Investec

DISCLOSURE REPORT 2020

Investec Bank plc pillar 3 annual disclosure report

Cross reference tools

AUDITED INFORMATION
Refers readers to information included in the Investec Bank plc annual report 2020

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

CONTENTS

TABLES

ABBREVIATIONS

In the sections that follow, the following abbreviations are used on numerous occasions:

AT1	Additional tier 1
Bank	Investec Bank plc and its subsidiaries
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
BRCC	Board Risk and Capital Committee
CCB	Capital conservation buffer
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common equity tier 1
CRD IV	Capital Requirements Directive IV
CRM	Credit risk mitigation
CRR	Capital Requirements Regulation
CRR II/CRD V	Revisions to the CRD IV package
CVA	Credit valuation adjustment
DLC	Dual listed companies
EBA	European Banking Authority
EC	European Commission
EU	European Union
ECL	Expected credit loss
ERRF	Executive Risk Review Forum
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FRTB	Fundamental Review of the Trading Book
Group	Investec Bank plc and its subsidiaries
IBP	Investec Bank plc
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association Master Agreement
OTC	Over-the-counter
PD	Probability of default
PRA	Prudential Regulation Authority
RWA	Risk-weighted asset
SA	Standardised approach
SFT	Securities financing transaction
SME	Small and medium-sized enterprise
SPE	Special Purpose Entity
SREP	Supervisory Review and Evaluation Process
TC	Total capital
T1	Tier 1 capital
T2	Tier 2 capital
UK	United Kingdom

Introduction

Investec is a domestically relevant, internationally connected banking and wealth and investment group. We strive to be a distinctive bank and investment manager, driven by commitment to our core philosophies and values. Our long-term commitments 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.

In July 2002, the Investec group implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg. Investec plc is a FTSE 250 company.

Investec plc (housing the non-Southern African businesses) and Investec Limited (housing the Southern African businesses) form a single economic enterprise where shareholders have common economic and voting interests. Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Investec Bank plc (IBP) is the main banking subsidiary of Investec plc and operates as a specialist bank and wealth manager.

Regulation and supervision

IBP is authorised by the Prudential Regulation Authority (PRA) and is regulated by the Financial Conduct Authority (FCA) and PRA on a solo-consolidated basis. IBP applies the provisions laid down in article 9 (solo-consolidation waiver) of the Capital Requirements Regulation (CRR) and therefore includes Investec Investments (UK) Limited in the solo-consolidation. IBP calculates capital resources and requirements using the Basel III framework of the Basel Committee on Banking Supervision (BCBS), as implemented in the European Union (EU) through the Capital Requirements Regulation and Directive IV (CRR and CRD IV), and in the PRA's Rulebook for the United Kingdom (UK) banking industry.

The Basel III framework is structured around three 'pillars' namely Pillar I minimum capital requirements, Pillar II supervisory review process and Pillar III market discipline. Pillar III aims to complement the other two pillars, by developing a set of disclosure requirements which will allow market participants to gauge the capital adequacy of a firm.

Policy

www

In accordance with Article 13 and part 8 of the CRR, a sub-set of Pillar III disclosures covering own funds, capital requirements, credit risk, leverage and remuneration have to be published by significant subsidiaries on an individual or sub-consolidated basis. The Pillar III disclosures in this document are prepared in accordance with these disclosure requirements at the IBP sub-consolidated level which includes IBP and its subsidiaries (group or bank) as at 31 March 2020, with comparative figures for 31 March 2019 provided, where relevant.

The Pillar III disclosures are published in a standalone disclosure report and will be available to view on the Investec website www.investec.com. These disclosures are published annually and are released simultaneously with the Annual Report. The Pillar III disclosures are governed by the IBP Pillar III disclosure policy, which is approved by the IBP board. The board delegates responsibility for review and approval of these disclosures to the IBP Board Risk and Capital Committee (BRCC), a delegated sub-committee of the IBP board.

Where Pillar III requirements are included in other disclosure reports, references are provided to the relevant pages and or location.

Philosophy and approach to capital and liquidity

The bank holds capital in excess of regulatory requirements and intends to perpetuate this philosophy to ensure it remains well capitalised. At 31 March 2020, the common equity tier 1 (CET1) ratio of the group was 11.5% and leverage ratio was 8.0%. The bank applies the Standardised Approach (SA) to calculate credit and counterparty credit risk (CCR), securitisation, market risk and operational risk capital requirements.

The bank has a well-established liquidity management philosophy, that has been in place for many years, which focuses on ensuring its business can function in perpetuity under expected and stressed market conditions and deliver to budgeted asset growth and other liquidity needs. The protection and safety of all depositors is paramount. IBP maintains a portfolio of readily available high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%, with the year-end at 39.0%.

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 our Irish deposit raising business as a result of Brexit.

We exceed the minimum regulatory requirements for the liquidity coverage ratio and net stable funding ratio.

Regulatory environment

The regulatory environment has continued to evolve during 2019/2020, with a vast number of new regulatory proposals being published or adopted, notably by the PRA, the BCBS and the European Banking Authority (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 International Financial Reporting Standards (IFRS) 9 transitional arrangements for the regulatory capital treatment of Expected Credit Loss (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 SA 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) framework, including the removal of the internally modelled approach and the introduction of a revised SA;
- A revised SA for operational risk, which will replace the existing SAs 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 United Kingdom (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 Bank of England (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 risk-weighted assets (RWA)s. Firms who do not have a Supervisory Review and Evaluation Process (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 Financial Policy Committee (FPC) took the decision to reduce the UK Countercyclical Capital Buffer (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 Internal Capital Adequacy Assessment Process (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 revisions to the CRD IV package (CRRII/CRDV) 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 (CCR);
- 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 CRRII, to quarter 3 2021, with the first reference date being 30 September 2021.

Current regulatory framework

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 (T1) capital requirement of 6% of RWAs and a total capital (TC) requirement of 8% of RWAs. In addition, banks are required to meet their Pillar IIA total capital requirement, as determined by the SREP, with at least 56% 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, IBP 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 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 SA to calculate credit and 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 SA. For certain options, the bank 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 IBP may be subject to additional regulations as implemented by local regulators in other relevant 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 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.

Table 1: Capital Structure

£'million	Ref^	31 March 2020^^	31 March 2019^^
Shareholder's equity		**2 061**	**1 889**
Shareholder's equity excluding non-controlling interests	d	2 078	1 921
Foreseeable charges and dividends^^		–	(19)
Deconsolidation of special purpose entities	d	(17)	(13)
Non-controlling interests		**–**	**(8)**
Non-controlling interests per balance sheet	f	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 taxation	b	(315)	(335)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	a	(18)	(13)
Common equity tier 1 capital		**1 819**	**1 643**
Additional tier 1 instruments	e	250	250
Tier 1 capital		**2 069**	**1 893**
Tier 2 capital		**533**	**596**
Tier 2 instrument	c	533	596
Total regulatory capital		**2 602**	**2 489**
Risk-weighted assets		**15 808**	**14 631**
Capital and leverage ratios			
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 (as reported)°		16.5%	17.0%
Leverage ratio exposure measure		**25 817**	**23 849**
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 references refer to those included in the reconciliation of the regulatory scope balance sheet (table 2).*

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

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

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

° *The reported CET1, T1 and TC ratios are calculated applying the IFRS 9 transitional arrangements.*

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. IBP has always held capital in excess of regulatory requirements and continues to remain well capitalised. Accordingly, the bank targets a minimum CET1 capital ratio of above 10%, a T1 capital ratio of above 11% and a TC adequacy 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 are held with IBP BRCC and the board to ensure members are kept up to date with the most salient changes and 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 is 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.

Basis of consolidation

The regulatory basis of consolidation differs from the basis of consolidation used for financial reporting purposes. The financial accounting position of the group is reported under IFRS and is described on page 188 of the IBP Annual Report 2020.

