests held by the group in structured associate entities.

31 March 2020 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss**	**Income earned from structured entity**	**£'000**
Aircraft investment funds	Investment portfolio	4 721	Limited to the carrying value	Investment loss	(33)

31 March 2019 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	3 438	Limited to the carrying value	Investment income	1 367

52. Unconsolidated structured entities

At 31 March 2020

The table below describes the types of structured entities that the group does not consolidate, but in which it holds an interest and original set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 188 to 197.

Type of structured entity	*Nature and purpose*	*Interest held by the group/income earned*
Investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors by providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

52. Unconsolidated structured entities *(continued)*

The table below sets out an analysis of the carrying amounts held by the group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

At 31 March 2020	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	140	Limited to the carrying value	4 585	Investment income	–
Residential mortgage securitisations	Other Debt Securities	418	Limited to the carrying value	69 389	Net interest expense	(1)
					Investment loss	(13)
	Other loans and advances	1 224	Limited to the carrying value	2 887	Net interest expense	(32)

At 31 March 2019	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	309	Limited to the carrying value	7 708	Investment loss	(208)
Residential mortgage securitisations	Other debt securities	4 026	Limited to the carrying value	91 238	Net interest expense	(16)
					Investment income	204
	Other loans and advances	7 437	Limited to the carrying value	129 200	Net interest expense	(215)

Financial support provided to the unconsolidated structured entities

There are no contractual agreements which require the group to provide any additional financial or non-financial support to these structured entities.

During the year the group has not provided any such support and does not have any current intentions to do so in the future.

52. Unconsolidated structured entities *(continued)*

Sponsoring

The group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The table below sets out information in respect of structured entities that the group sponsors, but in which the group does not have an interest.

Structured entities with no interest held

	2020	2019
	Structured CDO and CLO securitisation^	Structured CDO and CLO securitisation^
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.
Income amount and type	Nil	Nil
Carrying amount of all assets transferred	£222 million of CDO and CLO assets	£222 million of CDO and CLO assets

^ *Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation (CLO).*

Interests in structured entities which the group has not set up

Purchased securitisation positions

The group buys and sells interest in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the risk management report on page 69.

53. Offsetting

At 31 March £'000	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Group						
2020						
Assets						
Cash and balances at central banks	2 277 318	–	2 277 318	–	–	2 277 318
Loans and advances to banks	1 793 867	–	1 793 867	–	(520 121)	1 273 746
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	–	1 627 246	(112 630)	(2 866)	1 511 750
Sovereign debt securities	1 688 670	–	1 688 670	(345 762)	–	1 342 908
Bank debt securities	51 238	–	51 238	–	–	51 238
Other debt securities	695 818	–	695 818	–	–	695 818
Derivative financial instruments	1 251 394	–	1 251 394	(361 561)	(92 796)	797 037
Securities arising from trading activities	582 693	–	582 693	(156 113)	–	426 580
Investment portfolio	350 662	–	350 662	–	(1 849)	348 813
Loans and advances to customers	11 834 207	–	11 834 207	–	–	11 834 207
Other loans and advances	266 501	–	266 501	–	(29 513)	236 988
Other securitised assets	106 218	–	106 218	–	–	106 218
Other assets	1 462 159	–	1 462 159	–	–	1 462 159
	23 987 991	**–**	**23 987 991**	**(976 066)**	**(647 145)**	**22 364 780**
Liabilities						
Deposits by banks	1 450 463	–	1 450 463	–	(97 479)	1 352 984
Derivative financial instruments	1 246 109	–	1 246 109	(599 022)	(452 485)	194 602
Other trading liabilities	118 572	–	118 572	(112 630)	–	5 942
Repurchase agreements and cash collateral on securities lent	396 811	–	396 811	(47 583)	(31 667)	317 561
Customer accounts (deposits)	15 505 883	–	15 505 883	-	(60 581)	15 445 302
Debt securities in issue	1 026 474	–	1 026 474	(216 831)	(3 084)	806 559
Liabilities arising on securitisation of other assets	110 679	–	110 679	–	–	110 679
Other liabilities	1 630 764	–	1 630 764	–	(1 849)	1 628 915
Subordinated liabilities	787 030	–	787 030	–	–	787 030
	22 272 785	**–**	**22 272 785**	**(976 066)**	**(647 145)**	**20 649 574**

53. Offsetting *(continued)*

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Group						
2019						
Assets						
Cash and balances at central banks	4 445 430	–	4 445 430	–	–	4 445 430
Loans and advances to banks	954 938	–	954 938	–	(133 458)	821 480
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	–	633 202	(77 985)	(1 087)	554 130
Sovereign debt securities	1 298 947	–	1 298 947	(73 166)	–	1 225 781
Bank debt securities	52 265	–	52 265	–	–	52 265
Other debt securities	508 142	–	508 142	–	–	508 142
Derivative financial instruments	642 530	–	642 530	(268 182)	(90 734)	283 614
Securities arising from trading activities	798 224	–	798 224	(579 642)	–	218 582
Investment portfolio	486 493	–	486 493	–	–	486 493
Loans and advances to customers	10 488 022	–	10 488 022	–	–	10 488 022
Other loans and advances	246 400	–	246 400	–	(328)	246 072
Other securitised assets	118 143	–	118 143	–	–	118 143
Other assets	847 604	–	847 604	–	–	847 604
	21 520 340	**–**	**21 520 340**	**(998 975)**	**(225 607)**	**20 295 758**
Liabilities						
Deposits by banks	1 318 776	–	1 318 776	–	(120 365)	1 198 411
Derivative financial instruments	719 027	–	719 027	(422 583)	(76 590)	219 854
Other trading liabilities	80 217	–	80 217	(77 985)	–	2 232
Repurchase agreements and cash collateral on securities lent	314 335	–	314 335	(134 848)	(5 447)	174 040
Customer accounts (deposits)	13 499 234	–	13 499 234	–	(35 804)	13 463 430
Debt securities in issue	2 050 141	–	2 050 141	(363 559)	(5 337)	1 681 245
Liabilities arising on securitisation of other assets	113 711	–	113 711	–	–	113 711
Other liabilities	900 493	–	900 493	–	–	900 493
Subordinated liabilities	803 699	–	803 699	–	–	803 699
	19 799 633	**–**	**19 799 633**	**(998 975)**	**(243 543)**	**18 557 115**

53. Offsetting *(continued)*

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Company						
2020						
Assets						
Cash and balances at central banks	2 235 286	–	2 235 286	–	–	2 235 286
Loans and advances to banks	988 928	–	988 928	–	(453 036)	535 892
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	–	1 627 246	(112 630)	(2 866)	1 511 750
Sovereign debt securities	1 144 266	–	1 144 266	(345 762)	–	798 504
Bank debt securities	51 238	–	51 238	–	–	51 238
Other debt securities	1 177 064	–	1 177 064	–	–	1 177 064
Derivative financial instruments	1 242 566	–	1 242 566	(361 561)	(92 796)	788 209
Securities arising from trading activities	576 493	–	576 493	(156 113)	–	420 380
Investment portfolio	61 075	–	61 075	–	–	61 075
Loans and advances to customers	8 857 194	–	8 857 194	–	–	8 857 194
Other loans and advances	2 749 651	–	2 749 651	–	(29 513)	2 720 138
Other securitised assets	6 137	–	6 137	–	–	6 137
Other assets	705 880	–	705 880	–	–	705 880
	21 423 024	**–**	**21 423 024**	**(976 066)**	**(578 211)**	**19 868 747**
Liabilities						
Deposits by banks	1 537 317	–	1 537 317	–	(30 394)	1 506 923
Derivative financial instruments	1 233 733	–	1 233 733	(599 022)	(452 485)	182 226
Other trading liabilities	118 572	–	118 572	(112 630)	-	5 942
Repurchase agreements and cash collateral on securities lent	396 811	–	396 811	(47 583)	(31 667)	317 561
Customer accounts (deposits)	14 559 110	–	14 559 110	-	(60 581)	14 498 529
Debt securities in issue	981 968	–	981 968	(216 831)	(3 084)	762 053
Other liabilities	869 225	–	869 225	–	–	869 225
Subordinated liabilities	787 030	–	787 030	–	–	787 030
	20 483 766	**–**	**20 483 766**	**(976 066)**	**(578 211)**	**18 929 489**