The regulatory consolidation includes all financial sector subsidiaries, the majority of which are wholly-owned by the relevant parent company. Investments in financial sector associates are equity accounted in the financial accounting consolidation. In the regulatory consolidation, exposures to financial sector associates are proportionally consolidated. Subsidiaries and associates engaged in non-financial activities are excluded from the regulatory consolidation. In addition, special purpose entities (SPEs) are not consolidated for regulatory purposes, where significant credit risk has been transferred to third parties. The positions the bank continues to hold in these securitisation SPEs will either be risk-weighted and/or deducted from CET1 capital. The principal SPE excluded from the regulatory scope of consolidation is Tamarin Securities Limited.

Table 2 reconciles the group's financial accounting balance sheet to the regulatory scope balance sheet. The alphabetic references included in the reconciliation provide a mapping of the balance sheet items to elements included in the capital structure table (table 1), set out on page 7.

Regulatory capital requirements are driven by the regulatory balance sheet and not the financial accounting balance sheet.

Table 2: Reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation

31 March 2020 £'million	Ref^	Accounting balance sheet	Deconsolidation of non-financial/ other entities	Consolidation of banking associates	Regulatory balance sheet
Cash and balances at central banks		2 277	–	–	2 277
Loans and advances to banks		1 794	(84)	–	1 710
Reverse repurchase agreements and cash collateral on securities borrowed		1 627	–	–	1 627
Sovereign debt securities		1 689	–	–	1 689
Bank debt securities		51	–	–	51
Other debt securities		696	(39)	–	657
Derivative financial instruments		1 251	(3)	–	1 248
Securities arising from trading activities		583	(6)	–	577
Investment portfolio		351	(11)	–	340
Loans and advances to customers		11 834	17	–	11 851
Other loans and advances		266	124	–	390
Other securitised assets		106	–	–	106
Interests in associated undertakings		7	–	(1)	6
Deferred taxation assets of which:		130	–	–	130
– relates to losses carried forward	a	18	–	–	18
Other assets		1 462	(405)	–	1 057
Property and equipment		217	(27)	–	190
Goodwill	b	253	–	–	253
Intangible assets	b	75	–	–	75
Investment in subsidiary companies		–	10	–	10
Total assets		**24 669**	**(424)**	**(1)**	**24 244**
Deposits by banks		1 450	(87)	–	1 363
Derivative financial instruments		1 246	(13)	–	1 233
Other trading liabilities		119	–	–	119
Repurchase agreements and cash collateral on securities lent		397	–	–	397
Customer deposits (deposits)		15 506	101	–	15 607
Debt securities in issue		1 026	(108)	–	918
Liabilities arising on securitisation of other assets		111	1	–	112
Current taxation liabilities		43	–	–	43
Deferred taxation liabilities of which:		22	(3)	–	19
– in respect of acquired intangibles	b	13	–	–	13
Other liabilities		1 631	(296)	–	1 335
Subordinated liabilities of which:		787	–	–	787
– term subordinated debt included in tier 2 capital	c	787	–	–	787
Total liabilities		**22 338**	**(405)**	**–**	**21 933**
Shareholder's equity excluding non-controlling interests	d	2 078	(17)	–	2 061
Additional tier 1 securities in issue	e	250	–	–	250
Non-controlling interests	f	3	(3)	–	–
Total equity		**2 331**	**(20)**	**–**	**2 311**
Total liabilities and equity		**24 669**	**(425)**	**–**	**24 244**

^ *The references identify balance sheet components which are used in the calculation of regulatory capital (refer to table 1).*

Table 2: Reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation *continued*

31 March 2019 £'million	Ref^	Accounting balance sheet	Decon-solidation of non-financial/ other entities	Consolidation of banking associates	Regulatory balance sheet
Cash and balances at central banks		4 445	–	–	4 445
Loans and advances to banks		956	(69)	–	887
Reverse repurchase agreements and cash collateral on securities borrowed		633	–	–	633
Sovereign debt securities		1 299	–	–	1 299
Bank debt securities		52	–	–	52
Other debt securities		508	–	–	508
Derivative financial instruments		643	–	–	643
Securities arising from trading activities		798	(7)	–	791
Investment portfolio		486	(4)	–	482
Loans and advances to customers		10 488	16	–	10 504
Other loans and advances		246	100	–	346
Other securitised assets		118	–	–	118
Interests in associated undertakings		9	–	(1)	8
Deferred taxation assets of which:		133	–	–	133
– relates to losses carried forward	a	13	–	–	13
Other assets		848	(42)	–	806
Property and equipment		95	(26)	–	69
Investment properties		15	(15)	–	–
Goodwill	b	261	–	–	261
Intangible assets	b	88	–	–	88
Investment in subsidiary companies		–	22	–	22
Total assets		**22 121**	**(25)**	**(1)**	**22 095**
Deposits by banks		1 320	(84)	–	1 236
Derivative financial instruments		719	–	–	719
Other trading liabilities		80	–	–	80
Repurchase agreements and cash collateral on securities lent		314	–	–	314
Customer deposits (deposits)		13 499	94	–	13 593
Debt securities in issue		2 050	(37)	–	2 013
Liabilities arising on securitisation of other assets		114	8	–	122
Current taxation liabilities		137	–	–	137
Deferred taxation liabilities of which:		21	(2)	–	19
– in respect of acquired intangibles	b	14	–	–	14
Other liabilities		900	8	–	908
Subordinated liabilities of which:		804	–	–	804
– term subordinated debt included in tier 2 capital	c	804	–	–	804
Total liabilities		**19 958**	**(13)**	**–**	**19 945**
Shareholder's equity excluding non-controlling interests	d	1 921	(13)	–	1 908
Additional tier 1 securities in issue	e	250	–	–	250
Non-controlling interests	f	(8)	–	–	(8)
Total equity		**2 163**	**(13)**	**–**	**2 150**
Total liabilities and equity		**22 121**	**(26)**	**–**	**22 095**

^ *The references identify balance sheet components which are used in the calculation of regulatory capital (refer to table 1).*

Capital adequacy and capital requirements

Capital management

Philosophy and approach

IBP'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 IBP's 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. IBP's internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the bank'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 ICAAP and subsequent SREP review.

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 are 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.

Risk modelling and quantification

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with the risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above. Quantification of all risks is based on analysis of internal data, management expertise and judgement, and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - underlying counterparty risk;
  - concentration risk; and
  - securitisation risk.
- Market risk;
- Equity and investment risk held in the banking book;
- Banking book interest rate risk;
- Pension risk; and
- Operational risk, which is considered as an umbrella term and covers a range of independent risks including, but not limited to fraud, litigation, business continuity, cyber security, information security, outsourcing and out of policy trading.

The specific risks covered are assessed dynamically through constant review of the underlying business environment.

Capital planning and stress/scenario testing

A capital plan is prepared for IBP and is 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 duress.

The conditions themselves 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.

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.

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

- Changes to capital demand caused by the 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, the 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 is presented with the potential variability in capital adequacy and are responsible, in consultation with the IBP board, for considering the appropriate response.