53. Offsetting *(continued)*

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Company						
2019						
Assets						
Cash and balances at central banks	4 416 585	–	4 416 585	–	–	4 416 585
Loans and advances to banks	226 974	–	226 974	–	(62 507)	164 467
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	–	633 202	(77 985)	(1 087)	554 130
Sovereign debt securities	725 756	–	725 756	(73 166)	–	652 590
Bank debt securities	52 265	–	52 265	–	–	52 265
Other debt securities	1 027 786	–	1 027 786	–	–	1 027 786
Derivative financial instruments	587 326	–	587 326	(255 706)	(87 062)	244 558
Securities arising from trading activities	791 107	–	791 107	(579 642)	–	211 465
Investment portfolio	100 083	–	100 083	–	–	100 083
Loans and advances to customers	7 724 160	–	7 724 160	–	–	7 724 160
Other loans and advances	2 735 286	–	2 735 286	–	(328)	2 734 958
Other securitised assets	6 831	–	6 831	–	–	6 831
Other assets	541 607	–	541 607	–	–	541 607
	19 568 968	**–**	**19 568 968**	**(986 499)**	**(150 984)**	**18 431 485**
Liabilities						
Deposits by banks	1 516 768	–	1 516 768	–	(52 345)	1 464 423
Derivative financial instruments	680 878	–	680 878	(410 107)	(69 987)	200 784
Other trading liabilities	80 217	–	80 217	(77 985)	–	2 232
Repurchase agreements and cash collateral on securities lent	314 335	–	314 335	(134 848)	(5 447)	174 040
Customer accounts (deposits)	12 659 032	–	12 659 032	–	(35 804)	12 623 228
Debt securities in issue	2 011 998	–	2 011 998	(363 559)	(5 337)	1 643 102
Other liabilities	583 269	–	583 269	–	–	583 269
Subordinated liabilities	803 699	–	803 699	–	–	803 699
	18 650 196	**–**	**18 650 196**	**(986 499)**	**(168 920)**	**17 494 777**

54. Derecognition

Group

Transfer of financial assets that do not result in derecognition

The group has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2020		2019	
No derecognition achieved £'000	**Carrying amount of assets that continue to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	670 902	–	680 860	–
Loans and advances to banks	81 000	–	65 815	–
	751 902	**–**	**746 675**	**–**

The transferred assets above in both current and prior year are held within structured entities which are wholly-owned and consolidated by the group. There are no external parties participating on these vehicles and therefore the group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements see note 19.

Company

The company has not been party to transactions that resulted in a transfer of financial assets that did not result in derecognition.

55. Investment in subsidiary companies

At 31 March £'000	2020	2019
Cost		
At the beginning of the year	969 447	982 894
Adjustment to acquisition cost within measurement period	–	(44)
Acquisitions of subsidiaries	–	355
Deconsolidation of subsidiary	(59)	–
Return of capital by subsidiary	(18 736)	(29 123)
Recapitalisation of subsidiaries	12 499	15 381
Exchange adjustments	43	(16)
At the end of the year	**963 194**	**969 447**
Provision for impairment in value		
At the beginning of the year	(104 908)	(104 908)
Release of impairment	–	–
At the end of the year	**(104 908)**	**(104 908)**
Carrying value at the end of the year	**858 286**	**864 539**

All subsidiary undertakings are unlisted.

56. Implementation of IFRS 16

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will, with some limited exemptions, apply to all leases and result in bringing them on balance sheet. Group operating lease commitments as at 31 March 2019 amounted to £493 million (company: £76 million). Group lease liabilities amounting to £500 million (company: £77 million), primarily in respect of leased properties, previously accounted for as operating leases, were recognised at 1 April 2019. The group lease liabilities were adjusted to exclude short-term leases of £165k (company: £nil). Excluding the effect of discounting, the difference between the commitments previously reported and the opening lease liabilities principally arises due to the accounting treatment of options which are available to exercise at the end of certain lease contracts which leads to a higher balance under IFRS 16 than was part of the commitment under IAS 17.

As a lessee, the group now recognises a lease liability measured at the present value of remaining cash flows and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. The lease payments are discounted using the group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made. The ROU asset is being amortised to the income statement over the life of the lease.

As permitted by the standard the group applied IFRS 16 on a modified retrospective basis without restating prior years.