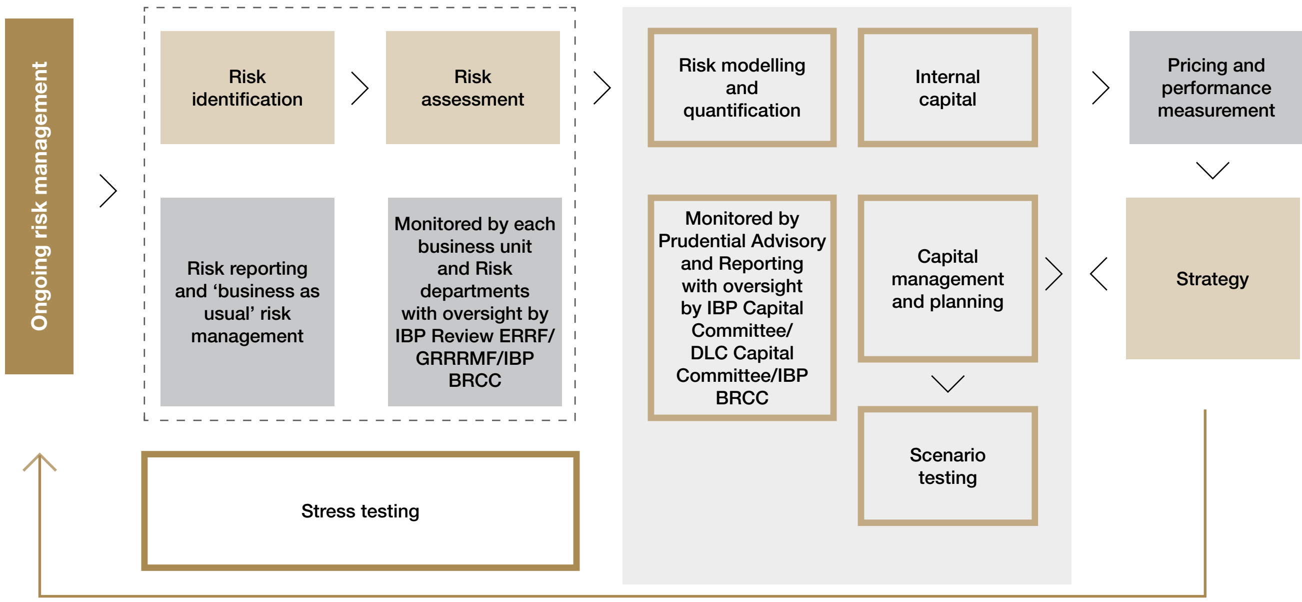
Pricing and performance measurement

The use of internal capital as an allocation tool means that all transactions are considered in the context of their contribution to return on risk-adjusted capital. This ensures that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key decisions, at both a group and at a transactional level. Responsibility for oversight for each of these processes ultimately falls to the IBP BRCC.

The (simplified) integration of risk and capital management



Regulatory capital instruments

Regulatory capital is divided into three main categories, namely CET1, additional tier 1 (AT1) and tier 2 (T2) capital and comprise the following:

- CET1 capital comprises shareholders' equity and related eligible non-controlling interests after giving effect to deductions for disallowed items (for example, goodwill and intangible assets) and other adjustments;
- AT1 capital includes qualifying capital instruments that are capable of being fully and permanently written down or converted into CET1 capital at the point of non-viability of the bank; and
- T2 capital comprises of qualifying subordinated debt and related eligible non-controlling interests.

Table 4 provides a description of the terms and conditions of all capital instruments, including an indication of which instruments are not CRD IV compliant and are subject to transitional arrangements. During the year IBP issued £150 million ordinary shares to Investec plc. The capital injection was done in two tranches. The first tranche of £50 million was injected in June 2019 and the remaining £100 million was injected in March 2020, post the demerger of the Investec Asset Management business.

Table 3: Own funds disclosure

Ref^	£'million Common equity tier 1 capital: Instruments and reserves	31 March 2020	31 March 2019
1	**Capital instruments and the related share premium accounts**	1 480	1 330
	of which: ordinary shares*	1 480	1 330
2	Retained earnings	376	526
3	Accumulated other comprehensive income (and other reserves)	163	(38)
5	Minority interests (amount allowed in consolidated CET1)	–	(8)
5a	Independently reviewed interim profits net of any foreseeable charge or dividend**	42	71
6	**Common equity tier 1 capital before regulatory adjustments**	**2 061**	**1 881**
	Common equity tier 1 capital: regulatory adjustments		
7	Additional value adjustments	(7)	(5)
8	Intangible assets (net of related tax liability)	(315)	(335)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met)	(18)	(13)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	12	21
	Adjustment under IFRS 9 transitional arrangements	86	94
28	**Total regulatory adjustments to Common equity tier 1**	**(242)**	**(238)**
29	**Common equity tier 1 capital**	**1 819**	**1 643**
	Additional tier 1 capital: instruments		
30	Capital instruments and the related share premium accounts	250	250
31	of which: classified as equity under applicable accounting standards	250	250
44	**Additional Tier 1 (AT1) capital**	**250**	**250**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2 069**	**1 893**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	533	596
58	**Tier 2 (T2) capital**	**533**	**596**
59	**Total capital (TC = T1 + T2)**	**2 602**	**2 489**
60	**Total risk weighted assets**	**15 808**	**14 631**
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	11.5%	11.2%
62	Tier 1 (as a percentage of risk exposure amount)	13.1%	12.9%
63	Total capital (as a percentage of risk exposure amount)	16.5%	17.0%
64	Institution specific buffer requirement (expressed as a percentage of risk exposure amount))	2.56%	3.05%
65	of which: capital conservation buffer requirement	2.50%	2.50%
66	of which: countercyclical buffer requirement	0.06%	0.55%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.0%	6.7%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	60	75
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6	11
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	38	36

^ *The references identify the lines prescribed in the EBA template. Lines represented in this table are those lines which are applicable and have a value assigned to it. All other lines have been suppressed.*

* *Includes the share premium account*

** *Line 5a includes interim profits net of foreseeable charges and dividends for the period April to September 2019. Profits for the remaining period have been included in line 2 retained earnings.*

Table 4: Summary of capital instruments' main features

	Capital instruments' main features template	Ordinary shares
1	Issuer	Investec Bank plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	n/a
3	Governing law(s) of the instrument	English Law
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional rules	Common Equity Tier 1
6	Eligible at solo/(sub-) consolidated / solo and (sub-) consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)[1]	£1 281m
9	Nominal amount of instrument	£1 281m
9a	Issue price	n/a
9b	Redemption price	n/a
10	Accounting classification	Shareholders' equity
11	Original date of issuance	n/a
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	n/a
15	Optional call date, contingent call dates and redemption amount	n/a
16	Subsequent call dates, if applicable	n/a
	Coupons/dividends	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timings)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Write-down features	n/a
31	If write-down, write-down triggers(s)	n/a
32	If write-down, full or partial	n/a
33	If write-down, permanent or temporary	n/a
34	If temporary write-down, description of write-up mechanism	n/a
35	Position in subordinated hierarchy in liquidation (specify instrument type immediately senior to instrument)	Represents the most subordinate claim in liquidation of the bank
36	Non-compliant transitioned features	n/a
37	If yes, specify non-compliant features	n/a

Fixed rate reset perpetual additional tier 1 write-down capital securities	Subordinated fixed rate medium-term note	Subordinated fixed rate reset callable medium-term notes
Investec Bank plc	Investec Bank plc	Investec Bank plc
Unlisted	XS0593062788	XS1859228634
English Law	English Law	English Law
Additional Tier 1	Tier 2	Tier 2
Additional Tier 1	Tier 2	Tier 2
Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
Additional tier 1 instrument	Tier 2 instruments	Tier 2 instruments
£250m	£115m	£418m
£250m	£308m	£420m
100%	99.981%	99.47%
Redemption at principal amount plus accrued and unpaid interest to date of redemption	Par plus accrued but unpaid interest	Par plus accrued interest
Shareholders' equity	Liability – fair value	Liability – amortised cost
£200m on 16 October 2017 £50m on 22 January 2019	17 February 2011 29 June 2011 tap	Tuesday, 24 July 2011
Perpetual	Dated	Dated
No maturity	17 February 2022	24 July 2028
Yes	n/a	Yes
5 December 2024, subject to supervisory approval; Subject to tax and capital disqualification event at any time; Redemption at principal amount plus accrued and unpaid interest to date of redemption	NA; Subject to tax and regulatory call; Redemption at par plus accrued but unpaid interest	24 July 2023 subject to supervisory approval; subject to tax and regulatory call; redemption at par plus accrued interest
On each quarterly interest payment date after first call	n/a	n/a
Fixed	Fixed	Fixed
6.750%	9.625%	4.25%
No	No	No
Fully discretionary	Mandatory	Mandatory
Fully discretionary	Mandatory	Mandatory
No	No	No
Non-cumulative	Cumulative	Cumulative
Non-convertible	Non-convertible	Non-convertible
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
CET1 ratio of the issuer and / or the Investec plc group has fallen below 7% – contractual / point of non viability – UK PRA statutory	n/a	n/a
Full	n/a	n/a
Permanent	n/a	n/a
n/a	n/a	n/a
Tier 2 instruments	Subordinated to payments of any amounts due and payable to senior creditors	Subordinated to payments of any amounts due and payable to senior creditors
No	No	No
n/a	n/a	n/a

Overview of RWAs

IBP uses the SA to calculate its credit and CCR, securitisation, market risk and operational risk capital requirements. The mark-to-market method is used to calculate the CCR exposure amount. 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 derivative instruments.