The group elected to take advantage of the following transition options on transition at 1 April 2019:

- Applied IFRS 16 to contracts previously identified as leases by IAS 17
- Calculated the ROU asset equal to the lease liability, adjusted for prepaid or accrued payments
- Used the incremental borrowing rate as the discount rate
- Not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months
- Relied on the assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right use of assets created on 1 April 2019. Where this is the case the carrying amount of the assets has been adjusted by the onerous lease provision.

The impact on adoption was:

- **Group:** the recognition of ROU assets of £141 million, finance lease receivables of £330 million relating to certain subleases, and lease liabilities of £500 million, with no impact on retained income
- **Company:** the recognition of ROU assets of £60 million and lease liabilities of £77 million, with no impact on retained income.

The accounting policies related to finance leases as at 31 Mach 2019 under IAS 17 Leases are noted below.

Instalment credit, leases and rental agreements

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the instalment credit transactions are credited or debited to the income statement in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals are accrued to the income statement when incurred.

57. Restatements

The group remains committed to its objective to simplify and focus the business in pursuit of disciplined growth over the long-term.

In this regard the following strategic actions have been effected:

- Closure of Click & Invest which formed part of the UK wealth management business
- Sale of the Irish Wealth & Investment business
- Restructure of the Irish branch
- Closure and rundown of the Hong Kong direct investments business.

We have elected to separately disclose the "financial impact of these strategic actions" as the financial impact from group restructures and the "closure and rundown of the Hong Kong direct investments business". Due to the significant change in the nature of the entity's operations, we consider it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement.

In addition, from 1 April 2019, as a result of amendments to IAS 12 Income Taxes, tax relief on payments in relation to Additional Tier 1 securities has been recognised as a reduction in taxation on operating profit before acquired intangibles and strategic actions whereas it was previously recorded directly in retained income. Prior period comparatives have been restated, increasing the profit after taxation for the year to 31 March 2019 by £2.6 million.

57. Restatements *(continued)*

These reclassifications in the income statement for the prior reported periods and the consequential restated comparatives have been shown below.

The net effect on restated earnings attributable to shareholders relates solely to the tax previously included directly in equity which is now being reported in the income statement.

£'000	Year to 31 March 2019 as previously reported	Re-classification	**Year to 31 March 2019 restated**
Interest income	727 742	(4 421)	723 321
Interest expense	(336 363)	11 326	(325 037)
Net interest income	**391 379**	**6 905**	**398 284**
Fee and commission income	523 247	(23 152)	500 095
Fee and commission expense	(12 366)	(841)	(13 207)
Investment income	34 236	57 859	92 095
Share of post-taxation profit of associates and joint venture holdings	2 830	(150)	2 680
Trading income arising from			
– customer flow	86 766	–	86 766
– balance sheet management and other trading activities	12 732	(79)	12 653
Other operating income	10 476	–	10 476
Total operating income before expected credit loss impairment charges	**1 049 300**	**40 542**	**1 089 842**
Expected credit loss impairment charges	(24 991)	4	(24 987)
Operating income	**1 024 309**	**40 546**	**1 064 855**
Operating costs	(819 169)	26 789	(792 380)
Depreciation on operating leased assets	(2 137)	–	(2 137)
Operating profit before acquired intangibles and strategic actions	**203 003**	**67 335**	**270 338**
Amortisation of acquired intangibles	(12 958)	–	(12 958)
Closure and rundown of the Hong Kong direct investments business	–	(65 593)	(65 593)
Operating profit	**190 045**	**1 742**	**191 787**
Financial impact of group restructures	(12 853)	(1 742)	(14 595)
Profit before taxation	**177 192**	**–**	**177 192**
Taxation on operating profit before acquired intangibles and strategic actions	(27 216)	(10 137)	(37 353)
Taxation on acquired intangibles and strategic actions	4 822	12 777	17 599
Profit after taxation	**154 798**	**2 640**	**157 438**
Loss attributable to other non-controlling interests	4 479	–	4 479
Earnings attributable to shareholder	**159 277**	**2 640**	**161 917**