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

Credit risk RWAs

Credit risk RWAs, which include equity risk but exclude securitisation exposures, increased by £989 million. The increase is primarily driven by diversified growth across the corporate and retail 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 credit derivative hedges.

Market risk RWAs

Market risks RWAs decreased by £107 million mainly due to decreases in equity risk and foreign exchange risk, driven by current market volatility.

Operational risk RWAs

RWAs increased by £9 million. The increase is due to a slightly higher three year average operating income.

Table 5: Overview of RWAs

		RWA		Minimum capital requirements*
Ref^	**£'million**	**31 March 2020**	31 March 2019	**31 March 2020**
1	Credit risk (excluding counterparty credit risk)	12 174	11 185	975
2	Of which standardised approach	12 174	11 185	975
6	Counterparty credit risk (CCR)	981	687	79
7	Of which mark to market	921	609	74
11	Of which risk exposure amount for contributions to the default fund of a CCP	1	2	–
12	Of which credit valuation adjustment (CVA) risk	59	76	5
13	Settlement risk	5	–	–
14	Securitisation exposures in banking book (after cap)	91	104	7
18	Of which standardised approach	91	104	7
19	Market risk	726	833	58
20	Of which the standardised approach	726	833	58
23	Operational risk	1 831	1 822	146
25	Of which standardised approach	1 831	1 822	146
27	Amounts below the thresholds for deduction (subject to 250% RWAs)**	108	117	9
29	**Total (1+6+13+14+19+23)**	**15 808**	**14 631**	**1 265**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
* *Minimum capital requirements of 8% of RWAs.*
** *The RWAs are already included in total credit risk.*

Leverage ratio

The leverage ratio is calculated using the CRR definition of leverage which was adopted by the EC via a delegated Act in October 2014 and came into force on 1 January 2015. In the UK, the leverage ratio was subject to a mandatory monitoring period from 1 January 2014 to 30 June 2016, at which point the EBA reported to the EC suggesting a 3% leverage ratio was adequate. At the same time appropriate adjustments to the capital and total exposure measure were proposed. CRRII, which was adopted in June 2019, implements a 3% leverage ratio which will apply from 28 June 2021.

As with the governance of capital management, the IBP Capital Committee and 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.

The group's leverage ratio was 8.0% at 31 March 2020, up from 7.9% at 31 March 2019. The increase is mainly attributable to an increase in T1 capital due to the capital injection of £150 million offset by an increase in balance sheet assets.

The UK leverage ratio framework is applied to PRA regulated banks and building societies with retail deposits equal to or greater than £50 billion. Firms subject to this framework are allowed to exclude qualifying central bank balances from the calculation of the leverage exposure measure. Although IBP is not subject to the UK leverage ratio framework, the leverage ratio calculated on this basis, has been included in table 1 on page 7 for comparative purposes.

Table 6: Summary reconciliation of accounting assets and leverage ratio exposure

Ref^	£'million	**31 March 2020**	31 March 2019
1	Total assets as per published financial statements	24 669	22 121
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(425)	(26)
4	Adjustments for derivative financial instruments	611	964
5	Adjustment for securities financing transactions (SFTs)	169	131
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1 029	898
7	Other adjustments	(236)	(239)
8	**Leverage ratio total exposure measure**	**25 817**	**23 849**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

Table 7: Leverage ratio common disclosure

Ref^	£'million	CRR leverage ratio exposures **31 March 2020**	 31 March 2019
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	20 797	20 820
2	(Asset amounts deducted in determining Tier 1 capital)	(236)	(239)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**20 561**	**20 581**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1 127	447
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	869	824
9	Adjusted effective notional amount of written credit derivatives	508	394
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(73)	(59)
11	**Total derivatives exposures**	**2 431**	**1 606**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1 627	633
14	Counterparty credit risk exposure for SFT assets	169	131
16	**Total securities financing transaction exposures**	**1 796**	**764**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1 884	2 015
18	(Adjustments for conversion to credit equivalent amounts)	(855)	(1 117)
19	**Other off-balance sheet exposures**	**1 029**	**898**
	Capital and total exposure measure		
20	Tier 1 capital	2 069	1 893
21	Leverage ratio exposure measure	**25 817**	**23 849**
	Leverage ratio		
22	**Leverage ratio**	**8.0%**	**7.9%**
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	T1 transitional	T1 transitional

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

Table 8: Split of on-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))

Ref^	£'million	CRR leverage ratio exposures 31 March 2020	31 March 2019
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs)	20 797	20 820
EU-2	Trading book exposures	576	791
EU-3	Banking book exposures, of which:	20 221	20 029
EU-5	Exposures treated as sovereigns	3 835	5 780
EU-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	223	117
EU-7	Institutions	1 400	834
EU-8	Secured by mortgages of immovable properties	3 500	3 131
EU-9	Retail exposures	1 437	1 249
EU-10	Corporate	6 925	6 136
EU-11	Exposures in default	335	406
EU12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	2 566	2 376

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

Capital buffers

The group is subject to the CCB and an institution specific CCyB. The CCB was phased in at 0.625% of RWAs, commencing 1 January 2016. As at 31 March 2020, the group holds the fully phased in CCB of 2.5% which must be met fully with CET1 Capital.

The group is also subject to an institution specific CCyB requirement, which is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. 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. At 31 March 2020, the group holds an institution specific CCyB of 0.06%.

The table which follows shows the geographical distribution of credit exposures relevant to the calculation of the CCyB.

Table 9: Geographical distribution of credit exposures

Ref^	31 March 2020 £'million	General credit exposure: Exposure value for SA	Trading book exposure: Sum of long and short position of trading book	Securitisation exposure: Exposure value for SA	Own funds requirements: Of which: General credit exposures	Own funds requirements: Of which: Trading book exposures	Own funds requirements: Of which: Securitisation exposures	Own funds requirements: Total	Own funds requirement weights	Countercyclical capital buffer rate
010	**Breakdown by country**									
	Hong Kong	93	1	–	7	–	–	7	0.65%	1.00%
	Norway	86	–	–	7	–	–	7	0.70%	1.00%
	France	36	4	–	2	–	–	2	0.24%	0.25%
	Ireland	483	–	–	37	–	–	37	3.63%	1.00%
	Denmark	35	–	–	3	–	–	3	0.27%	1.00%
	Slovakia	–	–	–	–	–	–	–	0.00%	1.50%
	Iceland	–	–	–	–	–	–	–	0.00%	2.00%
	Bulgaria	5	–	–	–	–	–	–	0.01%	0.50%
	Luxembourg	483	1	–	39	–	–	39	3.80%	0.25%
	Czech Republic	–	–	–	–	–	–	–	0.00%	1.75%
	Lithuania	–	–	–	–	–	–	–	0.00%	1.00%
	Total countries with existing CCyB rates >0%	**1 221**	**6**	**–**	**95**	**–**	**–**	**95**	**9.30%**	
	United States of America	766	10	36	62	1	1	63	6.20%	
	United Kingdom	7 860	135	227	504	6	3	513	50.32%	
	Australia	883	–	–	71	–	–	71	7.00%	
	British Virgin Islands	443	–	–	33	–	–	33	3.19%	
	Netherlands	299	–	–	24	–	–	24	2.35%	
	Cayman Islands	472	–	258	39	–	3	42	4.08%	
	Jersey	640	–	–	43	–	–	43	4.25%	
	Guernsey	476	–	–	32	–	–	32	3.11%	
	Germany	190	24	–	14	2	–	16	1.53%	
	Total countries with own funds requirements weights 1% or above	**12 029**	**169**	**521**	**822**	**9**	**7**	**837**	**82.03%**	
	Total countries with own funds requirements weights below 1% and without an existing CCyB rate	**1 249**	**13**	**–**	**86**	**1**	**–**	**88**	**8.67%**	
	Total	**14 499**	**188**	**521**	**1 003**	**10**	**7**	**1 020**	**100.00%**	

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

Table 10: Amount of institution specific countercyclical capital buffer

Ref^	£'million	31 March 2020
010	Total risk exposure amount	15 808
020	Institution specific countercyclical buffer rate	0.06%
030	**Institution specific countercyclical buffer requirement**	**10**

Credit risk

The group applies the SA for calculating capital requirements in the assessment of its credit exposures. The tables below set out details of the group's credit risk exposures by exposure class and broken down further by geography, counterparty type and maturity.