57. Restatements *(continued)*

Financial impact of strategic actions

£'000	Year to 31 March 2020	Year to 31 March 2019
Closure and rundown of the Hong Kong direct investments business*	(89 257)	(65 593)
Financial impact of group restructures	(26 898)	(14 595)
Closure of Click & Invest	(4 309)	(14 265)
Sale of the Irish Wealth & Investment business	18 662	–
Restructure of the Irish branch	(41 110)	(330)
Other	(141)	–
Financial impact of strategic actions	**(116 155)**	**(80 188)**
Taxation on financial impact of strategic actions	19 856	15 219
Net financial impact of strategic actions	**(96 299)**	**(64 969)**

* *Included within the balance are fair value adjustments of £83.2 million (31 March 2019: £57.8 million).*

58. Events after the reporting period

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date.

These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of the lockdown and by applying the guidance issued by various international regulators and standard-setting bodies.

The action of various governments and central banks, in particular in the United Kingdom, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict.

Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of COVID-19.

Some of the markets in which the group operates, in particular the UK, are showing signs of recovery with fewer new COVID-19 cases being reported, lockdown rules beginning to ease and economic activity starting to increase slightly. The group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 16 June 2020, did not identify additional information that requires these judgements and estimates to be updated. The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations. Management performed a detailed assessment of events after the reporting period and any consequent potential impact on the annual financial statements and concluded that the financial statement disclosure was appropriate. This process included a review of changes in underlying credit risk of loans and advances, evaluating changes in assumptions of fair value calculations, evaluating significant movements on the share price of listed investments and evaluating the level of financial assistance provided to clients compared to the balance sheet date.

Subsequent to the balance sheet date, a settlement has been reached with HMRC in relation to a tax enquiry and the matter resolved. This has been reflected as an adjusting post balance sheet event and the provision has been reduced to the settlement amount.

The group is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or that would require additional disclosures.

59. Subsidiaries

At 31 March 2020	Principal activity	Interest held
**Directly owned by Investec Bank plc*		
United Kingdom		
Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Rensburg Sheppards Plc*	Holding company	100%
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Click Nominees Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee services	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
Rensburg Client Nominees Limited	Nominee services	100%
Scarwood Nominees Limited	Non-trading	100%
Spring Nominees Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
PIF Investments Ltd*	Dormant	100%
Beeson Gregory Index Nominees Limited*	Dormant nominee company	100%
EVO Nominees Limited*	Dormant nominee company	100%
Evolution Securities Nominees Limited*	Dormant nominee company	100%
Investec Asset Finance (Capital No. 3) Limited*	Leasing company	100%
IEC UK Investment Management Ltd *	Leasing company	100%
The Leasing Acquisition General Partnership*	Leasing partnership	
Investec Bank (Nominees) Limited*	Nominee company	100%
Investec Finance Ltd*	Debt issuance	100%
Investec Group Investments (UK) Limited*	Investment holding company	100%
ICF Investments Limited	Investment holding company	100%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust plc*	Debt issuer	100%
Investec Investments (UK) Limited*	Investment holding company	100%
Panarama Properties (UK) Limited	Property holding company	100%
Inv-German Retail Ltd	Property company	100%
Investec Securities Limited	Investment holding company	100%
Technology Nominees Limited*	Nominee	100%
Torteval LM Limited*	Investment holding company	100%
Torteval Funding LLP*	Financing company	100%
Tudor Tree Properties Limited*	Property company	100%
Willbro Nominees Limited*	Nominee company	100%
Evolution Capital Investment Limited	Investment holding company	100%
Investec Capital Solutions No 1 Limited*	Lending company	100%
Investec Capital Solutions Limited*	Lending company	100%
Diagonal Nominees Limited*	Nominee company	100%
F&K SPF Limited*	Property company	100%
Outward VC Fund LLP	Investment company	29%

59. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
PSV Marine Ltd*	Shipping holding company	100%
PSV Anjail Ltd	Shipping holding company	100%
PSV Randeep Ltd	Shipping holding company	100%
Investec India Holdco Limited	Investment holding company	100%
Registered office: 30 Gresham Street, London EC2V 7QN		
Investec Wealth & Investment Limited	Investment management services	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Finance Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Investec Asset Finance plc*	Leasing company	100%
Investec Asset Finance (No.8) Limited	Holding company	100%
Australia		
Registered office: Level 23, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia		
Investec Australia Property Holdings Pty Ltd *	Holding company for property investment	100%
Investec Propco Pty Ltd	Property fund trustee	100%
Investec Property Ltd	Property fund trustee	100%
Investec Property Management Pty Ltd	Property fund manager	100%
Investec Wentworth Pty Limited	Security trustee	100%
Investec Holdings Australia Limited *	Holding company	100%
Investec Australia Property Investments Pty Ltd	Holding company for property investment	100%
Investec Australia Finance Limited	Lending company	100%
Investec Australia Limited	Financial Services	100%
Bowden (Lot 32) Holdings Pty Ltd	Holding company	100%
Bowden (Lot 32) Direct Pty Ltd	Development company	100%
Investec Australia Direct Investments Pty Limited	Investment company	100%
Investec CWFIH Pty Limited	Dormant	100%
Mannum Powerco Pty Limited	Dormant	100%
Tungkillo Powerco Pty Limited	Dormant	100%
IEC Funds Management Pty Limited	Fund manager	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	100%
Investec Wentworth Private Equity Pty Limited	Dormant	100%
IWPE Nominees Pty Limited	Custodian	100%
Investec Templewater No. 1 Pty Limited	Property Fund Manager	100%
Investec Credit Funds Management Pty Limited	Trustee Company	100%

59. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
British Virgin Islands		
Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands		
Finistere Directors Limited	Corporate Director	100%
GFT Directors Limited	Corporate Director	100%
Registered office: Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands		
Fertile Sino Global Development Limited	Holding company	100%
Cayman Islands		
Registered office: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005		
Investec Pallinghurst (Cayman) LP	Investment holding partnership	58.30%
China		
Registered office: Room 6D-67, 6th Floor, No. 213 Building, Tairan Science and Technology Park, Tairan 4th Road, Tianan Community, Shatou Sub-District, Futian District, Shenzhen, Guangdong, China		
Investec Shenzhen Limited	Advisory Services	100%
France		
Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, FRANCE		
SCI CAP Philippe*	Property company	100%
Guernsey		
Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee services	100%
Investec Bank (Channel Islands) Limited *	Banking institution	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee services	100%
Bayeux Limited	Corporate trustee	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Trust and company administration	100%

59. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Registered office: Western Suite, Ground Floor, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ, Channel Islands		
HEV (Guernsey) Limited	Investment holding company	100%
Hong Kong		
Registered office: Room 3609-3613, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong		
Investec Capital Asia Limited *	Investment banking	100%
Investec Capital Markets Limited *	Investment banking	100%
India		
Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India		
Investec Credit Finance Private Limited	Lending platform	99%
Investec Capital Services (India) Private Limited	Merchant Banking & stock Broking	99.89%
Ireland		
Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited*	Property company	100%
Investec Holdings (Ireland) Ltd*	Holding company	100%
Investec Ireland Ltd	Financial services	100%
Investec International Ltd	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Ltd	Holding company	100%
Investec Private Finance Ireland Limited	Retail Credit firm	100%
Investec Ventures Ireland Limited (previously Investec Corporate Finance (Ireland) Ltd	Venture capital	100%
Venture Fund Private Principals Limited	Special Partner	100%
Investec Europe Limited	MiFiD Firm	100%
Jersey		
Registered office: PO Box 344 One The Esplanade St Helier Jersey JE4 8UW, Channel Islands		
Investec GP (Jersey) Limited	Investment holding company	100%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Ltd	Securities services	100%

59. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
Switzerland		
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG*	Trading company	100%
United States of America		
Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA		
US Multifamily GP LLC*	Investment holding company	100%
Investec USA Holdings Corporation Inc*	Holding company	100%
Investec Inc	Investment holding	100%
Fuel Cell IP 1 LLC	Investment holding	100%
Fuel Cell IP 2 LLC	Investment holding	100%
Investec Securities (US) LLC	Financial Services	100%

Associates and joint ventures holdings

At 31 March 2020	Principal activity	Interest held
Australia		
Registered office: Point Cook Road, Point Cook, Victoria, Australia		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands		
Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands		
imarkets (Holdings) Limited	Online trading platform	33%
Luxembourg		
Registered office: 15, Rue Bender, L1229 Luxembourg		
Investec GLL Global Special Opportunities Real Estate Fund	Property development	5%
India		
Registered office: 32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India		
JSM Advisers Private Limited	Fund management company	*55%*