Table 11: Total and average net amount of exposures

		Net value of exposures*	**Average net exposures**	Net value of exposures*	Average net exposures
Ref^	**£'million**	**31 March 2020**		31 March 2019	
16	Central governments or central banks	3 835	4 914	5 784	5 112
17	Regional governments or local authorities	2	2	1	4
18	Public sector entities	97	80	74	60
19	Multilateral Development Banks	131	91	49	26
21	Institutions	1 439	1 013	858	903
22	Corporates	8 528	8 347	7 973	7 869
24	Retail	1 458	1 386	1 266	1 269
26	Secured by mortgages on immovable property	3 603	3 376	3 229	2 773
28	Exposures in default	364	392	414	472
29	Items associated with particularly high risk	405	431	516	472
33	Equity exposures	127	97	98	97
34	Other exposures	458	479	320	418
35	**Total standardised approach**	**20 447**	**20 608**	**20 582**	**19 474**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
* *The net value of exposures is the gross carrying value of the exposure less impairment allowances or provisions.*

Table 12: Geographical breakdown of exposures

		Net value*					
Ref^	**£'million**	**United Kingdom**	**Europe (excluding UK)**	**Australia**	**North America**	**Other**	**Total**
	31 March 2020						
7	Central governments or central banks	3 424	55	19	337	–	3 835
8	Regional governments or local authorities	2	–	–	–	–	2
9	Public sector entities	93	3	1	–	–	97
10	Multilateral Development Banks	19	32	–	60	20	131
12	Institutions	596	451	70	287	35	1 439
13	Corporates	4 338	1 535	724	1 482	449	8 528
14	Retail	1 421	10	3	3	21	1 458
15	Secured by mortgages on immovable property	2 886	194	29	257	237	3 603
16	Exposures in default	217	49	24	50	24	364
17	Items associated with particularly high risk	193	27	19	76	90	405
21	Equity exposures	73	3	10	38	3	127
22	Other exposures	296	34	25	5	98	458
23	**Total standardised approach**	**13 558**	**2 393**	**924**	**2 595**	**977**	**20 447**
	31 March 2019						
7	Central governments and central banks	5 525	54	–	187	18	5 784
8	Regional governments or local authorities	1	–	–	–	–	1
9	Public sector entities	68	6	–	–	–	74
10	Multilateral Development Banks	–	–	–	–	49	49
12	Institutions	425	247	85	64	37	858
13	Corporates	3 907	1 528	592	1 486	460	7 973
14	Retail	1 231	12	3	2	18	1 266
15	Secured by mortgages on immovable property	2 520	162	27	309	211	3 229
16	Exposures in default	253	106	16	2	37	414
17	Items associated with particularly high risk	246	21	21	105	123	516
21	Equity exposures	76	3	8	8	3	98
22	Other exposures	225	23	9	4	59	320
23	**Total standardised approach**	**14 477**	**2 162**	**761**	**2 167**	**1 015**	**20 582**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
* *The net value is the gross carrying value of the exposure less impairment allowances or provisions.*

Table 13: Concentration of exposures by counterparty type

Ref^	£'million	Financial sector	Non-financial sector	Total*
	31 March 2020			
7	Central governments or central banks	3 502	333	3 835
8	Regional governments or local authorities	–	2	2
9	Public sector entities	–	97	97
10	Multilateral Development Banks	131	–	131
12	Institutions	1 431	8	1 439
13	Corporates	111	8 417	8 528
14	Retail	–	1 458	1 458
15	Secured by mortgages on immovable property	16	3 587	3 603
16	Exposures in default	–	364	364
17	Items associated with particularly high risk	12	393	405
21	Equity exposures	30	97	127
22	Other exposures	–	458	458
23	**Total standardised approach**	**5 233**	**15 214**	**20 447**
	31 March 2019			
7	Central governments or central banks	5 308	476	5 784
8	Regional governments or local authorities	–	1	1
9	Public sector entities	–	74	74
10	Multilateral Development Banks	49	–	49
12	Institutions	858	–	858
13	Corporates	184	7 789	7 973
14	Retail	–	1 266	1 266
15	Secured by mortgages on immovable property	–	3 229	3 229
16	Exposures in default	–	414	414
17	Items associated with particularly high risk	–	516	516
21	Equity exposures	11	87	98
22	Other exposures	–	320	320
23	**Total standardised approach**	**6 410**	**14 172**	**20 582**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
* *The total disclosed is the net value i.e the gross carrying value of the exposure less impairment allowance or provisions.*

Table 14: Maturity of exposures

Ref^	£'million	Net exposure value ^^ < = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
	31 March 2020					
7	Central governments or central banks	3 190	77	568	–	3 835
8	Regional governments or local authorities	–	2	–	–	2
9	Public sector entities	4	83	10	–	97
10	Multilateral Development Banks	–	131	–	–	131
12	Institutions	1 246	96	97	–	1 439
13	Corporates	2 034	4 629	1 865	–	8 528
14	Retail	145	1 208	105	–	1 458
15	Secured by mortgages on immovable property	379	1 939	1 285	–	3 603
16	Exposures in default	70	113	181	–	364
17	Items associated with particularly high risk	61	86	4	254	405
21	Equity exposures	–	–	–	127	127
22	Other exposures	–	–	–	458	458
23	**Total standardised approach**	**7 129**	**8 364**	**4 115**	**839**	**20 447**
	31 March 2019					
7	Central governments or central banks	5 409	87	288	–	5 784
8	Regional governments or local authorities	–	1	–	–	1
9	Public sector entities	3	62	9	–	74
10	Multilateral Development Banks	–	49	–	–	49
12	Institutions	768	74	16	–	858
13	Corporates	2 113	4 287	1 573	–	7 973
14	Retail	126	1 056	84	–	1 266
15	Secured by mortgages on immovable property	406	1 866	957	–	3 229
16	Exposures in default	36	131	247	–	414
17	Items associated with particularly high risk	68	27	2	419	516
21	Equity exposures	–	–	–	98	98
22	Other exposures	–	–	–	320	320
23	**Total standardised approach**	**8 929**	**7 640**	**3 176**	**837**	**20 582**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
^^ *The net exposure value is the gross carrying value of the exposure less impairment allowances or provisions, reported by residual contractual maturity.*

Credit risk adjustments

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 at amortised cost and at fair value through other comprehensive income are as described below:

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.

Stage 1

All 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 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.

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 amongst other indicators of financial stress. 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 time frame, 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.

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. As required under IFRS 9, 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 time frame, the loan will be classified as Stage 3.

Loans which are more than 90 days past due are considered to be 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) has been 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 has been 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 continue to 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 require 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 have 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.

For more information on the COVID-19 short and long scenario refer to pages 45 to 47 of the IBP annual report 2020.

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.

Table 15: Credit quality of exposures by exposure class

Ref^	£'million	Gross carrying value: Defaulted exposures	Gross carrying value: Non defaulted exposures	Specific credit risk adjust-ments	Accumu-lated write-offs	Credit risk adjust-ment charge of the period	Net values^^
	31 March 2020						
16	Central governments and central banks	–	3 835	–	–	–	3 835
17	Regional governments or local authorities	–	2	–	–	–	2
18	Public sector entities	–	97	–	–	–	97
19	Multilateral Development Banks	–	131	–	–	–	131
21	Institutions	1	1 438	–	–	–	1 439
22	Corporates	233	8 557	64	46	58	8 726
24	Retail	28	1 465	13	2	12	1 480
26	Secured by mortgages on immovable property	147	3 605	5	–	5	3 747
28	Exposures in default	409	–	45	24	42	364
29	Items associated with particularly high risk	–	405	–	–	–	405
33	Equity exposures	–	127	–	–	–	127
34	Other exposures	–	458	–	–	–	458
35	**Total standardised approach***	**409**	**20 120**	**82**	**48**	**75**	**20 447**
36	Of which: Loans	379	12 984	80	48	75	13 283
37	Of which: Debt securities	–	1 968	–	–	–	1 968
38	Of which: Off-balance sheet exposures	30	1 854	2	–	–	1 882
	31 March 2019						
16	Central governments and central banks	–	5 784	–	–	–	5 784
17	Regional governments or local authorities	–	1	–	–	–	1
18	Public sector entities	1	73	–	–	–	74
19	Multilateral Development Banks	–	49	–	–	–	49
21	Institutions	–	858	–	–	–	858
22	Corporates	333	7 983	35	31	6	8 281
24	Retail	63	1 268	5	1	–	1 326
26	Secured by mortgages on immovable property	–	3 233	–	–	–	3 233
28	Exposures in default	444	–	30	104	21	414
29	Items associated with particularly high risk	47	516	5	4	1	558
33	Equity exposures	–	98	–	–	–	98
34	Other exposures	–	320	–	–	–	320
35	**Total standardised approach***	**444**	**20 183**	**45**	**140**	**28**	**20 582**
36	Of which: Loans	435	15 663	44	140	28	16 054
37	Of which: Debt securities	1	1 575	–	–	–	1 576
38	Of which: Off-balance sheet exposures	8	2 007	1	–	–	2 014

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
^^ *The net value is equal to the gross carrying value (including defaulted and non-defaulted exposures) less specific credit risk adjustments.*
* *The totals reported in line 35 do not take into account figures disclosed in row 28 'exposures in default'.*

Table 16: Credit quality of exposures by sector

		Gross carrying value					
Ref^	**£'million**	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustments**	**Accumulated write-offs**	**Credit risk adjustment charge of the period**	**Net values^^**
	31 March 2020						
1	Financial sector	2	5 232	1	–	–	5 233
2	Non-financial sector	407	14 888	81	48	75	15 214
19	**Total**	**409**	**20 120**	**82**	**48**	**75**	**20 447**
	31 March 2019						
1	Financial sector	–	6 410	–	–	–	6 410
2	Non-financial sector	444	13 773	45	140	28	14 172
19	**Total**	**444**	**20 183**	**45**	**140**	**28**	**20 582**

Table 17: Credit quality of exposures by geography

		Gross carrying value					
Ref^	**£'million**	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustments**	**Accumulated write-offs**	**Credit risk adjustment charge of the period**	**Net values^^**
	31 March 2020						
1	United Kingdom	247	13 368	57	40	62	13 558
2	Europe (excluding United Kingdom)	59	2 346	12	6	10	2 393
3	Australia	26	901	3	–	–	924
4	North America	52	2 552	9	–	–	2 595
5	Other geographies	25	953	1	2	3	977
6	**Total**	**409**	**20 120**	**82**	**48**	**75**	**20 447**
	31 March 2019						
1	United Kingdom	275	14 233	31	117	23	14 477
2	Europe (excluding United Kingdom)	112	2 058	8	17	4	2 162
3	Australia	16	746	1	–	–	761
4	North America	3	2 168	4	–	–	2 167
5	Other geographies	38	978	1	6	1	1 015
6	**Total**	**444**	**20 183**	**45**	**140**	**28**	**20 582**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
^^ *The net value is equal to the gross carrying value (including defaulted and non-defaulted exposures) less specific credit risk adjustments.*

Tables 18 to 21 analyse past due, performing and non-performing exposures and movement in credit risk adjustments. These tables are populated with accounting values, but following the regulatory basis of consolidation.

Table 18: Ageing of past due exposures

		Gross carrying values					
Ref^	**£'million**	**< 30 days**	**> 30 days < 60 days**	**> 60 days < 90 days**	**> 90 days < 180 days**	**> 180 days < 1 year**	**> 1 year**
	31 March 2020						
1	Loans	146	30	3	52	54	86
3	**Total exposures**	**146**	**30**	**3**	**52**	**54**	**86**
	31 March 2019						
1	Loans	61	19	4	16	63	67
3	**Total exposures**	**61**	**19**	**4**	**16**	**63**	**67**

Table 19: Changes in the stock of specific credit risk adjustments

		12 months to 31 March	
		2020	2019
Ref ^	**£'million**	**Accumulated specific credit risk adjustments**	Accumulated specific credit risk adjustments
1	**Opening balance**	45	158
2	Increases due to amounts set aside for estimated loan losses during the period^^	38	26
3	Decreases due to amounts reversed for estimated loan losses during the period*	(4)	(15)
4	Decrease due to amounts taken against accumulated credit risk adjustments**	(21)	(34)
8	Other adjustments	24	(91)
9	**Closing balance**	**82**	**45**

Table 20: Changes in stock of defaulted and impaired loans and debt securities

		12 months to 31 March	
		2020	2019
Ref ^	**£'million**	**Gross carrying value of defaulted exposures**	Gross carrying value of defaulted exposures
1	**Opening balance**	444	412
2	Loans and debt securities that have defaulted or impaired since the last reporting period	115	294
3	Returned to non-defaulted status	(2)	(53)
4	Amounts written off	(48)	(140)
5	Other changes	(100)	(69)
6	**Closing balance**	**409**	**444**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
^^ *Includes increases due to origination and acquisition, changes in credit risk, changes due to modification without derecognition and due to estimation methodology updates.*
* *Includes repayments and disposal.*
** *Includes write-offs.*

Table 21: Non-performing and forborne exposures

Ref ^	£'million	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
					of which: non-performing				On performing exposures		On non-performing exposures			
			of which performing but past due > 30 days and < 90 days	of which performing forborne		of which: defaulted	of which: impaired	of which: forborne		of which: forborne		of which: forborne	On non-performing exposures	Of which: forborne exposures
	31 March 2020													
010	Debt securities	1 968	–	–	–	–	–	–	–	–	–	–	–	–
020	Loans and advances	13 364	33	160	386	379	386	119	(30)	(1)	(50)	(12)	350	184
030	Off-balance sheet exposures	1 884	–	–	30	30	–	–	–	–	(2)	–	4	–
	31 March 2019													
010	Debt securities	1 576	–	–	1	1	–	–	–	–	–	–	–	–
020	Loans and advances	15 722	55	113	441	435	331	63	(17)	(1)	(27)	(7)	209	58
030	Off-balance sheet exposures	2 014	–	–	8	8	–	–	–	–	(1)	–	6	–

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

Credit risk mitigation

Credit risk mitigation (CRM) techniques can be defined as all methods by which the bank seeks to decrease the credit risk associated with an exposure. The bank considers CRM 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.

Collateral

As the bank has a limited appetite for unsecured debt, the CRM 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 ultimately allowing Investec to recover any 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 re-let 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. Commercial property development is undertaken on a selective basis with strong principals and established contractors in desirable locations. 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 and Global Master Repurchase Agreement. In addition to having ISDA documentation in place with market and trading counterparties in over-the-counter (OTC) derivatives, a Credit Support Annex ensures 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.

The bank places minimal reliance on credit derivatives in its CRM 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 (including total return swap) outstanding at 31 March 2020 amounts to £1.5 million, of which all is used for credit mitigation purposes. Total protection bought amounts to £10.5 million and total protection sold amounts to £9.4 million relating to credit derivatives used in credit mitigation. Table 30 provides more information on credit derivative exposures.

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.

Recognition of credit risk mitigation under the standardised approach

For regulatory reporting purposes, CRM is used to reduce credit risk associated with an exposure, which may reduce potential losses in the event of a client default or other credit event. CRM that meets certain regulatory criteria may be used to reduce the RWAs held against a given client. Collateral that meets the regulatory conditions is referred to as 'eligible' collateral. Collateral eligibility rules are specified in the CRR.

Under the SA CRM can be achieved through either funded or unfunded credit protection.

Where unfunded credit protection is relied upon for mitigation purposes, the exposure to the borrower is substituted with an exposure to the protection provider, after applying a 'haircut' to the value of the collateral due to currency and/or maturity mismatches between the original exposure and the collateral provided. Unfunded credit protection includes eligible guarantees and credit derivatives.

Where we rely on funded protection in the form of financial collateral, the value of collateral is adjusted using the financial collateral comprehensive method. This method applies supervisory volatility adjustments to the value of the collateral, and includes the currency and maturity haircuts discussed above.