60. Investec Bank plc company risk disclosures

Investec Bank plc company follows the group risk policies and appetite disclosure on pages 38 to 49. The market risk in the trading book is the same at the group and company level, the disclosure is made on pages 70 to 73. The following tables present the risk disclosures for the company which are required under IFRS 7. Equivalent Investec Bank plc group disclosures can be found on pages 50 to 60:

An analysis of gross credit and counterparty exposures

£'million	31 March 2020	31 March 2019
Cash and balances at central banks	2 235	4 417
Loans and advances to banks	989	227
Reverse repurchase agreements and cash collateral on securities borrowed	1 627	633
Sovereign debt securities	1 144	726
Bank debt securities	51	52
Other debt securities	1 178	1 028
Derivative financial instruments	1 001	536
Securities arising from trading activities	498	530
Loans and advances to customers	8 990	7 842
Other loans and advances	2 750	2 760
Other securitised assets	6	7
Other assets	92	34
Total on-balance sheet exposures	**20 561**	**18 792**
Guarantees	76	83
Committed facilities related to loans and advances to customers	1 275	1 313
Contingent liabilities, letters of credit and other	246	363
Total off-balance sheet exposures	**1 597**	**1 759**
Total gross credit and counterparty exposures	**22 158**	**20 551**

Composition of core loans and advances

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

£'million	31 March 2020	31 March 2019
Loans and advances to customers per the balance sheet	8 857	7 724
ECL held against FVOCI loans reported on the balance sheet within reserves	(1)	(1)
Net core loans and advances	**8 856**	**7 723**
of which amortised cost and FVOCI ('subject to ECL')	8 256	6 998
of which FVPL	600	725
Add: ECL	134	119
Gross core loans and advances	**8 990**	**7 842**
of which amortised cost and FVOCI ('subject to ECL')	8 390	7 117
of which FVPL	600	725

60. Investec Bank plc company risk disclosures *(continued)*

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

An analysis of gross core loans and advances subject to ECL by stage

£'million	31 March 2020	31 March 2019
Gross core loans and advances subject to ECL	**8 390**	**7 117**
Stage 1	7 697	6 420
Stage 2	413	447
of which past due greater than 30 days	*25*	*8*
Stage 3	280	250
*of which Ongoing (excluding Legacy) Stage 3**	*174*	*104*
Gross core loans and advances subject to ECL (%)		
Stage 1	91.7%	90.2%
Stage 2	4.9%	6.3%
Stage 3	3.3%	3.5%
*of which Ongoing (excluding Legacy) Stage 3**	*2.1%*	*1.5%*

An analysis of ECL impairments on gross core loans and advances subject to ECL

£'million	31 March 2020	31 March 2019
ECL impairment charges on core loans and advances	(52)	(23)
Average gross core loans and advances subject to ECL	7 754	6 804
Annualised credit loss ratio	**0.67%**	**0.34%**

£'million	31 March 2020	31 March 2019
ECL	**(134)**	**(119)**
Stage 1	(23)	(7)
Stage 2	(23)	(21)
Stage 3	(88)	(91)
*of which Ongoing (excluding Legacy) Stage 3**	*(45)*	*(20)*
Coverage ratio (%)		
Stage 1	0.3%	0.1%
Stage 2	5.6%	4.6%
Stage 3	31.4%	36.4%
*of which Ongoing (excluding Legacy) Stage 3**	*25.9%*	*19.5%*

* *Refer to definitions on page 308.*

60. Investec Bank plc company risk disclosures *(continued)*

A further analysis of Stage 3 gross core loans and advances subject to ECL

£'million	31 March 2020	31 March 2019
Stage 3 net of ECL	192	159
*of which Ongoing (excluding Legacy) Stage 3**	*129*	*83*
Aggregate collateral and other credit enhancements on Stage 3	194	176
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	3.3%	3.5%
*of which Ongoing (excluding Legacy) Stage 3**	*2.1%*	*1.5%*
Total ECL as a % of Stage 3 exposure	47.9%	47.6%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	2.3%	2.2%
*of which Ongoing (excluding Legacy) Stage 3**	*1.6%*	*1.2%*