Tables 22 to 24 analyse regulatory CRM. Only 'eligible' collateral as defined in the CRR has been included in the tables.

Table 29 shows the impact of netting and collateral on CCR exposures.

Table 22: Credit risk mitigation techniques

Ref^	£'million	Exposures unsecured-carrying amount	Exposures secured-carrying amount	Exposures secured by collateral^^	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	31 March 2020					
1	Total loans	9 482	3 801	3 719	82	–
2	Total debt securities	1 968	–	–	–	–
3	**Total exposures**	**11 450**	**3 801**	**3 719**	**82**	**–**
4	Of which defaulted	250	129	129	–	–
	31 March 2019					
1	Total loans	12 533	3 521	3 442	79	–
2	Total debt securities	1 557	19	19	–	–
3	**Total exposures**	**14 090**	**3 540**	**3 461**	**79**	**–**
4	Of which defaulted	231	175	175	–	–

^ *The reference identify the lines prescribed in the EBA template. Only applicable line with assigned value are reported. All other lines have been suppressed.*
^^ *Exposures secured by collateral only includes exposures secured by eligible collateral as defined in the CRR.*

Table 23: Standardised approach – credit risk exposure and credit risk mitigation effects

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density		
Ref^	**£'million**	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**	**Capital require-ments**
	31 March 2020							
1	Central governments and central banks	3 835	–	3 887	–	26	1%	2
2	Regional governments or local authorities	2	–	2	–	–	0%	–
3	Public sector entities	90	7	90	–	18	20%	2
4	Multilateral Development Banks	131	–	131	–	–	0%	–
6	Institutions	1 401	38	1 413	24	319	22%	26
7	Corporates	6 926	1 602	6 700	813	7 504	100%	600
8	Retail	1 437	21	1 375	7	876	63%	70
9	Secured by mortgages on immovable property	3 500	103	3 500	51	1 734	49%	139
10	Exposures in default	334	30	334	28	452	125%	36
11	Items associated with particularly high risk	372	33	370	33	605	150%	49
15	Equity exposures	79	48	79	38	126	107%	10
16	Other exposures	458	–	458	–	514	112%	41
17	**Total**	**18 565**	**1 882**	**18 339**	**994**	**12 174**	**63%**	**975**
	31 March 2019							
1	Central governments and central banks	5 780	4	5 816	–	25	0%	2
2	Regional governments or local authorities	1	–	1	–	–	0%	–
3	Public sector entities	67	7	81	2	17	20%	1
4	Multilateral Development Banks	49	–	49	–	–	0%	–
6	Institutions	834	24	844	2	188	22%	15
7	Corporates	6 136	1 837	5 949	784	6 720	100%	538
8	Retail	1 249	17	1 198	6	756	63%	60
9	Secured by mortgages on immovable property	3 131	98	3 131	49	1 705	54%	136
10	Exposures in default	406	8	406	4	507	124%	41
11	Items associated with particularly high risk	497	19	497	19	774	150%	62
15	Equity exposures	98	–	98	–	115	117%	9
16	Other exposures	320	–	323	–	376	116%	30
17	**Total**	**18 568**	**2 014**	**18 393**	**866**	**11 183**	**58%**	**894**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

Table 24: Standardised approach

		Risk weight^^									
Ref^	**£'million**	**0%**	**2%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total**
	31 March 2020										
1	Central governments or central banks	3 835	–	–	–	52	–	–	–	–	3 887
2	Regional governments or local authorities	–	–	2	–	–	–	–	–	–	2
3	Public sector entities	–	–	90	–	–	–	–	–	–	90
4	Multilateral Development Banks	131	–	–	–	–	–	–	–	–	131
6	Institutions	–	24	1 310	–	95	–	8	–	–	1 437
7	Corporates	–	–	10	–	–		7 486	17	–	7 513
8	Retail	–	–	–	–	–	1 382	–	–	–	1 382
9	Secured by mortgages on immovable property	–	–	–	2 785	8	–	758	–	–	3 551
10	Exposures in default	–	–	–	–	–	–	182	180	–	362
11	Items associated with particularly high risk	–	–	–	–	–	–	–	403	–	403
15	Equity exposures	–	–	–	–	–	–	111	–	6	117
16	Other exposures	–	–	–	–	–	–	420	–	38	458
17	**Total**	**3 966**	**24**	**1 412**	**2 785**	**155**	**1 382**	**8 965**	**600**	**44**	**19 333**
	31 March 2019										
1	Central governments or central banks	5 766	–	–	–	50	–	–	–	–	5 816
2	Regional governments or local authorities	–	–	1	–	–	–	–	–	–	1
3	Public sector entities	–	–	83	–	–	–	–	–	–	83
4	Multilateral Development Banks	49	–	–	–	–	–	–	–	–	49
6	Institutions	–	7	775	–	62	–	2	–	–	846
7	Corporates	–	–	10	–	–	–	6 718	5	–	6 733
8	Retail	–	–	–	–	–	1 204	–	–	–	1 204
9	Secured by mortgages on immovable property	–	–	–	2 230	45	–	905	–	–	3 180
10	Exposures in default	–	–	–	–	–	–	216	194	–	410
11	Items associated with particularly high risk	–	–	–	–	–	–	–	516	–	516
15	Equity exposures	–	–	–	–	–	–	86	–	12	98
16	Other exposures	–	–	–	–	–	–	287	–	36	323
17	**Total**	**5 815**	**7**	**869**	**2 230**	**157**	**1 204**	**8 214**	**715**	**48**	**19 259**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
^^ *The above table does not take into account the impact of the small and medium-sized enterprise (SME) reducing factor of 0.7619 applicable to SME's meeting the conditions set out in Article 501 of the CRR.*

Counterparty credit risk

Regulatory approach

CCR is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. It arises on derivative instruments and securities financing transactions held in both the banking and trading book. IBP applies the mark-to-market approach to calculate CCR.

Wrong-way risk

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 CCR resulting from transactions in traded products (such as 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.

CVA

CVA means an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty. This adjustment reflects the current market value of the credit risk of the counterparty to the bank but does not reflect the current market value of the credit risk of IBP to the counterparty. IBP uses the SA to calculate CVA risk on all OTC derivatives, but as per the CRR the group exempts transactions to non-financial counterparties and OTC derivatives cleared via central counterparties (CCPs) from CVA risk.

Table 25: Analysis of counterparty credit risk by approach^^

Ref^	£'million	Replacement cost/current market value	Potential future exposure	EAD post-CRM	RWA
	31 March 2020				
1	Mark to market	1 144	551	1 134	853
9	Financial collateral comprehensive method (for SFTs)			260	53
11	**Total**				**906**
	31 March 2019				
1	Mark to market	527	633	846	558
9	Financial collateral comprehensive method (for SFTs)			194	39
11	**Total**				**597**

Table 26: Analysis of capital requirements for CVA

		Exposure value	**RWAs**	Exposure value	RWAs
Ref^	**£'million**	**31 March 2020**		31 March 2019	
1	All portfolios subject to the standardised method	300	59	363	76
5	**Total subject to the CVA capital charge**	**300**	**59**	**363**	**76**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

^^ *This table excludes the CVA charge and exposures cleared through a CCP. Refer to table 26 and 27 for more information.*

Table 27: Analysis of exposures to CCPs

Ref^	£'million	EAD post-CRM 31 March 2020	RWAs 31 March 2020	EAD post-CRM 31 March 2019	RWAs 31 March 2019
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which:	311	9	386	11
3	(i) OTC derivatives	71	1	54	1
4	(ii) Exchange-traded derivatives	240	8	332	10
7	Segregated initial margin	177	3	76	2
8	Non-segregated initial margin	77	3	41	2
9	Prefunded default fund contributions	30	1	28	2

Table 28: Analysis of CCR exposures by regulatory portfolio and risk

		Risk weight								
Ref^	**£'million**	**0%**	**2%**	**4%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
	31 March 2020									
1	Central governments and central banks	14	–	–	–	–	–	–	–	14
3	Public sector entities	–	–	–	12	–	–	–	–	12
6	Institutions	–	339	226	485	170	–	1	–	1 221
7	Corporates	–	–	–	–	–	–	667	30	697
8	Retail	–	–	–	–	–	15	–	–	15
11	**Total**	**14**	**339**	**226**	**497**	**170**	**15**	**668**	**30**	**1 959**
	31 March 2019									
1	Central governments and central banks	2	–	–	–	–	–	–	–	2
6	Institutions	–	294	209	383	262	–	1	–	1 149
7	Corporates	–	–	–	–	–	–	372	8	380
8	Retail	–	–	–	–	–	8	–	–	8
11	**Total**	**2**	**294**	**209**	**387**	**262**	**8**	**373**	**8**	**1 543**

Table 29: Impact of netting and collateral held on exposures

Ref^	£'million	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure^^
	31 March 2020					
1	Derivatives	2 687	1 543	1 144	135	1 009
2	SFTs	2 477	–	2 477	2 217	260
4	**Total**	**5 164**	**1 543**	**3 621**	**2 352**	**1 269**
	31 March 2019					
1	Derivatives	1 400	891	509	139	370
2	SFTs	1 208	–	1 208	1 014	194
4	**Total**	**2 608**	**891**	**1 717**	**1 153**	**564**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*
^^ *The net credit exposure does not include potential future exposures.*

Table 30: Credit derivatives exposures

	Credit derivative hedges			
	Protection bought	**Protection sold**	Protection bought	Protection sold
£'million	**31 March 2020**		31 March 2019	
Notionals				
Single name credit default swaps	121	255	58	377
Index credit default swaps	–	18	20	20
Total return swaps	594	–	282	–
Total notionals	**715**	**273**	**360**	**397**
Positive fair value (assets)	12	1	1	6
Negative fair value (liability)	100	10	26	6

Market risk

Regulatory approach

For regulatory purposes, the trading book includes all positions in CRD financial instruments and commodities held by the firm with trading intent, or in order to hedge positions held with trading intent. A CRD financial instrument is defined as a contract that gives rise to both a financial asset of one party and a financial liability or equity of another party.

IBP maintains a trading book policy which defines the policies and procedures followed when determining which positions to include in the trading book for the purposes of calculating regulatory capital requirements. Positions which cannot be included in the trading book, will be assigned to the banking book and will attract capital requirements in line with this treatment. All trading book positions will be subject to prudent valuation standards. The group applies the Simplified Approach when calculating additional valuation adjustments to adjust the fair value of trading book assets to their prudent value.

The market risk capital requirement is calculated using the SA. For certain options, the bank has obtained an article 329 permission from the PRA to use an internal model to calculate the delta for these positions. In addition, the bank 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.

Table 31: Capital requirements for market risk

		RWAs	**Capital requirements**	RWAs	Capital requirements
Ref^	**£'million**	**31 March 2020**		31 March 2019	
	Outright products				
1	Interest rate risk (general and specific)	196	16	173	14
2	Equity risk (general and specific)	91	7	210	17
3	Foreign exchange risk	123	10	163	13
	Options				
7	Scenario approach	316	25	287	23
9	**Total**	**726**	**58**	**833**	**67**

^ *The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.*

Remuneration

The Pillar III qualitative and quantitative disclosures are included in the IBP Annual Report 2020. The information can be found in the Remuneration Report on pages 137 to 162.

Appendix A – CRR references

Significant subsidiaries are required to provide limited Pillar 3 disclosures. The below table lists only the requirements applicable to significant subsidiaries.

CRR ref	HIGH-LEVEL SUMMARY	COMPLIANCE REFERENCE
Own funds		
437(1)	Disclose the following information regarding own funds:	
437(1)(a)	full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	Tables 1 on page 7 and table 2 on pages 9 and 10.
437(1)(b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	Refer to 'Regulatory capital instruments' on page 12 and table 4 on pages14 and 15.
437(1)(c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Table 4 on pages 14 and 15.
437(1)(d)	Disclosure of the nature and amounts of the following:	Table 3 on pages 13.
437(1)(d)(i)	each prudential filter applied pursuant to Articles 32 to 35;	
437(1)(d)(ii)	each deduction made pursuant to Articles 36, 56 and 66;	
437(1)(d)(iii)	items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	
437(1)(e)	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	
437(1)(f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Not applicable
437(2)	EBA to publish implementation standards for points above.	The group follows the implementing standards.
Capital requirements		
438(a)	Summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities.	Refer to 'Capital adequacy and capital requirements on pages 11 and 12.
438(b)	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process.	This request has not been received from the regulator.
438(c)	Capital requirements for each Standardised approach credit risk exposure class.	Table 5 on page 16.
438(d)	Capital requirements for each Internal Ratings Based Approach credit risk exposure class.	Not applicable.
438(e)	Capital requirements for market risk or settlement risk.	Table 5 on page 16.
438(f)	Capital requirements for operational risk, separately for the Basic Indicator Approach, the Standardised Approach, and the Advanced Measurement Approaches as applicable.	
438(end note)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	Not applicable.

Appendix A – CRR references *(continued)*

CRR ref	HIGH-LEVEL SUMMARY	COMPLIANCE REFERENCE
Capital requirements *(continued)*		
440(1)(a)	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer.	Refer to table 9 on page 20.
440(1)(b)	The amount of its institution specific countercyclical capital buffer.	Refer to table 10 on page 21.
440(2)	EBA to publish technical standards specifying the disclosure requirements above.	The group follows the technical standards.
Credit risk adjustments		
442(a)	The definitions for accounting purposes of 'past due' and 'impaired'.	Refer to 'definition of default' on page 24.
442(b)	A description of the approaches and methods adopted for determining specific and general credit risk adjustments.	Refer to 'Credit risk adjustments' on page 24.
442(c)	Disclosure of pre-CRM EAD by exposure class.	Refer to table 11 on page 21.
442(d)	Disclosure of pre-CRM EAD by geography and exposure class.	Refer to table 12 on page 22.
442(e)	Disclosure of pre-CRM EAD by industry and exposure class.	Refer to table 13 on page 23.
442(f)	Disclosure of pre-CRM EAD by residual maturity and exposure class.	Refer to table 14 on page 24.
442(g)	Breakdown of impaired, past due, specific and general credit risk adjustments, and impairment charges for the period, by industry or counterparty type.	Refer to table 15 and 16 on pages 26 and 27. We have also included table 18 on page 28 and table 21 on page 29 to supplement the disclosures.
442(h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	Refer to table 17 on page 27. We have also included table 18 on page 28 and table 21 on page 29 to supplement the disclosures.
442(i)	Reconciliation of changes in specific and general credit risk adjustments for impaired exposures.	Refer to table 19 and 20 on page 28.
442 (endnote)	Specific credit risk adjustments recorded to income statement are disclosed separately.	
Remuneration policy		
450	Remuneration disclosures	Refer to the Remuneration Report included in the IBP Annual Report 2020 pages 137 to 162.
Leverage		
451(1)(a) 451(1)(b)		
451(1)(c)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	Refer to tables 6 to 8 on pages 17 – 19.
451(1)(d) 451(1)(e)	Description of the processes used to manage the risk of excessive leverage, and factors that impacted the leverage ratio during the year.	Refer to 'Leverage ratio' on page 17.
451(2)	EBA to publish technical standards specifying the uniform disclosure templates for the requirements above.	IBP applies with the standards.

Appendix A – CRR references *(continued)*

CRR ref	HIGH-LEVEL SUMMARY	COMPLIANCE REFERENCE
Use of credit risk mitigation techniques		
453(a)	Policies and processes for use of on and off-balance sheet netting.	Refer to 'Collateral' on page 30.
453(b)	Policies and processes for collateral valuation and management.	Refer to 'Collateral' on page 30.
453(c)	A description of the main types of collateral taken by the institution.	Refer to 'Collateral' on page 30.
453(d)	The main types of guarantor and credit derivative counterparty and their creditworthiness.	Refer to 'Collateral' on page 30.
453(e)	Market or credit risk concentrations within risk mitigation exposures.	Refer to 'Concentration risk' and 'Country risk' on page 41 of the IBP Annual Report 2020.
453(f)	Standardised or Foundation IRB Approach, exposure value covered by eligible collateral.	Refer to table 22 on page 31.
453(g)	Exposures covered by guarantees or credit derivatives.	Refer to table 22 on page 31.