* *Refer to definitions on page 308.*

Summary of investments held and stress testing analyses

£'million Category	On-balance sheet value of investments 31 March 2020	Valuation change stress test 31 March 2020*	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*
Unlisted investments	59	8	86	13
Listed equities	2	1	14	3
Total investment portfolio	**61**	**9**	**100**	**16**
Investment and trading properties	4	1	10	2
Warrants and profit shares	2	1	15	5
Total	**67**	**11**	**125**	**23**

* *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%
Investment properties	10%
Warrants and profit shares	35%

Stress testing summary

Based on the information at 31 March 2020, as reflected above, there could be a £11 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 company 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 the company operates being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

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. These have been indicated with a symbol throughout this document. 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 earnings attributable to ordinary shareholders	Earnings attributable to shareholders adjusted to remove acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional tier 1 security holders
Adjusted operating profit	Refer to the calculation in the table below

£'000	31 March 2020	31 March 2019
Operating profit before acquired intangibles and strategic actions	174 468	270 338
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
Adjusted operating profit	***173 604***	*274 817*

Annuity income	Net interest income (refer to page 199) plus net annuity fees and commissions (refer to page 200).
Core loans to equity	Net core loans and advances divided by total shareholder's equity per the balance sheet
Cost to income ratio	Refer to calculation in the table below

£'000	31 March 2020	31 March 2019
Operating costs (A)	705 626	792 380
Total operating income before expected credit loss impairment charges	957 207	1 089 842
Less: Depreciation on operating leased assets	(1 407)	(2 137)
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
Total (B)	954 936	1 092 184
Cost to income ratio (A/B)	***73.9%***	*72.6%*

Coverage ratio	ECL as a percentage of gross core and advances subject to ECL
Credit loss ratio	ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL
Gearing ratio	Total assets excluding assurance assets divided by total equity
Gross core loans and advances	Refer to calculation on page 58.
Loans and advances to customers as a % of customer accounts	Loans and advances to customers as a percentage of customer accounts (deposits)
Net core loans and advances	Refer to calculation on page 58.
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 199.
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

Cash and near cash

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

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before acquired intangibles and strategic actions and excluding share of post-taxation profit of associates and joint venture holdings

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 199 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 199 for calculation

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

Legacy, as separately disclosed from 2014 to 2019, 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 2014 to 2019, 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

Structured credit

Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet. Refer to page 69 for detail

Subject to ECL

Includes financial assets held at amortised cost and FVOCI. Refer to page 58 for core loans and advances subject to ECL

Third party assets under administration

Consists of third party assets managed by the Wealth & Investment business and by the Property business (which forms part of the Specialist Bank)

GLOSSARY

AML	Anti-money laundering
AGM	Annual general meeting
AT1	Additional Tier 1
BCBS	Basel Committee of Banking Supervision
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CCB	Capital conservation buffer
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDO	Collateralised debt obligation
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFT	Combating the financing of terrorism
CLO	Collateralised loan obligation
COFI Bill	Conduct of Financial Institutions Bill
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRDIV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CVA	Credit valuation adjustment
DCF	Discounted cash flow
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
ERV	Expected rental value
ESG	Environmental, social and governance
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRTB	Fundamental Review of the Trading Book
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GRRRMF	Group Risk Review and Reserves Matters Forum
HNW	High net worth
IAM	Investec Asset Management
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP PDMRs	IBP Persons Discharging Managerial Responsibilities
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
ISAs (UK)	International Standards on Auditing (UK)
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LHS	Left hand side
LSE	London Stock Exchange
MDR	Mandatory Disclosure Rules
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
NCI	Non-controlling interests
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PD	Probability of default
PDMR	Persons Discharging Managerial Responsibilities
PRA	Prudential Regulation Authority
Review ERRF	Review Executive Risk Review Forum
RHS	Right hand side
ROU	Right of use asset
RWA	Risk-weighted asset
SDGs	Sustainable Development Goals
SIPP	Self Invested Personal Pension
SMCR	Senior Management and Certification Regime
SME	Small and Medium-sized Enterprises
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
TCFD	Task Force on Climate-related Financial Disclosures
TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
UK	United Kingdom
UKLA	United Kingdom Listing Authority

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